




Recent changes in Schedule III & CARO

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Schedule III (Division I, II & III)

Applicability of Division I, II and III

	Division I	Division II	Division III
Applicability	Company / NBFC whose Financial Statements are required to comply with Companies (Accounting Standards) Rules, 2006.	Company whose Financial Statements are required to comply with Companies (Indian Accounting Standards) Rules, 2015.	NBFC whose Financial Statements are required to comply with Companies (Indian Accounting Standards) Rules, 2015.
Inclusion	<ol style="list-style-type: none"> 1. Balance Sheet 2. Statement of Profit and Loss 3. Cash Flow Statement 4. Notes comprising a summary of significant accounting policies and other explanatory information 	<ol style="list-style-type: none"> 1. Balance Sheet 2. Statement of Changes in Equity 3. Statement of Profit and Loss 4. Cash Flow Statement 5. Notes comprising a summary of significant accounting policies and other explanatory information 6. A balance as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its Financial Statements, or when it reclassifies items in its Financial Statements. 7. Statement of Profit and Loss shall include profit or loss for the period and Other Comprehensive Income for the period. 	<ol style="list-style-type: none"> 1. Balance Sheet 2. Statement of Changes in Equity 3. Statement of Profit and Loss 4. Cash Flow Statement 5. Notes comprising a summary of significant accounting policies and other explanatory information 6. A balance as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its Financial Statements, or when it reclassifies items in its Financial Statements. 7. Statement of Profit and Loss shall include profit or loss for the period and Other Comprehensive Income for the period.

Background



- » The Ministry of Corporate Affairs (MCA) issued notification G.S.R. 207(E) dated 24th March 2021 amending Schedule III to the Companies Act, 2013 for financial year commencing on or after 1st April 2021.
- » It incorporates various additional disclosure requirements to be complied with while preparing financial statements.
- » Majority of the amendments to Schedule III are to align with CARO 2020.
- » Since amended Schedule III is effective from 1st April 2021, the interim financial information reporting also need to be in compliance with amended Schedule III.
- » The ICAI has, in January, 2022, revised:
 - » Guidance Note on Division I – Non Ind AS Schedule III to the Companies Act, 2013
 - » Guidance Note on Division II - Ind AS Schedule III to the Companies Act 2013
 - » GN on Division III – Schedule III to the Companies Act 2013 for NBFC that is required to comply with Ind AS

Mandatory Rounding off

- » It is now compulsory to apply rounding off and a company cannot continue to disclose full figure:

Division I

Total income <Rs. 100 Crores	Round off to the nearest hundreds, thousands, lakhs or millions or decimal thereof
Total income >Rs. 100 Crores	Round off to the nearest lakhs, millions or crores, or decimal thereof

- » Total income to be considered instead of Turnover.

Division I

Division II

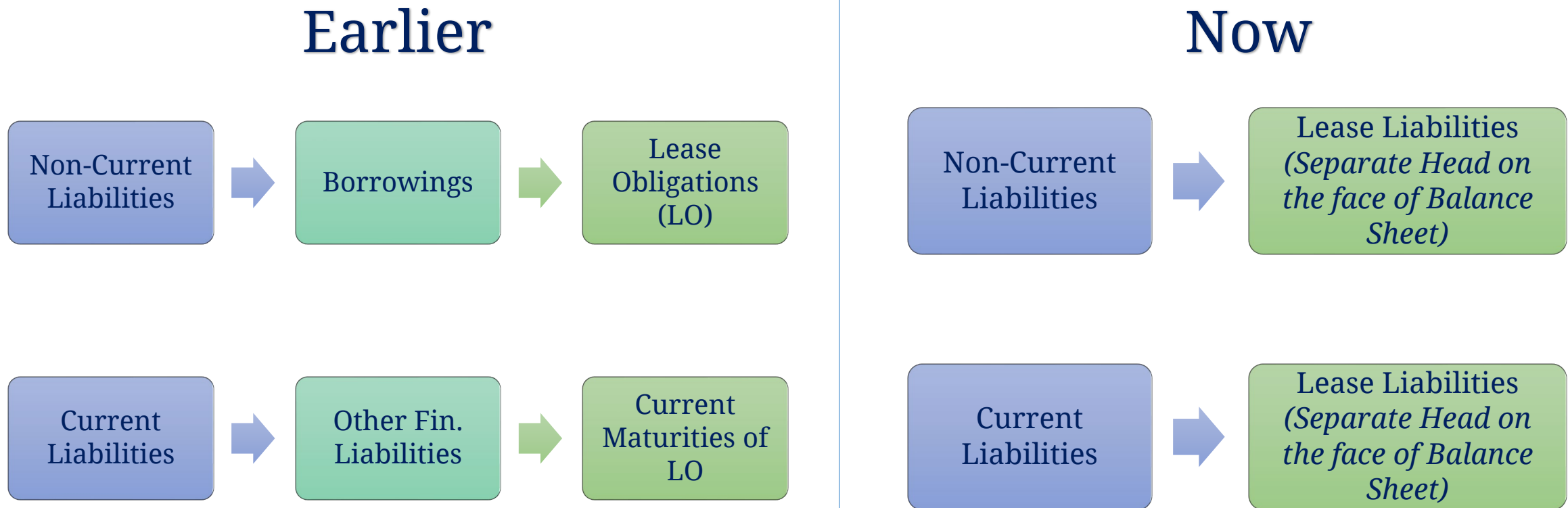
Balance Sheet

	Particulars	Note No	Figures as at the end of (Current reporting period) (in Rs.) <u>(DD/MM/YYYY)</u>	Figures as at the end of (Previous reporting period) (in Rs.) <u>(DD/MM/YYYY)</u>
II.	ASSETS			
(1)	Non Current Assets			
	(a) Property, Plant and Equipment and Intangible Assets			
	(i) Tangible assets Property, Plant and Equipment			
	(ii) Intangible assets			
	(iii) Capital work-in progress			
	(iv) Intangible assets under development			

Balance Sheet

	Particulars	Note No	Figures as at the end of (Current reporting period) (in Rs.) <u>(DD/MM/YYYY)</u>	Figures as at the end of (Previous reporting period) (in Rs.) <u>(DD/MM/YYYY)</u>
	EQUITY AND LIABILITIES			
(1)	Liabilities			
	Non-current Liabilities			
	(a) Financial Liabilities			
	(ia) Lease Liabilities			
(2)	Current Liabilities			
	(a) Financial Liabilities			
	(ia) Lease Liabilities			

Lease Liabilities



Ind AS requires disclosure of lease liabilities separately from other liabilities. The amendment in Schedule III has been introduced in order to maintain uniformity in relation to presentation and disclosure requirement of Ind AS 116.

