

Division II and III - Schedule -III with
CARO 2020
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Organised by
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Acknowledgements:-

- ❑ MCA Notification dated 24th March,2021**
- ❑ Guidance Note on the Companies (Auditor's Report) Order, 2020 – GN CARO 2020**
- ❑ Guidance Note on Division II Schedule III to the Companies Act 2013.**
- ❑ Guidance Note on Division III Schedule III to the Companies Act 2013.**
- ❑ “Glossary of Terms used in Financial Statements” issued by the Research Committee of ICAI.**
- ❑ FAQ on CSR August 2021.**
- ❑ Guidance Note on Accounting for Expenditure on Corporate Social Responsibility Activities issued by the Institute of Chartered Accountants.**

Abbreviations

The Companies (Auditor's Report) Order, 2020.

CARO 2020

The Companies Act 2013.

CA 2013

Indian Accounting Standards .

Ind AS

- Financial Statements for a company whose Financial Statements are required to comply with the Companies (Indian Accounting Standards) Rules, 2015. Ind AS Standards.
- New disclosure requirements encompasses few applications of CARO 2020, Ind AS and Insolvency and Bankruptcy Code
- Barely two changes in presentation. Major changes in disclosures.
- Applicable to all type of companies - (discuss the rationale)

Rounding off ..

- **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.

Contents

- Part I - Amendment in presentation
 - a. Balance Sheet
 - b. Statement of Profit and Loss -None

- Part II - Amendment in disclosures
 - a. Balance Sheet
 - b. Statement of Profit and Loss

PART I – Amendments in Presentation

a. Balance Sheet – **This part is not applicable to Division III**

I. Assets - There are no changes in presentation of assets.

II. Equity & Liabilities

Non Current Liabilities

(3) (a)(ia) Lease liabilities

The sub-item *Lease liabilities* has been inserted

Current Liabilities

(4) (a)(ia) Lease liabilities

The sub-item *Lease liabilities* has been inserted

b. Statement of Profit and Loss - There are no changes in Statement of Profit and Loss

PART II – Amendments in Disclosures

a. Balance Sheet

I. Statement of Changes in Equity

A. Equity Share Capital - - To sync with Ind AS 8 -RR

(1)Current Reporting Period

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
-	-	-	-	-

(2)Previous Reporting Period

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

a. Balance Sheet

I. Statement of Changes in Equity

B. Instruments entirely equity in nature- – To sync with Ind AS 8 –RR

a. Compulsorily Convertible Preference Shares

(1)Current Reporting Period

Balance at the beginning of the current reporting period	Changes in compulsorily convertible preference shares due to prior period errors	Restated balance at the beginning of the current reporting period	Changes in compulsorily convertible preference shares during the current year	Balance at the end of the current reporting period
-	-	-	-	-

(2)Previous Reporting Period

Balance at the beginning of the previous reporting period	Changes in compulsorily convertible preference shares due to prior period errors	Restated balance at the beginning of the previous reporting period	Changes in compulsorily convertible preference shares during the previous year	Balance at the end of the previous reporting period
	-	-	-	-

a. Balance Sheet

I. Statement of Changes in Equity

B. Instruments entirely equity in nature- – To sync with Ind AS 8 –RR

b. Compulsorily Convertible Debentures

(1) Current Reporting Period

Balance at the beginning of the current reporting period	Changes in compulsorily convertible debentures due to prior period errors	Restated balance at the beginning of the current reporting period	Changes in compulsorily convertible debentures during the current year	Balance at the end of the current reporting period
-	-	-	-	-

(2) Previous Reporting Period

Balance at the beginning of the previous reporting period	Changes in compulsorily convertible debentures due to prior period errors	Restated balance at the beginning of the previous reporting period	Changes in compulsorily convertible debentures during the previous year	Balance at the end of the previous reporting period
	-	-	-	-

a. Balance Sheet

I. Statement of Changes in Equity

B. Instruments entirely equity in nature- – To sync with Ind AS 8 –RR

c. [Instrument] (Any other instrument entirely equity in nature)

(1)Current Reporting Period

Balance at the beginning of the current reporting period	Changes in [instrument] due to prior period errors	Restated balance at the beginning of the current reporting period	Changes in [instrument] during the current year	Balance at the end of the current reporting period
-	-	-	-	-

(2)Previous Reporting Period

Balance at the beginning of the previous reporting period	Changes in [instrument] due to prior period errors	Restated balance at the beginning of the previous reporting period	Changes in [instrument] during the previous year	Balance at the end of the previous reporting period
	-	-	-	-

a. Balance Sheet

II. Assets

- A. Property , Plant and Equipment and
- B. Intangible Assets

(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 Property, Plant and Equipment) and other adjustments and the related depreciation and impairment losses/reversals shall be disclosed separately .

