

RECENT AMMENDMENTS TO SCHEDULE III DIVISION I

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Schedule III Additional Disclosures

- MCA Notification dtd. 24th March 2021
- Aims to improve Corporate Governance, Auditor's responsibility and transparency in disclosures of Management action
- Will improve Independence of Auditors
- Substantial discipline in finalization expected

Schedule III Other Aspects

- Proprietary Audit in addition to true and fair view
- Futuristic projections included in CWIP
- Substantial additional work, risk and responsibility

Schedule III Other Aspects

- Requirements of the Companies Act and notified Accounting Standard would prevail
- Disclosure requirement under various other Acts also to be followed
- Terms used in Schedule III shall have meaning as defined in applicable Accounting Standards

Schedule III Other Aspects

- Disclosure requirements are minimum requirements
- For better understanding of Financial position - Line items, sub-line items and sub-totals can be presented as an addition or substitution on the face of financial statements
- Unit of measurement uniformly throughout Financial Statements and Notes and rounding off as prescribed
- Not applicable items – still need to be stated as not applicable

Schedule III Guidance Notes

- ICAI Guidance Notes on Division I, Division II and Division III by CLCGC
- Covers only disclosure guidance
- Aligned with CARO 2020
- Conceptual guidance provided
- Guidance Note proposes that balance be maintained in providing excessive details v/s too much aggregation, not to obscure important information

Schedule III Guidance Notes

- Clarification issued by ICAI regarding authority attached and recommendatory nature
- Guidance on matters which may arise and assistance in resolving difficult issues
- Documentation required why Guidance Note is not necessary to be followed
- If the Financial Statements prepared without following GN, disclosure in Audit Report may be necessary considering circumstances of the case

GNs of ICAI on Accounting

- *Other relevant guidance notes are –*
 - Revaluation Reserve
 - Employee share based payments
 - Minimum Alternative Tax
 - Rate Regulated Activities
 - Derivative Contracts

Additional Disclosures Schedule III

Share Holding of Promoters

- For each class of shares
- Percentage change during the year over opening balance or first issue during the year
- Give Number and value of shares, change during the year and year end balance

Trade Payables

- Purchase of Goods and Services received in the normal course of business
- Not under contractual obligation such as Statutory Payments, Purchase of Property, Reimbursable expenses, interest accrued on Trade payables etc.
- Due to MSME

Trade Payables

- Ageing Schedule
- If no due date of payment then date of transaction to be considered
- Add 'unbilled liabilities' and 'not due' as additional information
- Disputed dues for MSME and others
- Definition of dispute as defined under IBC Code, 2016

Capital Work in Progress

- Projects in progress and projects temporarily suspended with Ageing
- Project wise details required
- Aggregation for projects not considered material at individual level
- Projects considered as Investment property under development also covered
- Projects temporarily suspended during the year but resumed either during the year or after end of the period need appropriate consideration

Capital Work in Progress

- For overdue period and cost over run, original plans to be considered
- Update of estimates and assumptions not taken as revised plan
- Data for tangible as well as intangible assets

Trade Receivables

- Undisputed and disputed Trade Receivables considered good or doubtful to be segregated with Ageing
- Dispute to be properly classified
- Unbilled revenue, bad and doubtful debt provision, related parties to be disclosed separately
- Current and Long Term Trade receivables to be segregated
- Contractual obligations to be taken as 'others'

Title Deeds

- Section 187 require property, security and other assets to be held in the name of company
- Details required include properties held by related parties and reason for it not being held in the name of the company along with dispute if any
- Investment property and assets held for disposal also to be included

Title Deeds

- Genuineness not to be checked
- Purpose is to find out use of company's funds without corresponding benefit accruing to the company
- No control on purchase, sale, mortgage or other benefits accruing
- Dispute may not be genuine
- Diversion of funds given may be possible

Loans & Advances Granted

- Capital Advances covered
- AS-18 and Section 186(4)
- Loans and Advances due from related parties and others to be segregated along with provision for bad and doubtful loans
- Secured and un-secured Advances to be segregated
- Loans and Advances repayable on demand or without specifying any terms or period of repayment to related parties to be given

Securities of Current Assets against the Borrowings

- Quarterly returns filed with banks to be in agreement with books
- Working capital sanctioned includes funded and non-funded advances
- Material discrepancies to be given with reason and reconciliation
- Borrowings on security of current assets of other entities in the same group also covered