Statement of Changes in Equity

Division II

Division III

Balance at the beginning of the current reporting period	Changes in Equity Share Capital due to prior period errors	Restated balance at the beginning of the current reporting period	Changes in equity share capital during the current year	Balance at the end of the current reporting period

- » Changes in equity share capital due to prior period errors & restated balance at the beginning of current reporting period.
- » The entire disclosure for equity is to be given for previous period as well.
- » Re-measurement of defined benefit plans and fair value changes relating to own credit risk of financial liabilities designated at fair value through profit or loss shall be recognised as a part of retained earnings with separate disclosure of such items along with the relevant amounts in the Notes or shall be shown as a separate column under Reserves and Surplus.
- » A description of the nature and purpose of each reserve under Other Reserves shall be disclosed.

Disclosure of Promoters' Shareholding

Division I

Division II

Division III

Shares held by promoters at the end of the year				% Change during the year
S. No.	Promoter name	No. of Shares	%of total shares	
Total				

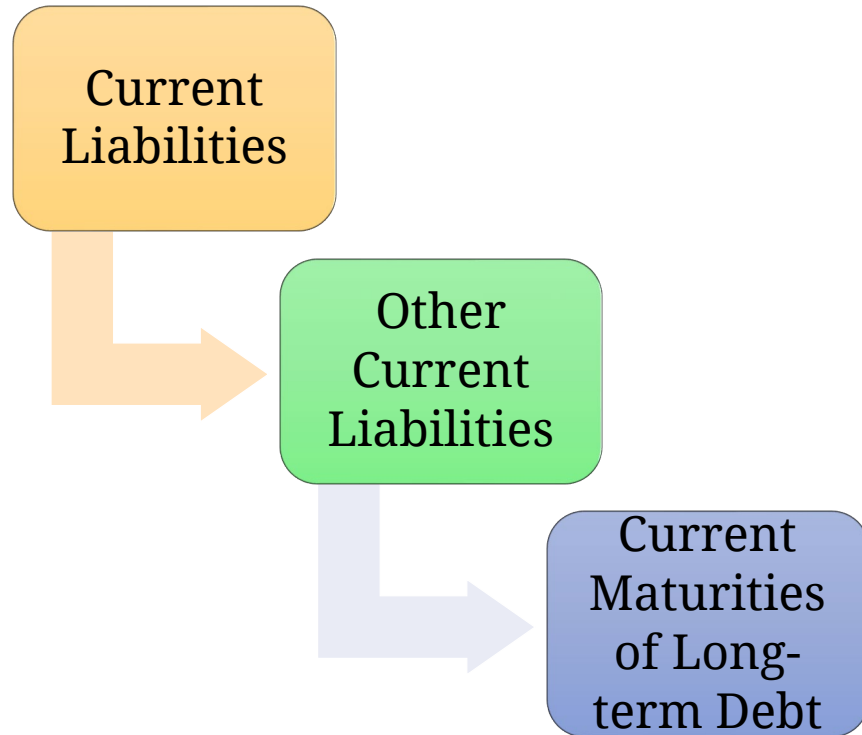
- » Details shall be given separately for each class of shares.
- » % change shall be computed with respect to the number at the beginning of the year or if issued during the year for the first time then with respect to the date of issue.
- » Companies should also disclose number and % of shares at the beginning of the year as additional columns in order to facilitate an understanding of the % change during the year.
- » As per Section 2(69) of the Act “promoter” means a person—
 - (a) who has been named as such in a prospectus or is identified by the company in the annual return referred to in section 92; or
 - (b) who has control over the affairs of the company, directly or indirectly whether as a shareholder, director or otherwise; or
 - (c) in accordance with whose advice, directions or instructions the Board of Directors of the company is accustomed to act (other than a person who is acting merely in a professional capacity)

Current maturities of long term debt

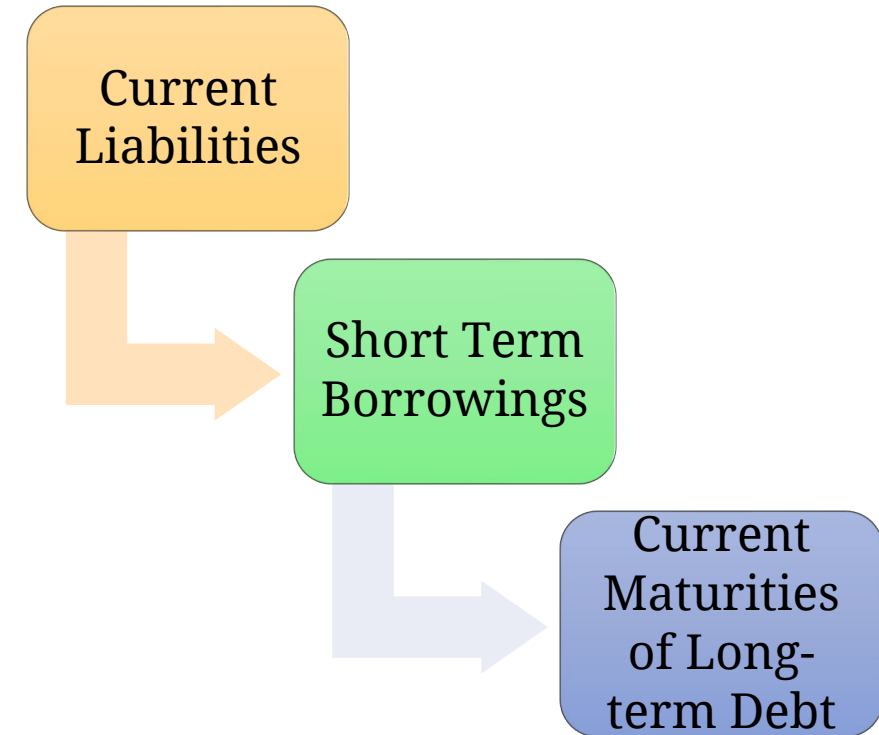
Division I

Division II

Earlier



Now



Current Maturities of long-term debt shall be disclosed under “Current Borrowings” instead of “Other Financial Liabilities”.