Relevant Para of CARO 2020 – 3(i)(d) reproduced on next slide.

Requirement of Ind AS 16 does not specify any threshold limit. – Ind AS16.73 and GN 8.1.1.18

CARO 2020 3(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;

a. Balance Sheet

II. Assets * Ind AS 115

C. Long term Trade Receivables and Trade Receivables – (Unbilled Dues and receivables with no due date)

- What is unbilled?

Added disputed and undisputed.

The following ageing schedule shall be given for trade receivables :

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	
Undisputed Trade Receivables - considered good						-
Undisputed Trade Receivables - which have significant increase in credit risk						-
Undisputed Trade Receivables - credit impaired						-
Disputed Trade Receivables - considered good						-
Disputed Trade Receivables - which have significant increase in credit risk						-
Disputed Trade Receivables - credit impaired						-

a. Balance Sheet – **This part is not applicable to Division III**

II. Assets

D. Loans (under Non current and current assets)

(i) (a) deposited shall be omitted -

E. Other Financial Assets (Non current assets)

(i) Security Deposits

(ii) Bank deposits with more than 12 months maturity

This is an all-inclusive heading, which incorporates financial assets that do not fit into any other financial assets that do not fit into any other financial assets categories, such as ,Security deposits.

a. Balance Sheet

III. Equity and Liabilities

A. Share Capital

A company shall disclose shareholding of promoters as follows:

Shares held by promoters at the end of the year				% Change during the year***
Sr. No.	Promoter Name	No. of Shares**	% of total shares**	
	Total			

** Details shall be given separately for each class of shares

*** percentage 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.

Who are promoters S 2(69) of the CA 2013 ?

If additions – S 42 and S 62 of the CA 2013 – Check for Premium if any

S 2 (69) “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:

Provided that nothing in sub-clause (c) shall apply to a person who is acting merely in a professional capacity;

a. Balance Sheet **This part is not applicable to Division III**

III. Equity and Liabilities

B. Non Current Liabilities

3(a)(i) Borrowings

(f) Long term Maturity of Finance Lease Obligation (has been omitted)

a. Balance Sheet **This part is not applicable to Division III**

III. Equity and Liabilities

C. Current Liabilities

I. Borrowings

(v) Current maturities of Long term borrowings shall be disclosed separately

II. Other Financial Liabilities

(a) Current maturity of long term debt. and (b) current maturity of lease obligation shall be omitted..

a. Balance Sheet

III . Equity and Liabilities

C. Trade Payables to be added to the notes pertaining to -

Prior to amendment only bifurcation between outstanding dues of MSME and others was required, no disputed were required to be disclosed .

The following ageing schedule shall be given for trade payables due for payment:

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

Refer to MSME 1 form to be lodged with ROC every 6 months

a. Balance Sheet

IV. Disclosures – Borrowings from banks and financial institutions.

JA 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 .

Consider events after reporting period.

Fund based and non-fund based borrowings both are considered.

Relevant Para of CARO 2020 3(ix) (c) - →

a. Balance Sheet

IV Disclosures – Borrowings from banks and financial institutions.

Relevant Para of CARO 2020 3(ix) (c)

*“(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;”*

This clause is applicable to “term loan” -have a fixed or pre-determined repayment schedule. In the common parlance period beyond 36 months are usually known as term loans.

Cash credit, overdraft and call money accounts/deposits are therefore not covered by the expression “Term Loans”.

Relevant Para of CARO 2020 3(ix) (c)

Whether this clause also covers term loans obtained from entities/persons other than banks/financial institutions. ?

A strict interpretation of this clause would mean that the term loan obtained from entities/persons other than banks/financial institutions would also have to be examined by the auditor for the purpose of reporting under this clause

No one -to-one relationship needs to established – in other words no nexus to be established

It may happen that the company might have acquired improved version/model of assets as against the assets for which the loan had been sanctioned.

Would this tantamount to diversion?

What if the funds are temporarily invested ?

What if the loan is received at the fag-end of the year.?

If the debt instrument is required to be split as per Ind AS it should be treated as Debt and not to be bifurcated for the limited purpose of this clause.

