

AMMENDMENTS TO SCHEDULE III DIVISION I OF COMPANIES' ACT, 2013

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Schedule III - Additional Disclosures

- Amended Schedule III is applicable as per MCA Notification dtd. 24th March 2021 for F.Y. commencing on or after 01-04-2021.
- Amendments are for additional presentation and disclosure requirements
- Aims to improve
 - a) Corporate Governance,
 - b) Auditor's responsibility and transparency in disclosures of Management action (Title Deeds not in the name of company, borrowings on security of assets on subsidiary, borrowings not used for the purpose for which taken, CWIP details)
- Will improve Independence of Auditors (Auditor is now empowered)
- Substantial discipline in finalization expected

Schedule III - Other Aspects

- Proprietary Audit in addition to true and fair view (undisclosed income, benami properties, ratios)
- 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 over schedule III requirements
- e.g. AS-18, AS-15, AS-19.
- AS-24 discontinuing operations require disclosure of pre-tax gain or loss recognized on disposal of assets or settlement of liabilities on the face of profit & loss account.
- Section 182 of Companies Act requires disclosure relating to contribution to political parties
- Disclosure requirement under various other Acts also to be followed for e.g. disclosures as required by MSMED Act, 2006.
- Disclosure under NBFC Prudential Norms on provisions made under directions without netting them from the income or value of assets.

Schedule III - Other Aspects

- Terms used in Schedule III shall have meaning as defined in applicable Accounting Standards for e.g. Associates, related parties.
- 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 for e.g. cash and cash bank-balance vs cash equivalents, presentation of EBITDA

Schedule III - Other Aspects

- Unit of measurement uniformly throughout Financial Statements and Notes and rounding off as prescribed (total income < Rs. 100 crores rounding off to the nearest hundreds, thousands, lakhs or millions or decimal thereof and total income > Rs. 100 crores rounding off to the nearest lakhs, millions or crores or decimal thereof)
- Q. Whether another set of financials with full figures can be signed?
- Not applicable items – still need to be stated as not applicable
- Breach of material provision of loan covenant before year end – loan has to be classified as current unless lender has agreed not to demand payment as a consequence of the breach upto the reporting date

Schedule III - Guidance Notes

- ICAI Guidance Notes on Division I, Division II and Division III by CLCGC revised in 2022
- 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 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

BALANCE SHEET

	Particulars	Note No.	Figures as at the end of (Current Reporting Period) (in Rs.)(DD/M/YYYY)	Figures as at the end of (Previous Reporting Period) (in Rs.) (DD/M/YYYY)
	1	2	3	4
I.	<u>EQUITY AND LIABILITIES</u>			
	<u>Shareholders' funds</u>			
	(a) Share capital			
	(b) Reserves and surplus			
	(c) Money received against share warrants			
2.	<u>Share application money pending allotment</u>			
3.	<u>Non-current liabilities</u>			
	(a) Long Term Borrowings			
	(b) Deferred Tax Liabilities (Net)			
	(c) Other Long Term Liabilities			
	(d) Long Term Provisions			

	Particulars	Note No.	Figures as at the end of (Current Reporting Period) (in Rs.) (DD/M/YYYY)	Figures as at the end of (Previous Reporting Period) (in Rs.) (DD/M/YYYY)
	1	2	3	4
4.	<u>Current Liabilities</u>			
	(a) Short Term Borrowings			
	(b) Trade Payables:- (A) total outstanding dues of micro enterprises and small enterprises; and (B) total outstanding dues of creditors other than micro enterprises and small enterprises.]			
	(c) Other current liabilities			
	(d) Short-term provisions			
	TOTAL			

	Particulars	Note No.	Figures as at the end of (Current Reporting Period) (in Rs.)(DD/M/YYYY)	Figures as at the end of (Previous Reporting Period) (in Rs.) (DD/M/YYYY)
II	<u>ASSETS</u>			
1.	<u>Non Current Assets</u>			
	(a)Property, Plant and Equipment and Intangible assets ³			
	(i) Property, Plant and Equipment			
	(ii) Intangible assets			
	(iii) Capital work-in- progress			
	(iv) Intangible assets under development			
	(b) Non-current investments			
	(c) Deferred tax assets (net)			