Trade Payables ageing schedule

Division I

Division II

Division III

Particulars	Outstanding for following periods from due date of payment				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
i) MSME					
ii) Others					
iii) Disputed Dues - MSME					
iv) Disputed Dues -Others					

- » To match 'total' column with the financial statements or notes, two additional columns 'Unbilled' and 'Not due' shall be added before the ageing columns. The ageing requirement shall not apply to these trade payables not due for payment.
- » If due date is not specified / agreed, then the disclosure needs to be prepared from the transaction date. Transaction date shall be the date on which the liability is recognised in the books of account as per applicable standards.
- » If due date is re-negotiated / invoice is revised, due date shall be considered from original due date or revised due date as per the agreed terms between buyer and seller.

- » A reconciliation of the gross and net carrying amounts of each class of assets at the beginning and end of the reporting period showing
 - » additions,
 - » disposals,
 - » acquisitions through business combinations,
 - » amount of change due to revaluation (if change is 10% or more in the aggregate of the net carrying value of each class of Property, Plant and Equipment) and
 - » other adjustments - (i) capitalization of exchange differences where such option has been exercised by the Company as per AS-11 The Effects of Changes in Foreign Exchange Rates (ii) adjustments on account of exchange fluctuations for Property, Plant and Equipment in case of non-integral operations as per AS-11 (iii) borrowing costs capitalised in accordance with AS-16 Borrowing Costs)
- and the related depreciation and impairment losses/reversals shall be disclosed separately.

- Para 81 of AS 10 (Revised) requires reconciliation of the carrying amount at the beginning and end of the period showing increases or decreases resulting from revaluations, irrespective of the % change.
- Accordingly, separate presentation of the amount of change due to revaluation should be continued, irrespective of whether such a change is 10% or more

Disclosure for Intangible assets

Division I

Division II

Division III

- » A reconciliation of the gross and net carrying amounts of each class of assets at the beginning and end of the reporting period showing
 - » additions,
 - » disposals,
 - » acquisitions through business combinations,
 - » amount of change due to revaluation (if change is 10% or more in the aggregate of the net carrying value of each class of intangible assets) and
 - » other adjustments

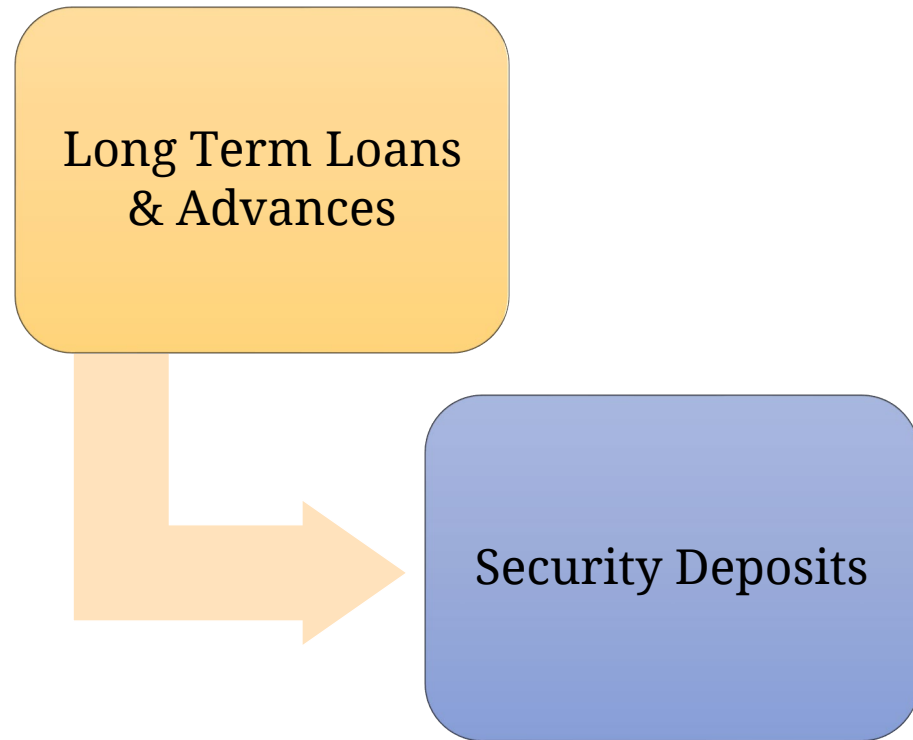
AS 26 *Intangible Assets* does not permit revaluation of intangible assets

and the related depreciation and impairment losses or reversals shall be disclosed separately.