Diversion of funds would be construed to include any one of the undernoted occurrences:

- a) utilization of short-term working capital funds for long-term purposes not in conformity with the terms of sanction;
- b) deploying borrowed funds for purposes / activities or creation of assets other than those for which the loan was sanctioned;
- c) transferring borrowed funds to the subsidiaries / Group companies or other corporates by whatever modalities
- d) routing of funds through any bank other than the lender bank or members of consortium without prior permission of the lender;
- e) investment in other companies by way of acquiring equities / debt instruments without approval of lenders;
- f) shortfall in deployment of funds vis-à-vis the amounts disbursed / drawn and the difference not being accounted for

a. Balance Sheet

V. Additional Regulatory Information **Reference in CARO 2020 Clause 3(i)(c)**

(i) Title deeds of Immovable property not held in the name of the company

The company shall provide the details of all the 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 in format given below 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 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	Reasons for not being held in the name of the company**
PPE						
Investment property						
PPE retired from active use and held for disposal						
Others						

a. Balance Sheet

V. Additional Regulatory Information Reference in CARO 2020 Clause

3(i)(c)

(i) Title deeds of Immovable property not held in the name of the company

CARO 2020

3(i) (c) *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:-*

Immovable property – not classified as PPE – CARO 2020 is not applicable to such properties.

- Immovable properties not classified as property, plant and equipment, -like inventories of immovable property for a real estate company.
- But what if the property classified under Ind AS 105 Non-current assets held for sale or ROU assets or Investment Property ?
- The auditor may obtain the support of any legal expert in case there is any dispute or litigation as to the title of the immovable property or where the auditor seeks clarity in matters related to this clause.

a. Balance Sheet

V. Additional Regulatory Information

(ii). The Company shall disclose as to whether the fair value of investment property (as measured for disclosure purposes in the financial statements) is based on the valuation by a registered valuer as defined under rule 2 of Companies (Registered Valuers and Valuation) Rules, 2017.

Relevant Ind AS : Ind AS 40 Investment property.

Only one option to measure subsequently at cost.

Disclosure of fair value required in accordance with Para 79(e) of Ind AS 40.

Appointment of the valuer by the Audit Committee in case of listed Companies and the Board in case of unlisted Companies. S 247 of the CA 2013.

a. Balance Sheet V. Additional Regulatory Information

(iii). Where the Company has revalued its **Property, Plant and Equipment** (including Right-of-Use Assets), 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.

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

Reference in CARO 2020 3(i)(d)

(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;

Followings are not considered as revaluation:

- Fair valuation of PPE upon first time adoption of Ind AS.
- Remeasurements (i.e., changes in value due to interest or foreign exchange rates) Para D13AA of Ind AS 101
- Changes to ROU assets due to lease modification as per Ind AS 116.
- Applicable SA 620, “Using the Work of an Auditor’s Expert” his report can be used as an evidence in terms of the principles enunciated in SA 500, “Audit Evidence”, with regard to using the work done by a management’s expert.

Discuss Para 35(b) , 39 and 40 of Ind AS 16

Quiz : Accounting treatment of voluntary change in accounting policy of changing from cost model to revaluation model – discuss in the context of Ind AS 8.

a. Balance Sheet V. Additional Regulatory Information **Relevant Para in CARO 2020**
- 3(xiii) Next slide

(v). Following disclosures shall be made where Loans or Advances in the nature of loans are granted to promoters, Directors, KMPs and the related parties (as defined under Companies Act, 2013,) either severally or jointly with any other person, that are:

(a) repayable on demand or

(b) without specifying any terms or period of repayment

Types of Borrower	Amount of loan or advance in the nature of loan outstanding	Percentage to the total Loan and Advances in the nature of loans
Promoters		
Directors		
KMPs		
Related Parties		

Para of CARO 2020

3 (xiii) whether all transactions with the related parties are in compliance with sections 177 and 188 of Companies Act where applicable and the details have been disclosed in the financial statements, etc., as required by the applicable accounting standards;

To some extent also 3(iii), not verbatim or fully though.

a. Balance Sheet

V. Additional Regulatory Information – No specific mention of CWIP in CARO 2020

(vi) . Capital Work in Progress (CWIP) and Intangible assets under development (ITAUD)

The following ageing schedule shall be given:

a.CWIP/ITAUD ageing schedule:

CWIP/ITAUD	Amount in CWIP for a period of				(Amount in Rs.)
	Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
Projects in progress					
Projects temporarily suspended					

a. Balance Sheet

V. Additional Regulatory Information **No specific mention of CWIP in CARO 2020**

(vii). Capital Work in Progress (CWIP) and Intangible assets under development, (ITAUD) whose completion is overdue or has exceeded its cost compared to its original plan

b. The following CWIP/ITAUD **completion schedule** shall be given

(Amount in Rs.)