Relation with struck off Companies

- Transactions with Companies struck off under Section 248 (New Act) or Section 560 (Old Act) covered
- Investments in securities, receivables, payables, shares held and other balances to be disclosed
- Relationship with Struck off Companies to be disclosed
- Reason for such transactions along with provisions/ write-off required need to be verified by Auditor
- Transactions settled/reversed/squared off during the year also to be reported

Charge Registration

- Registration of Charges or satisfaction not registered with ROC beyond Statutory period to be disclosed
- Details in days or months to be given
- Reasons for delay to be mentioned

Disclosure of Ratios

- Balance Sheet Ratios –

Current Ratio, Debt Equity Ratio, Debt Service Coverage Ratio, Return on Equity Ratio, Inventory Turnover Ratio, Trade Receivables Turnover Ratio, Trade Payable Turnover Ratio, Net Capital Turnover Ratio

- Profit & Loss Ratio –

Net Profit Ratio, Return on Capital Employed

Disclosure of Analytical Ratios

- Change more than 25% as compared to previous year to be explained
- Items considered as part of numerator/denominator to have reference to respective line item in Financial Statements and Notes
- Consistency for periods and Industry Practice required.
- Any change in numerator/denominator needs to be explained
- Ratios presented at other places in Annual Report should be consistent with Ratios mentioned in Financial Statement

Utilization of Borrowed Funds and share premium

- Covers understanding that such funds would be lent or invested, directly or indirectly, in other entities or providing guarantee or security on behalf of ultimate beneficiary
- Same for Company receiving funds
- Disclose date and amount of funds advanced or loaned or invested in intermediaries or ultimate beneficiary

Utilization of Borrowed Funds and share premium

- Date and amount of loan or investment or guarantee, security of the like provided by or on behalf of the ultimate beneficiary
- Compliance with Foreign Exchange Management Act, 1999, Companies Act, 2013 and Prevention of Money - Laundering Act, 2002 to be stated
- Intermediary and funding party should be decided on the basis of their objective of receiving or providing funds

Utilization of Borrowed Funds and share premium

- Restrict disclosure of pass-through transactions during the current year only
- Complete details required such as – Name, Registered Address, Government Identification Number and Relationship with Company making disclosure
- The understanding means appropriate evidence in the form of Board or Shareholders Resolutions, Investment Agreements, Share Purchase Agreements, Term Sheets or other documents, evidencing such understanding of overall transactions/flow of funds

Benami Property

- Proceedings initiated or pending for holding any benami property covered
- Details include year of acquisition, amount, details of beneficiary, whether accounted in the books, nature of proceedings and status of the same
- In case of dispute on the proceedings, state the period since the beginning of dispute

Wilful Defaulter

- Declaration by Bank or Financial Institution or other lender as well
- Declaration upto the date of approval of Financial Statement to be considered
- Declaration in the earlier year with continuing default also to be reported
- Declaration only by Government or Government authorities to be considered in 'other lenders'
- CIBIL, CRIF, Equifax, Experian and CRILC sites to be seen

Income Surrendered or Disclosed in Tax Assessment

- Details of transactions not recorded in the books but surrendered or disclosed as Income under any Tax Assessment such as Search, Survey or otherwise
- Only voluntary admission to the addition of Income based on returns filed to be considered
- Statement retracted is not to be taken as Income surrendered

Income Surrendered or Disclosed in Tax Assessment

- Company disputing or not filing appeal is no presumption that Income is surrendered
- Reason for non-disclosure and/or non-recording to be enquired and stated
- Implication on Report on Internal Financial Controls and modifications required in nature, timing and extent of audit procedures may be material

Crypto Currency or Virtual Currency

- Information on Trading or Investment in Crypto Currency or Virtual Currency required
- Virtual Currency may be convertible in to real currency or act as substitute for real currency
- Profit or Loss, Amount of currency held and deposits/advances collected from any person for Trading or Investing in Crypto Currency or Virtual Currency to be given

Representations

- Representations to MCA is being considered by ICAI on –
 - a. Materiality for presentation by Companies in Standalone Financial Statements
 - b. Exemption for Disclosure of beneficiary of funds raised or loaned by the company beyond two levels
 - c. Exemption for presentation of comparative figures for all new requirement

Thank you