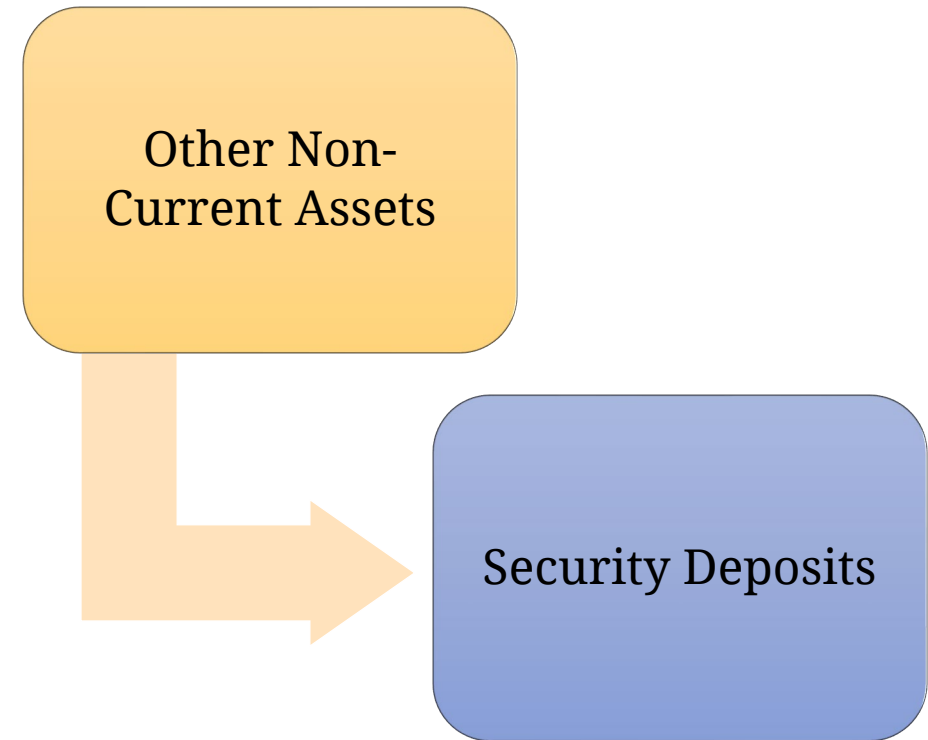
Amortisation

Security Deposits

Earlier



Now



Security Deposits shall be disclosed under “Other Non-Current Assets” instead of “Long Term Loans & Advances”.

Security Deposits

Earlier

Loans

Security Deposits

Loans to Related party

Other Loans

Now

Other Financial Assets

Security Deposits

Bank deposits with more than 12 months maturity

Others (to be specified)

Security deposits shall now be disclosed under “Other Financial Assets” instead of “Loans”.

Trade Receivables ageing schedule

Division I

Division II

Division III

Particulars	Outstanding for following periods from due date of payment					Total
	Less than 6 months	6 months-1 year	1-2 years	2-3 years	More than 3 years	
i) Undisputed Trade receivables – considered good						
ii) Undisputed Trade Receivables – which have significant increase in credit risk						
iii) Undisputed Trade Receivables – credit impaired						
iv) Disputed Trade Receivables – considered good						
v) Disputed Trade Receivables – which have significant increase in credit risk						
vi) Disputed Trade Receivables – credit impaired						

Trade Receivables ageing schedule

Division I

Division II

Division III

- » To match 'total' column with the financial statements or notes, two additional columns 'Unbilled' and 'Not due' shall be added before the ageing columns. The ageing requirement shall not apply to these trade receivables not due for payment.
- » If due date is not specified / agreed, then the disclosure needs to be prepared from the transaction date. Transaction date shall be the date on which the entity's right to consideration is unconditional and is recognised in the books of account as per applicable accounting standards.
- » Dispute means a disagreement between two parties demonstrated by some positive evidence which supports or corroborates the fact of disagreement. However, a dispute might not always be an indicator of counterparty's credit risk and vice-versa. Hence, both of these should be evaluated independently for the purpose of making these disclosures.

Trade Receivables amount matching

Division I

Division II

Division III

New Disclosure requirements	Sub-classification
Undisputed Trade receivables – considered good + Disputed Trade Receivables – considered good	Secured, considered good + Unsecured, considered good
Undisputed Trade Receivables – which have significant increase in credit risk + Disputed Trade Receivables – which have significant increase in credit risk	Doubtful / significant increase in credit risk
Undisputed Trade Receivables – credit impaired + Disputed Trade Receivables – credit impaired	Allowance for doubtful debts / credit impaired

Other changes to Balance Sheet

» Where the company has not used the borrowings from banks and financial institutions for the specific purpose for which it was taken at the balance sheet date, the company shall disclose the details of where they have been used.

Division I

Division II

Division III

~~» Every company shall disclose the details of Specified Bank Notes ('SBN') held and transacted during the period 8th November, 2016 to 30th December, 2016 as provided in the following table:~~

» If, in the opinion of the Board, any of the assets other than Property, Plant and Equipment, **Intangible Assets** and non-current investments do not have a value on realization in the ordinary course of business at least equal to the amount at which they are stated, the fact that the Board is of that opinion, shall be stated.

Division I

Valuation by Registered Valuer



» Where the Company has revalued its Property, Plant and Equipment, the company shall disclose as to whether the revaluation is based on the valuation by a registered valuer as defined under rule 2 of the Companies (Registered Valuers and Valuation) Rules, 2017.

Division I

» Whether the following is based on the valuation by a registered valuer as defined under rule 2 of Companies (Registered Valuers and Valuation) Rules, 2017:

Division II

» fair value of investment property (as measured for disclosure purposes in the financial statements).

Division III

» revaluation of its Property, Plant and Equipment (including Right-of-Use Assets)

» Revaluation of its intangible assets

Title of Immovable Properties

Division I

Division II

Division III

Details of all immovable property (other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee) whose title deeds are not held in the name of the company and where such immovable property is jointly held with others, details are required to be given to the extent of the company's share.

Relevant line item in the Balance sheet	Description of item of property	Gross carrying value	Title deeds held in the name of	Whether title deed holder is a promoter, director or relative of promoter/director or employee of promoter/director	Property held since which date	Reason for not being held in the name of the company (also indicate if in dispute)
PPE	Land					
	Building					
Investment Property	Land					
	Building					
Non-current Asset held for sale	Land					
	Building					
Others						

Type of Borrower	Amount of loan or advance in the nature of loan outstanding	Percentage to the total Loans and Advances in the nature of loans
Promoter		
Directors		
KMPs		
Related Parties		

- » Details of amount in respect of loans or advances in the nature of loans either repayable on demand or without specifying any terms or period of repayment granted to promoters, directors, KMPs and related parties to be disclosed.
- » Whether an advance is in the nature of a loan would depend upon the facts and circumstances of each case.
- » Relationship should be considered on the date of loan and the amount should be outstanding as at the balance sheet date.
- » Amount outstanding should be the gross carrying amount (without netting the provision for doubtful debts or impairment loss allowance).
- » A normal advance against an order, in accordance with the normal trade practice would not be an advance in the nature of a loan.

CWIP	Amount of CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
i) Projects in Progress					
ii) Projects temporarily suspended					

- » The disclosure is not required to be presented at an asset/project level.
- » The total amount presented in this disclosure should tally with the total amount of CWIP as presented in the financial statements.
- » Disclosure shall be applicable for investment property under development.
- » The ageing for an item of CWIP shall be determined from the date of its initial recognition to the date of balance sheet.
- » For a single asset/project, ageing for the total amount of CWIP may fall into different ageing buckets as at a particular balance sheet date.
- » The classification needs to be evaluated at each reporting date. Any change in status during the reporting period or any time after end of the reporting period will not change the classification of assets/projects for above disclosure purposes.