CWIP/ITAUD	To be completed in			
	Less than 1 year	1-2 years	2-3 years	More than 3 years
Project 1				
Project 2				

a. Balance Sheet

V. Additional Regulatory Information – Relevant CARO-2020 3(i)(e) – Refer next slide.

(viii). Details of Benami Property

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:-

- (a) Details of such property, including year of acquisition,
- (b) Amount thereof,
- (c) Details of Beneficiaries,
- (d) If property is in the books, then reference to the item in the Balance Sheet,
- (e) If property is not in the books, then the fact shall be stated with reasons,
- (f) Where there are proceedings against the company under this law as an abetter of the transaction or as the transferor then the details shall be provided,
- (g) Nature of proceedings, status of same and company's view on same.

What is not considered as benami property?

Benami transaction shall not include any transaction involving the allowing of possession of any property to be taken or retained in part performance of a contract referred to in section 53A of the Transfer of Property Act, 1882 (4 of 1882), if, under any law for the time being in force,—

- (i) consideration for such property **has been provided by the person** to whom possession of property has been allowed but the person who has granted possession thereof continues to hold ownership of such property;
- (ii) stamp duty on such transaction or arrangement has been paid; and
- (iii) the contract has been registered;

Section 2(26) - "property" means assets of any kind, whether movable or immovable, tangible or intangible, corporeal or incorporeal and includes any right or interest or legal documents or instruments evidencing title to or interest in the property and where the property is capable of conversion into some other form, then the property in the converted form **and also includes the proceeds from the property;**

CARO 2020 Para 3(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;

a. Balance Sheet - V. Additional Regulatory Information

(ix) Where the Company ***has borrowings*** from banks or financial institutions on the basis of security of current assets, it shall disclose the following:-

- (a) whether quarterly returns or statements of current assets filed by the Company with banks or financial institutions are in agreement with the books of accounts.
- (b) if not, summary of reconciliation and reasons of material discrepancies, if any to be adequately disclosed.

Relevant Para of CARO 2020 3(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:

a. Balance Sheet

V. Additional Regulatory Information Relevant CARO 2020 3(ix)(b)

(x). Wilful Defaulter *

Where a company is a declared wilful defaulter by any bank or financial Institution or other lender, following details shall be given:

- (a) Date of declaration as wilful defaulter,
- (b) Details of defaults (amount and nature of defaults),

- “wilful defaulter” here means a person or an issuer who or which is categorized as a wilful defaulter by any bank or financial institution (as defined under the Act) or consortium thereof, in accordance with the guidelines on wilful defaulters issued by the Reserve Bank of India.
- Relevant CARO 2020 3(ix)(b)

“Whether the company is a declared willful defaulter by any bank or financial institution or other lender”

(x). Wilful Defaulter

- The term 'lender' appearing in the RBI Circular 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.**
- **restricted to the relevant financial year under audit till the date of audit report.**
- **Refer to Master Circular of RBI dated July1,2014** as updated from time to time

(x). Wilful Defaulter

1. Unit has defaulted in meeting its payment / repayment obligations to the lender **even when it has the capacity to Honour the said obligations.**
2. The unit has defaulted in meeting its payment / repayment obligations to the lender and has not utilised the finance from the lender for the specific purposes for which finance was availed of but has diverted the funds for other purposes
- 3 The unit has defaulted in meeting its payment / repayment obligations to the lender and has siphoned off the funds
4. **The unit has defaulted in meeting its payment / repayment obligations to the lender and has also disposed off or removed the movable or immovable property given by him or it for the purpose of securing a term loan without the knowledge of the bank/lender.**

Triggering event default – of Interest and or principle

a. Balance Sheet

V. Additional Regulatory Information

(xi). Relationship with Struck off Companies - **No reference in CARO 2020**

Where the company has any transactions with companies struck off under section 248 of the Companies Act, 2013 or section 560 of Companies Act, 1956, the Company shall disclose the following details:-

Name of struck off Company	Nature of transactions with struck off Company	Balance Outstanding	Relationship with 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)		

Presumably during the year, if not upto the date of authorization of the financial statements. Pursue master data of the MCA.

a. Balance Sheet

V. Additional Regulatory Information No reference in CARO 2020

(xii) Registration of charges or satisfaction with Registrar of Companies

Where any charges or satisfaction yet to be registered with Registrar of Companies beyond the statutory period, details and reasons thereof shall be disclosed.