	Particulars	Note No.	Figures as at the end of (Current Reporting Period) (in Rs.)(DD/M/YYYY)	Figures as at the end of (Previous Reporting Period) (in Rs.) (DD/M/YYYY)
II	<u>ASSETS</u>			
	<u>Non Current Assets</u> Contd...			
	(d) Long Term Loans and Advances			
	(e) Other non-current assets			
2.	<u>Current Assets</u>			
	(a) Current Investments			
	(b) Inventories			
	(c) Trade Receivables			
	(d) Cash & Cash equivalents			
	(e) Short term loans & advances			
	(f) Other current assets			
	TOTAL			

Additional Disclosures Schedule III

Share Capital

- For the period of five years immediately preceding the date as at which the Balance Sheet is prepared:
 - (A) Aggregate number and class of shares allotted as fully paid-up pursuant to contract(s) without payment being received in cash.
 - (B) Aggregate number and class of shares allotted as fully paid-up by way of bonus shares.
 - (C) Aggregate number and class of shares bought back.

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
- Why this disclosure is required?

Long Term Borrowings

- Schedule III stipulates that nature of security shall be specified separately for each loan
- When promoters, directors, other shareholders or any third party have given any personal security for any borrowing, such as shares or other assets held by them, disclosure should be made thereof, though such security does not result in the classification of such borrowing as secured
- Default in repayment – of loan and interest existing on balance sheet date to be separately disclosed but default made good before end of the year need not be disclosed

Long Term Borrowings

- Loans payables on demands including re-called loans should be treated as short term borrowings
- Trade Deposits and Security Deposits which are not in the nature of borrowings should be classified under other non-current / current liabilities
- Defaults in compliance with debt covenant need not be disclosed and long term loans should not be disclosed as current loans in case of minor defaults.
- Current maturities of long term borrowings are not short term borrowings but should be classified under “other current liabilities”

Trade Payables

- Purchase of Goods and Services received in the normal course of business only are to be taken as trade payables
- Amount payable under contractual obligation such as Statutory Payments, Purchase of Property, Reimbursable expenses, interest accrued on Trade payables etc. are not trade payables
- Ageing Schedule – less than 1 year, 1-2 years, 2-3 years, more than 3 years
- If no due date of payment then date of transaction to be considered

Trade Payables

- Add 'unbilled liabilities' and 'not due' as additional information
- Dues for MSME and others including disputed dues
- Definition of dispute as defined under IBC Code, 2016 – dispute is a matter of facts & circumstances of the case; However, dispute means a disagreement between two parties demonstrated by some positive evidence which supports or corroborates the fact of disagreement.

Capital Work in Progress

- Projects in progress and projects temporarily suspended with Ageing
- Project wise details required
- Aggregation is allowed for projects not considered material at individual level
- Projects considered as Investment property under development are also covered

Capital Work in Progress

- Projects temporarily suspended during the year but resumed either during the year or after end of the year need appropriate consideration
- 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
- Unbilled revenue, bad and doubtful debt provision, trade receivables 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
- Genuineness not to be checked

Title Deeds

- 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

Investments

- Trade Investment is an investment made by a company in shares or debentures of another company to promote the trade or business of the first company
- Investment in Mutual Funds which are not quoted in the market should continue to be disclosed in unquoted investments but company may presents its market value as an additional disclosure based on regularly published NAV.
- For investment in partnership, the disclosure is required in current investment as well as non-current investment and the name of firm, name of all the partners, total capital and share of each partners' in the profit and loss should be disclosed separately

Investments

- A Limited Liability Partnership is a body corporate and not a partnership firm as envisaged under the Partnership Act, 1932. Such investment in LLP should be disclosed under other investments and disclosures prescribed for investment in partnership firm need not be made
- For current investments basis of valuation of individual investments, aggregate amount of quoted investments and market value, and provision made for diminution in value of investment is similar to non-current investment; but for current investment there is no requirement to classify investment into trade and non-trade.