CWIP Completion Schedule

Division I

Division II

Division III

CWIP	To be completed in			
	Less than 1 year	1-2 years	2-3 years	More than 3 years
i) Project 1				
ii) Project 2				

- » Details to be given for CWIP whose completion is overdue or has exceeded its cost compared to its original plan. Such assessment needs to be done at each reporting date.
- » A company's 'original plan' shall be considered as that plan which is approved by the relevant approving authority and on the basis of which implementation progress is evaluated.
- » When plans are subsequently revisited and revised, same should not be considered for determining variation when making above disclosures unless such revisions in the plans are in the nature of a fresh 'Original Plan'.
- » Details of projects where activity has been suspended shall be separately given.
- » Projects that are not considered as material at an individual level can be aggregated.
- » The prescribed format requires a disclosure for both categories (exceeded cost or timelines) on a combined basis. However, the company may choose to provide disclosure for each trigger separately.

Intangible Assets under Development

Division I

Division II

Division III

Intangible Assets under Development	Amount of Intangible Assets under Development for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
i) Projects in Progress					
ii) Projects temporarily suspended					

Intangible Assets under Development	To be completed in			
	Less than 1 year	1-2 years	2-3 years	More than 3 years
i) Project 1				
ii) Project 2				

- » All comments mentioned in preceding slides for a similar disclosure of capital work-in-progress to the extent applicable to Intangible Assets under Development are applicable here also.

- » Where any proceedings have been initiated or pending against the company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and the rules made thereunder, the company shall disclose the following:

Details	Books of account	Proceedings
<ul style="list-style-type: none">• Details of such property• Year of acquisition• Amount thereof• Details of Beneficiaries (viz., name, registered address, government identification number (PAN, Aadhar Card, SSN, CIN, etc) and relationship with company	<ul style="list-style-type: none">• If Property is in the Books, reference to the item in Balance Sheet• If Property is not in Books, then the fact shall be stated with reasons	<ul style="list-style-type: none">• Whether Company is acting as an abettor or transferor (details like Initiating Officer, date of show-cause notice)• Nature of proceedings (whether it involves an attachment, adjudication and/or confiscation of property)• Status and company's view

- » The name of the aforesaid Act has been changed to Prohibition of Benami Property Transactions Act, 1988 in the year 2016.

Borrowings on security of current assets

Division I

Division II

Division III

- » Where Company has **borrowings on the basis of security** of Current Assets, whether **quarterly returns or statement filed are in agreement with books**. If not, reconciliations & reasons of discrepancies.
- » Disclosure to be made if the company has borrowings ‘during any point of time of the year’.
- » The Company shall provide this disclosure considering the sanctioned borrowings even if the same is unutilized during the period or as at the end of the reporting period.
- » Both fund based and non-fund based credit facilities availed by the Company shall be included for the purpose of this disclosure.
- » Although company may be submitting monthly returns/statements to the lenders, reporting under this clause is confined to the quarterly returns/statements only.
- » The disclosure is required even in case borrowings have been availed based on security of current assets of other companies/entities within the same Group.
- » Illustrative format for disclosure has been provided in ICAI GN.

- » Where Company is a **declared wilful defaulter** by any bank/ financial Institution/ other lender, disclosure of
 - » Date of declaration
 - » Details of defaults (amount and nature)
- » The term 'lender' covers all banks/financial institutions to which any amount is due, provided it is arising on account of any banking transaction, including off balance sheet transactions such as derivatives, guarantee and letter of credit.
- » Events upto date of approval of financial statements should be considered for disclosure under this clause.i.e. adoption of the financial statements.

Relationship with Struck off Companies

Division I

Division II

Division III

Name of the struck off company	Nature of transactions with struck off company	Balance outstanding as at current period	Relationship with the struck off company, if any, to be disclosed	Balance outstanding as at previous period	Relationship with the struck off company, if any, to be disclosed
	Investment in securities				
	Receivables				
	Payables				
	Shares held by struck off company				
	Other outstanding balances (to be specified)				

- » Information is available vide public notice (Form No. STK-7) u/s 248 of the Act.
- » Gross carrying amount (without netting the provision for doubtful debts or impairment loss allowance) to be disclosed.
- » If there are transactions with a struck off company during a financial year but the balance outstanding is NIL, those transactions are required to be disclosed.

- » **Charges / Satisfaction yet to be registered with ROC** beyond the statutory period along with details and reasons thereof
- » Where Company has not complied with **number of layers prescribed under Section 2(87) of the Act**, the name & CIN of such layer of companies along with relationship / extent of holding.

Analytical ratios

Division I

Division II

Division III

- | | | | |
|---------------------------------|--------------------------------------|--------------------------------|-------------|
| (a) Current ratio | (e) Inventory turnover ratio | (i) Net profit ratio | Division I |
| (b) Debt-equity ratio | (f) Trade receivables turnover ratio | (j) Return on capital employed | Division II |
| (c) Debt service coverage ratio | (g) Trade payables turnover ratio | (k) Return on investment | |
| (d) Return on equity ratio | (h) Net capital turnover ratio | | |

- | | | | |
|--|------------------|------------------------------|--------------|
| (a) Capital to risk-weighted assets ratio (CRAR) | (b) Tier I CRAR | (d) Liquidity Coverage Ratio | Division III |
| | (c) Tier II CRAR | | |

- » The items that are considered as part of the numerator and denominator should be such that a reference to the respective line item in the financial statements or notes could be easily drawn and should be consistent for the periods presented and with the industry practice.
- » Any change in the current period in relation to any item in the numerator or denominator for any ratio, then the same change shall be made for the comparative period as well and a footnote shall be added to explain the change in the item along with the reason thereof.
- » There may be a need to factor in company-specific and sector-specific nuances that may require necessary modifications to the reference considered.

Analytical ratios

- » Explanation shall be provided for any change in the ratio by more than 25% as compared to the ratio of preceding year.

Ratio	Numerator	Denominator	Current Period	Previous Period	% Variance	Reason for variance
Current Ratio						
Debt-equity ratio						
.						
.						
.						
Return on capital employed						
Return on investment						

Annexure B to Guidance Note on Schedule III includes examples of analytical ratios.