None the less refer to the Register of charges - CHG 1 CHG 4 – CHG 7 , S (16), S 77 under the CA 2013.

Section 2(16) of Companies Act, 2013 refers to creation of interest or a right on a property or asset of a company or any of its undertaking as a security against loan provided to the company in respect of such interest.

a. Balance Sheet

V. Additional Regulatory Information No reference in CARO 2020 *

(xiii). Compliance with number of layers of companies

Where the company has not complied with the number of layers prescribed under clause (87) of section 2 of the Act read with Companies (Restriction on number of Layers) Rules, 2017, the name and CIN of the companies beyond the specified layers and the relationship/extent of holding of the company in such downstream companies shall be disclosed.

Relevant section of the CA 2013 – S 185/186 of the CA 2013.

- **Bit remotely CARO 2020 3(iv) is also applicable.**
- ***in respect of loans, investments, guarantees, and security, whether provisions of sections 185 and 186 of the Companies Act have been complied with, if not, provide the details thereof;***

a. Balance Sheet – **This part is not applicable to Division III**

V. Additional Regulatory Information – 4 T/o, 3 Return 4 Others. CARO 2020 3(xix)

(xiv) Following Ratios to be disclosed:-

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

The company shall explain the items included in numerator and denominator for computing the above ratios. Further explanation shall be provided for any change in the ratio by more than 25% as compared to the preceding year. .

Division III to Schedule III to the CA 2013 **This part is not applicable to Division II**

IV. Additional Regulatory Information

(xiv) Following Ratios to be disclosed:- (FOR NBFC ONLY)

(a) Capital to risk-weighted assets ratio (CRAR)

(b) Tier I CRAR

(c) Tier II CRAR

(d) Liquidity Coverage Ratio

CARO 2020 3(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;

Currently, there is no legal requirement – neither in FS or Director’s report about the company’s capability 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.

As per AS 1 Going Concern is a fundamental assumption – under para of 27 disclosure is warranted if that assumption is not followed.

Paragraph 25 of Ind AS 1, requires that when preparing financial statements, management shall make an assessment of an entity’s ability to continue as a going concern.

As per SA 570(Revised), Going Concern, the auditor's responsibilities are to obtain sufficient appropriate audit evidence regarding, and to conclude on, the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements, and to conclude, based on the audit evidence obtained, whether a material uncertainty exists about the entity's ability to continue as a going concern

The liabilities to be examined for payment should exist at the date of balance sheet which fall due within a period of one year from the balance sheet date.

“liabilities falling due within a period of one year” V/s
“current liabilities” – they are not the same, as the criteria of current liability also depends on:-

- Operating Cycle.
- Meant for trading , and existence or absence of .
- Unconditional rights to defer the liability beyond one year from the reporting date.

Maturity analysis of financial liabilities and assets as required to be disclosed as per Ind As 107 will be helpful to the Auditor in making judgement about Company's capacity 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;

a. Balance Sheet

V. Additional Regulatory Information No reference in CARO 2020

(xv). Compliance with approved Scheme(s) of Arrangements

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.

a. Balance Sheet

V. Additional Regulatory Information

(xvi) Utilisation of Borrowed funds and share premium:

(A) Where company has advanced or loaned or invested funds (either borrowed funds or share premium or any other sources or kind of funds) to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding (whether recorded in writing or otherwise) that the Intermediary shall

(i) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company (Ultimate Beneficiaries) or **(BEN 1,2,3)**

(ii) provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries;
the company shall disclose the following:-

(I) date and amount of fund advanced or loaned or invested in Intermediaries with complete details of each Intermediary.

(II) 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.

(III) date and amount of guarantee, security or the like provided to or on behalf of the Ultimate Beneficiaries

(IV) declaration that relevant provisions of the Foreign Exchange Management Act, 1999 (42 of 1999) and Companies Act has been complied with for such transactions and the transactions are not violative of the Prevention of Money-Laundering act, 2002 (15 of 2003).;

Continued...

a. Balance Sheet

V. Additional Regulatory Information

(xvi) Utilisation of Borrowed funds and share premium:

(B) Where a company has received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the company shall

(i) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or

(ii) provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries, the company shall disclose the following:-

(I) date and amount of fund received from Funding parties with complete details of each Funding party.