Other Non-current Asset

- Includes long term trade receivables such as sale of deferred credit terms
- Ageing schedule of trade receivables is same as trade receivables shown as current assets i.e. starting with less than 6 months ending with more than three years
- Sub-classification in secured, unsecured, considered good, considered doubtful, provision for bad and doubtful debt and unbilled dues are same as receivables presented in current assets.
- Other non-current asset includes security deposits given

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 unsecured 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

Loans & Advance Granted

- If advance given is for amount which is far in excess of value of an order or for a period which is far in excess of the period for which such advance is usually extended as per normal trade practice then such advance will be in the nature of loan.
- However, receipt of interest at the time of refund of advance is not necessarily an indication of advance is in the nature of loan.
- Advances repayable on demands or without specifying the terms by promoter, director, KMP and other related parties need 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

Securities of Current Assets against the Borrowings

- The clause would exclude any borrowings which are sanctioned on the basis of security of company's assets other than current assets e.g. WCTL on the security of companies fixed assets.
- Disclosures same even for working capital limit less than or equal to Rs. 5 crores

Current Liabilities

- A liability shall be classified as current where one of the criteria is that it is expected to be settled in the company's normal operating cycle.
- An operating cycle is the time between the acquisition of assets of processing and their realization in Cash or cash equivalents. Where the normal operating cycle cannot be identified, it is assumed to have a duration of 12 months.

Current Liabilities

- Other current liabilities shall include –
 - a) Interest accrued but not due on borrowings
 - b) Interest accrued and due on borrowings
 - c) Income received in advance
 - d) Unpaid dividends
 - e) Unpaid matured deposits and interest accrued thereon
 - f) Unpaid matured debentures and interest accrued thereon

Current Liabilities

g) Application money due for refund and interest thereon

Whether company has sufficient authorised capital to issue shares –

- Reason for share application money pending
- Share application money equal to balance authorized capital to be shown under the head equity and the remaining amount of excess subscription should be shown under other current liabilities

Contingent Liabilities and Commitments

- Contingent Liabilities includes claims against companies not acknowledged as debt and guarantees
- Commitments include estimated amount of contracts remaining to be executed on capital account and not provided for and uncalled liabilities on shares
- Guarantees given by Bank on behalf of the Companies to third party is not a contingent liabilities. Performance guarantees and counter guarantees should not be included as contingent liabilities.

Contingent Liabilities and Commitments

- Lease commitments from non-cancelable leases as per AS-19 are to be disclosed under other commitments
- Commitments in the nature of buyback arrangements, commitments to fund subsidiaries and associates, commitments regarding non-disposal of investments in subsidiaries, derivatives contracts are disclosed as contingent liabilities and commitments

Contingent Liabilities and Commitments

- Amount of dividend to be distributed and arrears of fixed cumulative dividends on preference shares are commitments
- When the amount received for issue of securities or borrowings from bank are not used for specific purpose, then the company should disclosed where such amount is used and unutilized amount becomes commitments.

Relation with struck off Companies

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

Relation with struck off Companies

- Transactions settled / reversed / squared off during the year also to be reported
- However, if the name is restored before approval of financial statements then such companies are not to be included.

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 Analytical 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 invested or guarantee / security provided or amount advanced or loaned or invested in intermediaries on behalf of the ultimate beneficiary

Utilization of Borrowed Funds and share premium

- 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
- Restrict disclosure of pass-through transactions during the current year only

Utilization of Borrowed Funds and share premium

- Complete details required such as – Name, Registered Address, Government Identification Number and Relationship with Company are required while 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 into 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

PROFIT & LOSS

	Particulars	Note	Figures of the current reporting period (in Rs.) From (DD/MM/YYYY) To (DD/MM/YYYY)	Figures of the previous reporting period (in Rs.) From (DD/MM/YYYY) To (DD/MM/YYYY)
	1	2	3	4
I.	Revenue from operations			
II.	Other Income			
III.	Total Income (I+II)			
IV.	Expenses			
	Cost of materials consumed			
	Purchases of Stock-in-Trade			
	Changes in inventories of finished goods			

PROFIT & LOSS

	Particulars	Note	Figures of the current reporting period (in Rs.) From (DD/MM/YYYY) To (DD/MM/YYYY)	Figures of the previous reporting period (in Rs.) From (DD/MM/YYYY) To (DD/MM/YYYY)
IV.	Expenses Contd			
	Work in progress & Stock-in-Trade			
	Employee benefits expense			
	Depreciation & Amortization expense			
	Other Expenses			
	Total Expenses			
V.	Profit before exceptional and extraordinary items and tax (III-IV)			