- » Where any Scheme of Arrangements has been approved by the Competent Authority in terms of sections 230 to 237 of the Companies Act, 2013, the company shall disclose that the effect of such Scheme of Arrangements have been accounted for in the books of account of the Company 'in accordance with the Scheme' and 'in accordance with accounting standards' and deviation in this regard shall be explained.
- » This requirement shall be applicable for schemes that have been approved earlier and have an ongoing accounting impact as on the date of current or comparative period financial statements where such requirements are applied.
- » Section 232 of the Companies Act, 2013 contains requirement that no compromise or arrangement shall be sanctioned by the competent authority unless a certificate by the company's auditor has been filed to the effect that the accounting treatment, if any, proposed in the scheme of compromise or arrangement is in conformity with the accounting standards prescribed under section 133 of the Companies Act, 2013.

Utilisation of Borrowed funds & share premium

Where Company has **Advanced/ Loaned/ Invested** to any other person or entity, incl. foreign entities with the understanding (recorded or otherwise) that the **Intermediary** shall

Lend or invest in **Ultimate Beneficiaries**

Provide Guarantee/ Security/ etc. on behalf of **Ultimate Beneficiaries**

Where Company has **Received** from any other person or entity, incl. foreign entities with the understanding (recorded or otherwise) that the **Company** shall

Lend or invest in **Ultimate Beneficiaries**

Provide Guarantee/ Security/ etc. on behalf of **Ultimate Beneficiaries**

Following disclosure shall be required::

- ✓ Date and amount of fund advanced or loaned or invested in Intermediaries with complete details of each Intermediary / fund received from Funding parties with complete details of each Funding party.
- ✓ Date and amount of fund further advanced or loaned or invested by such Intermediaries to other intermediaries or Ultimate Beneficiaries along with complete details of the ultimate beneficiaries.
- ✓ Date & Amount of Guarantee, Security, etc. provided to or on behalf of the Ultimate Beneficiaries
- ✓ Declaration that provisions of FEMA & Co. Act complied and transactions do not violate the Prevention of Money-Laundering Act.

- » Transactions that do not take place directly between the company and the ultimate beneficiary but are camouflaged by including a pass-through entity in order to hide the ultimate beneficiary. The pass-through entity acts on the instructions of the company.
- » The company may restrict to disclose only the pass through transactions during the current year i.e. for the funds received on or after 01.4.2021 and the amounts unutilized as on 01.04.2021 which are now utilized in the current year.

Statement of Profit & Loss

Division I

	Particulars	Note No	Figures as at the end of (Current reporting period) (in Rs.) <u>(DD/MM/YYYY)</u>	Figures as at the end of (Previous reporting period) (in Rs.) <u>(DD/MM/YYYY)</u>
I.	Revenue from operations			
II.	Other income			
III.	Total Revenue Revenue Income (I + II)			

2. (A) In respect of a company other than a finance company revenue from operations shall disclose separately in the notes revenue from

(a) sale of products;

(b) sale of services;

(ba) Grants or donations received (relevant in case of section 8 company)

(c) other operating revenues;

Undisclosed income

- » Details of any transaction not recorded in the books of accounts that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income Tax Act, 1961), unless there is immunity for disclosure under any scheme.
- » The company shall also state whether the previously unrecorded income and related assets have been properly recorded in the books of account during the year.
- » The words surrendered or disclosed which implies that the company must have voluntarily admitted to the addition of such income, which can be demonstrated on the basis of the returns filed by the company.
- » Where the addition is made by the income tax authorities and the company has disputed such additions, reporting under this clause is not applicable.
- » In case a Statement has been retracted on the ground that such disclosure was obtained under force, coercion, etc. the income cannot be treated as surrendered or disclosed by the company.

- » Where the company covered under section 135 of the companies act, the following shall be disclosed with regard to CSR activities:-
 - (a) amount required to be spent by the company during the year,
 - (b) amount of expenditure incurred,
 - (c) shortfall at the end of the year,
 - (d) total of previous years shortfall,
 - (e) reason for shortfall,
 - (f) nature of CSR activities,
 - (g) details of related party transactions, e.g., contribution to a trust controlled by the company in relation to CSR expenditure as per relevant Accounting Standard,
 - (h) where a provision is made with respect to a liability incurred by entering into a contractual obligation, the movements in the provision during the year should be shown separately.
- » The Guidance Note on Accounting for Expenditure on Corporate Social Responsibility Activities issued also contains some of the above disclosure requirements.

- » Where the company has traded or invested in Crypto Currency or Virtual Currency during the financial year, the following shall be disclosed:
 - (a) profit or loss on transactions involving Crypto Currency or Virtual Currency;
 - (b) amount of currency held as at the reporting date;
 - (c) deposits or advances from any person for the purpose of trading or investing in Crypto Currency / Virtual Currency.



Companies (Auditor's Report) Order, 2020



Background

- » The Ministry of Corporate Affairs (MCA) issued Companies (Auditor's Report) Order, 2020 (CARO 2020) applicable for each report issued by auditors of specified class of companies under section 143 of the Companies Act, 2013 for financial year commencing on or after 1st April 2021.
- » CARO 2020 includes several new clauses and has revised certain existing clauses of CARO 2016.
- » The new CARO has increased the reporting requirements for auditors and greater onus on companies to share information.
- » ICAI Guidance Note on The Companies (Auditor's Report) Order, 2020.
- » Few companies exempted under CARO 2020 (Banking Company, Insurance Company, Companies licensed to operate under section 8 , One Person Company, Small Company, Private company with specific conditions).