(II) date and amount of fund further advanced or loaned or invested other intermediaries or Ultimate Beneficiaries along with complete details of the other intermediaries' or ultimate beneficiaries.

(III) date and amount of guarantee, security or the like provided to or on behalf of the Ultimate Beneficiaries

(IV) declaration that relevant provisions of the Foreign Exchange Management Act, 1999 (42 of 1999) and Companies Act has been complied with for such transactions and the transactions are not violative of the Prevention of Money-Laundering act, 2002 (15 of 2003).;

b. Statement of Profit and Loss . **This part is not applicable to Division III**

A. Revenue from Operations **No reference in CARO 2020**

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

b. Statement of Profit and Loss

B. Undisclosed Income – Relevant CARO 2020 3(viii)

The Company shall give 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 and also shall state whether the previously unrecorded income and related assets have been properly recorded in the books of account during the year;

What if the statement is retracted or the additions are challenged?

What if the additions are challenged by the Company?

Which years ??

CARO 2020 Clause

3(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;

S 158 of the Income tax defines the term undisclosed income.

As per Section 158B of the Income Tax Act, 1961, "undisclosed income" includes any money, bullion, jewellery or other valuable article or thing or any income based on any entry in the books of account or other documents or transactions, where such money, bullion, jewellery, valuable article, thing, entry in the books of account or other document or transaction represents wholly or partly income or ***property which has not been or would not have been disclosed for the purposes of this Act, or any expense, deduction or allowance claimed under this Act which is found to be false.***

The words surrendered or disclosed - the company must have voluntarily admitted to the addition of such income.

The auditor should also obtain a copy of the statements made in the course of search and survey to verify the nature of income so surrendered or disclosed.

Where, however, such 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 same in the case where the additions by the AO, which is challenged by the Company .

The surrender or disclosure of unrecorded income might relate to any assessment year under the Income Tax Act, 1961 – not necessarily current financial year under audit.

b. Statement of Profit and Loss - C. Corporate Social Responsibility (CSR) Relevant Para of the Order 3(xx) – Discuss page 220 clause 2 of the GNCARO 2020

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

Clause 3(xx)(a)- New Clause

- (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;
- (b) Notification date 22.1.2021
- (c) Form CSR 2 which was required to be lodged with MCA before March 31,2022
- (d) FAQ on CSR [FAQ CSR August 2021.pdf](#)
- (e) Guidance Note on Accounting for Expenditure on Corporate Social Responsibility Activities issued by the Institute of Chartered Accountants

(a) This clause requires the auditor to comment whether the company has transferred the unspent amount, in respect of “other than ongoing projects”, to a fund specified in Schedule VII to the Companies Act 2013 within a period of six months of the expiry of the financial year in compliance with the second proviso to sub-section (5) of section 135 of the said Act

(b) Auditor should refer to the Board Report as an evidence.

Failure to spend the required amount the Board shall, in its report made **under clause (o) of sub-section (3) of section 134**, specify the reasons for not spending the amount and, unless the unspent amount relates to any ongoing project referred to in sub-section (6), transfer such unspent amount to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial year.

Schedule VII funds

1. Contribution to the Prime Minister's National Relief Fund or
2. Prime Minister's Central Assistance and Relief in Emergency Situations Fund (PM CARES Fund) or
3. any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Schedule Tribes, other backward classes, minorities and women

Clause 3(xx)(b)

Whether any amount remaining unspent under section (5) of section 135 of Companies Act, pursuant to any ongoing project, has been transferred to special account in compliance with provision of sub section (6) of section 135 of the said Act; [Paragraph 3(xx)(b)]

To be deposited within a period of thirty days from the end of the financial year in an account opened with any scheduled bank - termed as **the Unspent Corporate Social Responsibility Account**, and such amount shall be spent by the company in pursuance of its obligation towards the Corporate Social Responsibility Policy within a period of three financial years from the date of such transfer,

Failing which, the company shall transfer the same to a Fund specified in Schedule VII, within a period of thirty days from the date of completion of the third financial year.

b. Statement of Profit and Loss –

D. Details of Crypto Currency or Virtual Currency - No reference in CARO 2020

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

Division III to Schedule III to the CA 2013

IV. Additional Regulatory Information

(xiv) Following Ratios to be disclosed:- (FOR NBFC ONLY)

(a) Capital to risk-weighted assets ratio (CRAR)

(b) Tier I CRAR

(c) Tier II CRAR

(d) Liquidity Coverage Ratio

Thank You

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