PROFIT & LOSS

	Particulars	Note	Figures of the current reporting period (in Rs.) From (DD/MM/YYYY) To (DD/MM/YYYY)	Figures of the previous reporting period (in Rs.) From (DD/MM/YYYY) To (DD/MM/YYYY)
VI.	Exceptional Items			
VII.	Profit before extraordinary items and tax (V-VI)			
VIII.	Extraordinary Items			
IX.	Profit before tax (VII-VIII)			
X.	Tax Expense:			
	(1) Current Tax			
	(2) Deferred Tax			
XI.	Profit (Loss) for the period from continuing operations (VII-VIII)			

PROFIT & LOSS

	Particulars	Note	Figures of the current reporting period (in Rs.) From (DD/MM/YYYY) To (DD/MM/YYYY)	Figures of the previous reporting period (in Rs.) From (DD/MM/YYYY) To (DD/MM/YYYY)
XII.	Profit / (loss) from discontinuing operations			
XIII.	Tax expense of discontinuing operations			
XIV.	Profit / (loss) from discontinuing operations (after tax) (XII-XIII)			
XV.	Profit / (loss) (XI+XIV)			
XVI.	Earnings per equity shares			
	(i) Basic			
	(ii) Diluted			

Revenue

- Revenue to be shown under the heads sale of products, sale of services, and other operating revenue
- Indirect Taxes would be accounted based on accounting policy
- Other operating revenue and other income are to be properly classified e.g. leasing of real estate properties by a leasing division would be other operating revenue while excess space rented out would be other income, scrap sale would be other operating revenue while profit on sale of PPE would be other income

Share of Profits / Losses

- Share of profit / losses in Partnership or AOP or LLP would be other non-operating income under the head other income
- Expenses of other non-operating income should be deducted from such income
- Any item of income or expenditure which exceeds one per cent of the revenue from operations or Rs. 1,00,000/-, whichever is higher, is to be disclosed.

Exceptional Items

- Nature & amount of income & expenses from ordinary activities may be shown separately as an exceptional item if such disclosure is relevant to explain the performance of the enterprise and helps in making projections about financial position
- Exceptional items include –
 - disposals of items of Property, Plant and Equipment;
 - disposals of long-term investments;
 - legislative changes having retrospective application;
 - litigation settlements; and
 - other reversals of provisions

Extra-ordinary Items

- Extraordinary items are income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the enterprise and, therefore, are not expected to recur frequently or regularly.

Prior Period Items

- Prior Period items are income or expenses which arise in the current period as a result of errors or omissions in the preparation of the Financial Statements of one or more prior periods.
- Genuine error in estimation done in the previous periods is not a prior period item.

Other Disclosures

- Net gain or loss on foreign currency borrowings to be disclosed as finance cost.
- Net gain or loss on foreign currency transaction and translation (other than considered as finance cost is to be shown separately)
- Quantitative disclosures are to be done only in broad heads, the threshold is 10% of value of sale.
- The amount of current and non-current liability for unfunded post employment benefit obligation to be determined with the help of actuary.
- Non-current investment is to be determined w.r.t. balance sheet date and not as per date of investment according to AS-13.

Other Disclosures

- Deferred tax assets / liability is always to be considered as non-current
- Unpaid amount towards share subscription to memorandum should be shown as debt due from the subscribers and credited to subscribed and paid up capital
- Amounts received as calls in advance should be shown under current liabilities and provision and not under share capital as per Department's Circular.

Other Disclosures

- Provision for warranties is a long term provision
- Trade deposits and security deposits should be either other non-current or current liabilities
- Disclosure on asset written off, revalued etc. need to be given only for 5 years as per new schedule III but AS-10 requires it to be disclosed as long as asset is held by the company.

Other Disclosures

- Any interest on shortfall in payment of advance tax is not to be clubbed with current tax but should be classified as interest expense under finance cost
- Similarly penalties of compensation nature should be treated as interest and other penalties would be taken as other expenses
- Wealth tax provision should be taken as rates and taxes under other expenses

Other Disclosures

- All foreign currency transactions relating to imports and exports should be shown as gross amount and not net of TDS
- Value of imported materials consumed should include all imported goods whether imported by company or not

Thank you