Clause 1 : Reporting on Property, Plant and Equipment's and Intangible Assets

	CARO 2016		CARO 2020
i (a)	Whether the company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets	i (a) (A)	Whether the company is maintaining proper records showing full particulars, including quantitative details and situation of Property, Plant and Equipment
		i (a) (B)	Whether the company is maintaining proper records showing full particulars of intangible assets
i (b)	whether these fixed assets have been physically verified by the management at reasonable intervals; whether any material discrepancies were noticed on such verification and if so, whether the same have been properly dealt with in the books of account	i (b)	whether these Property, Plant and Equipment have been physically verified by the management at reasonable intervals; whether any material discrepancies were noticed on such verification and if so, whether the same have been properly dealt with in the books of account

Clause 1 : Reporting on Property, Plant and Equipment's and Intangible Assets

	CARO 2016		CARO 2020
i (c)	whether the title deeds of immovable properties are held in the name of the company. If not, provide the details thereof	i (c)	<p>whether the title deeds of all the immovable properties (other than properties where the company is the lessee and the lease agreements are duly executed in favour of the lessee) disclosed in the financial statements are held in the name of the company, if not, provide the details thereof in the format below:</p> <ul style="list-style-type: none"> - Description of property - Gross carrying value - Asset held in name of - Whether held in name of promoter, director or their relative or employee - Period during which it was not held in name of the Company - Reason for not being held in name of company - Where ownership of the Asset is in dispute, details of such dispute

Clause 1 : Reporting on Property, Plant and Equipment's and Intangible Assets

CARO 2016		CARO 2020
		i (d) whether the company has revalued its Property, Plant and Equipment (including Right of Use assets) or intangible assets or both during the year and, if so, whether the revaluation is based on the valuation by a Registered Valuer; specify the amount of change, if change is 10% or more in the aggregate of the net carrying value of each class of Property, Plant and Equipment or intangible assets
		i (e) whether any proceedings have been initiated or are pending against the company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder, if so, whether the company has appropriately disclosed the details in its financial statements

Clause 2 : Reporting on Inventory

	CARO 2016		CARO 2020
ii.	whether physical verification of inventory has been conducted at reasonable intervals by the management and whether any material discrepancies were noticed and if so, whether they have been properly dealt with in the books of account	ii (a)	whether physical verification of inventory has been conducted at reasonable intervals by the management and whether, in the opinion of the auditor, the coverage and procedure of such verification by the management is appropriate; whether any discrepancies of 10% or more in the aggregate for each class of inventory were noticed and if so, whether they have been properly dealt with in the books of account
		ii (b)	whether during any point of time of the year, the company has been sanctioned working capital limits in excess of five crore rupees, in aggregate, from banks or financial institutions on the basis of security of current assets; whether the quarterly returns or statements filed by the company with such banks or financial institutions are in agreement with the books of account of the Company, if not, give details

Clause 3 : Reporting on Loans, Investments, Guarantees, Securities and Advances in nature of Loan

	CARO 2016		CARO 2020
iii.	whether the company has granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. If so,	iii	whether during the year the company has made investments in, provided any guarantee or security or granted any loans or advances in the nature of loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or any other parties, if so
		iii (a)	whether during the year the company has provided loans or provided advances in the nature of loans, or stood guarantee, or provided security to any other entity [not applicable to companies whose principal business is to give loans], if so, indicate-
			the aggregate amount during the year, and balance outstanding at the balance sheet date with respect to such loans or advances and guarantees or security to subsidiaries, joint ventures and associates
			the aggregate amount during the year, and balance outstanding at the balance sheet date with respect to such loans or advances and guarantees or security to parties other than subsidiaries, joint ventures and associates

Clause 3 : Reporting on Loans, Investments, Guarantees, Securities and Advances in nature of Loan

	CARO 2016		CARO 2020
iii (a)	whether the terms and conditions of the grant of such loans are not prejudicial to the company's interest	iii (b)	whether the investments made, guarantees provided, security given and the terms and conditions of the grant of all loans and advances in the nature of loans and guarantees provided are not prejudicial to the company's interest
iii (b)	whether the schedule of repayment of principal and payment of interest has been stipulated and whether the repayments or receipts are regular	iii (c)	in respect of loans and advances in the nature of loans, whether the schedule of repayment of principal and payment of interest has been stipulated and whether the repayments or receipts are regular
iii (c)	if the amount is overdue, state the total amount overdue for more than ninety days, and whether reasonable steps have been taken by the company for recovery of the principal and interest	iii (d)	if the amount is overdue, state the total amount overdue for more than ninety days, and whether reasonable steps have been taken by the company for recovery of the principal and interest

Clause 3 : Reporting on Loans, Investments, Guarantees, Securities and Advances in nature of Loan

CARO 2016		CARO 2020
	iii (e)	whether any loan or advance in the nature of loan granted which has fallen due during the year, has been renewed or extended or fresh loans granted to settle the overdues of existing loans given to the same parties, if so, specify the aggregate amount of such dues renewed or extended or settled by fresh loans and the percentage of the aggregate to the total loans or advances in the nature of loans granted during the year [not applicable to companies whose principal business is to give loans
	iii (f)	whether the company has granted any loans or advances in the nature of loans either repayable on demand or without specifying any terms or period of repayment, if so, specify the aggregate amount, percentage thereof to the total loans granted, aggregate amount of loans granted to Promoters, related parties as defined in clause (76) of section 2 of the Companies Act, 2013

Clause 7 : Reporting on Payment of Statutory Dues

	CARO 2016		CARO 2020
vii (a)	whether the company is regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues to the appropriate authorities and if not, the extent of the arrears of outstanding statutory dues as on the last day of the financial year concerned for a period of more than six months from the date they became payable, shall be indicated	vii (a)	whether the company is regular in depositing undisputed statutory dues including Goods and Service Tax , provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues to the appropriate authorities and if not, the extent of the arrears of outstanding statutory dues as on the last day of the financial year concerned for a period of more than six months from the date they became payable, shall be indicated
vii (b)	where dues of income tax or sales tax or service tax or duty of customs or duty of excise or value added tax have not been deposited on account of any dispute, then the amounts involved and the forum where dispute is pending shall be mentioned. (A mere representation to the concerned Department shall not be treated as a dispute)	vii (b)	where statutory dues referred to in sub-clause (a) have not been deposited on account of any dispute, then the amounts involved and the forum where dispute is pending shall be mentioned. (a mere representation to the concerned Department shall not be treated as a dispute)

Clause 8 : Reporting on Unrecorded Incomes

	CARO 2016		CARO 2020
		viii	whether any transactions not recorded in the books of account have been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (43 of 1961), if so, whether the previously unrecorded income has been properly recorded in the books of account during the year

Clause 9 : Reporting on repayment and usage of Borrowings

	CARO 2016		CARO 2020
viii	whether the company has defaulted in repayment of loans or borrowing to a financial institution, bank, Government or dues to debenture holders ? If yes, the period and the amount of default to be reported (in case of defaults to banks, financial institutions, and Government, lender wise details to be provided)	ix (a)	whether the company has defaulted in repayment of loans or other borrowings or in the payment of interest thereon to any lender , if yes, the period and the amount of default to be reported as per the format below: <ul style="list-style-type: none"> - Nature of borrowing, including debt securities - Name of lender (Lender wise details to be provided in case of defaults to banks, financial institutions and Government) - Amount not paid on due date - Whether principal or interest - No. of days delay or unpaid - Remarks, if any
		ix (b)	whether the company is a declared willful defaulter by any bank or financial institution or other lender
		ix (c)	whether term loans were applied for the purpose for which the loans were obtained; if not, the amount of loan so diverted and the purpose for which it is used may be reported

Clause 9 : Reporting on repayment and usage of Borrowings

CARO 2016		CARO 2020
		ix (d) whether funds raised on short term basis have been utilised for long term purposes, if yes, the nature and amount to be indicated
		ix (e) whether the company has taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries, associates or joint ventures, if so, details thereof with nature of such transactions and the amount in each case
		ix (f) whether the company has raised loans during the year on the pledge of securities held in its subsidiaries, joint ventures or associate companies, if so, give details thereof and also report if the company has defaulted in repayment of such loans raised

Clause 10 : Reporting on moneys raised

	CARO 2016		CARO 2020
ix	whether moneys raised by way of initial public offer or further public offer (including debt instruments) and term loans were applied for the purposes for which those are raised, if not, the details together with delays or default and subsequent rectification, if any, as may be applicable, be reported	x (a)	whether moneys raised by way of initial public offer or further public offer (including debt instruments) during the year were applied for the purposes for which those are raised, if not, the details together with delays or default and subsequent rectification, if any, as may be applicable, be reported
xiv	whether the company has made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and if so, as to whether the requirement of section 42 of the Companies Act, 2013 have been complied with and the amount raised have been used for the purposes for which the funds were raised. If not, provide the details in respect of the amount involved and nature of non-compliance	x (b)	whether the company has made any preferential allotment or private placement of shares or convertible debentures (fully, partially or optionally convertible) during the year under review and if so, as to whether the requirements of section 42 and section 62 of the Companies Act, 2013 have been complied with and the funds raised have been used for the purposes for which the funds were raised, if not, provide the details in respect of the amount involved and nature of non-compliance

Clause 11 : Reporting on Fraud

	CARO 2016		CARO 2020
x	whether any fraud by the company or any fraud on the Company by its officers or employees has been noticed or reported during the year; If yes, the nature and the amount involved is to be indicated	xi (a)	whether any fraud by the company or any fraud on the company has been noticed or reported during the year, if yes, the nature and the amount involved is to be indicated
		xi (b)	whether any report under sub-section (12) of section 143 of the Companies Act has been filed by the auditors in Form ADT-4 as prescribed under rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government
		xi (c)	whether the auditor has considered whistle-blower complaints, if any, received during the year by the company

Clause 11 (erstwhile): Reporting on Managerial Remuneration

	CARO 2016		CARO 2020
xi	whether managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act? If not, state the amount involved and steps taken by the company for securing refund of the same		

Clause 12 : Reporting on Nidhi Company

	CARO 2016		CARO 2020
		xii (c)	Whether there has been any default in payment of interest on deposits or repayment thereof for any period and if so, the details thereof

Clause 14 : Reporting on Internal Audit

	CARO 2016		CARO 2020
		xiv (a)	whether the company has an internal audit system commensurate with the size and nature of its business
		xiv (b)	whether the reports of the Internal Auditors for the period under audit were considered by the statutory auditor

Clause 16 : Reporting on Registration u/s 45-IA of RBI Act

	CARO 2016		CARO 2020
xvi	whether the company is required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and if so, whether the registration has been obtained	xvi (a)	whether the company is required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and if so, whether the registration has been obtained
		xvi (b)	whether the company has conducted any Non-Banking Financial or Housing Finance activities without a valid Certificate of Registration (CoR) from the Reserve Bank of India as per the Reserve Bank of India Act, 1934
		xvi (c)	whether the company is a Core Investment Company (CIC) as defined in the regulations made by the Reserve Bank of India, if so, whether it continues to fulfil the criteria of a CIC, and in case the company is an exempted or unregistered CIC, whether it continues to fulfil such criteria
		xvi (d)	whether the Group has more than one CIC as part of the Group, if yes, indicate the number of CICs which are part of the Group

Clause 17 : Reporting on Cash Losses

	CARO 2016		CARO 2020
		xvii	whether the company has incurred cash losses in the financial year and in the immediately preceding financial year, if so, state the amount of cash losses

Clause 18 : Reporting on Auditor's Resignation

	CARO 2016		CARO 2020
		xviii	whether there has been any resignation of the statutory auditors during the year, if so, whether the auditor has taken into consideration the issues, objections or concerns raised by the outgoing auditors

Clause 19 : Reporting on Financial Position

	CARO 2016		CARO 2020
		xix	On the basis of the financial ratios, ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the financial statements, the auditor's knowledge of the Board of Directors and management plans, whether the auditor is of the opinion that no material uncertainty exists as on the date of the audit report that company is capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date

Clause 20 : Reporting on CSR

	CARO 2016		CARO 2020
		xx (a)	whether, in respect of other than ongoing projects, the company has transferred unspent amount to a Fund specified in Schedule VII to the Companies Act within a period of six months of the expiry of the financial year in compliance with second proviso to sub-section (5) of section 135 of the said Act
		xx (b)	whether any amount remaining unspent under sub-section (5) of section 135 of the Companies Act, pursuant to any ongoing project, has been transferred to special account in compliance with the provision of sub-section (6) of section 135 of the said Act

Clause 21 : Applicability on Consolidated Financial Statements

	CARO 2016		CARO 2020
	the Order shall not apply to the auditor's report on consolidated financial statements	xxi	This Order shall not apply to the auditor's report on consolidated financial statements except clause (xxi) which states: Whether there have been any qualifications or adverse remarks by the respective auditors in the CARO reports of the companies included in the consolidated financial statements, if yes, indicate the details of the companies and the paragraph numbers of the CARO report containing the qualifications or adverse remarks

Thank You!

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