

An Analysis on Recent notification issued by MCA.

- **Amendments in Schedule III**
- **Company (Accounts) amendment rules 2021 (Deferred till April 01, 2022)**
- **Company (Audit and Auditors) amendment rules 2021 (Deferred till April 01, 2022)**

JDP & Co

Chartered Accountants

Unit 3B, 6-3-569/2, Opposite Khairtabad RTA,
Above Vibrant Ford, Somajiguda, Hyderabad – 500 082.

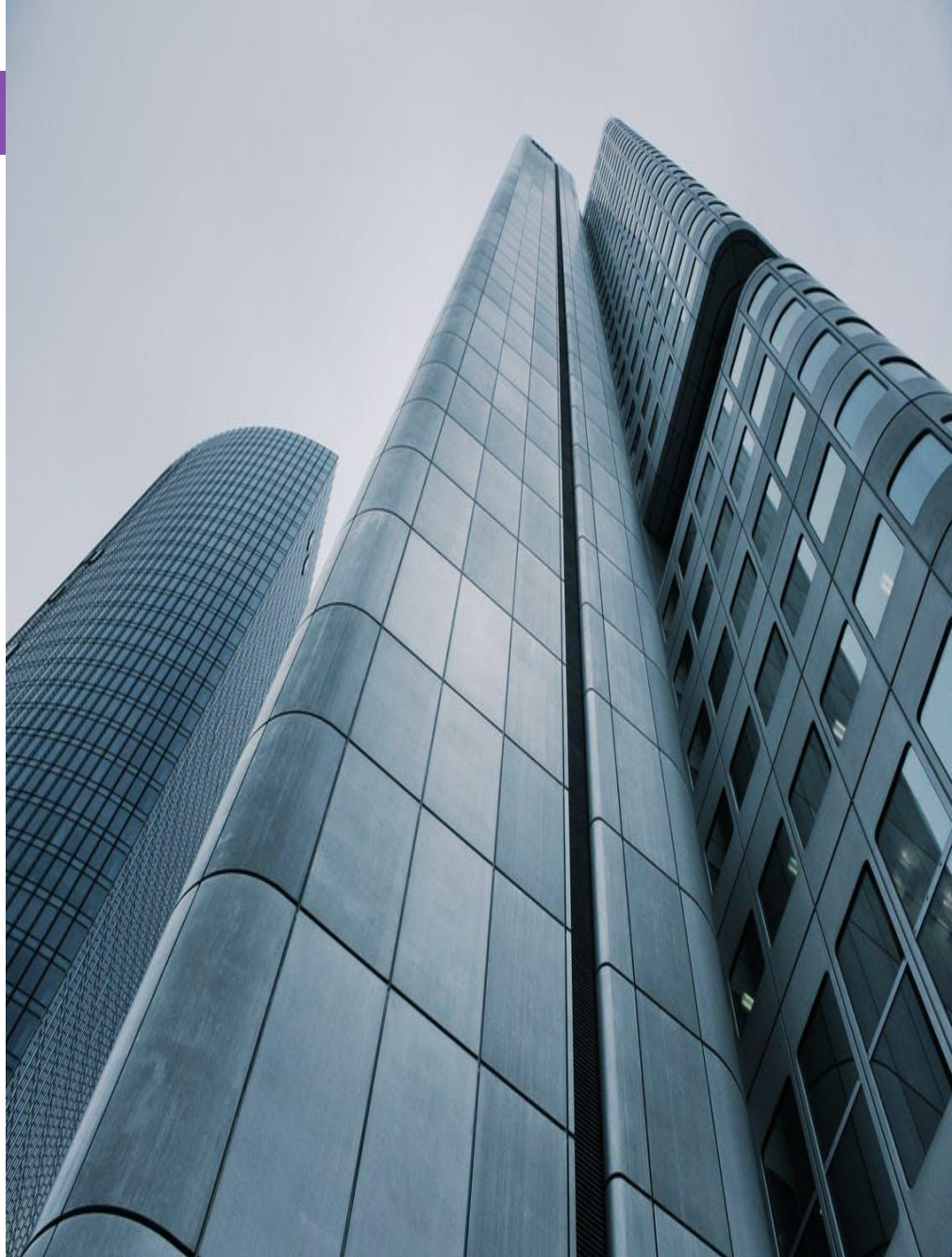
Mobile: + 91 90323 28075 | +91 9492448121

Website : www.jdpc.co.in

Contents

1. **Amendments to Schedule III of Companies Act 2013**
 - a. Bird's eye view of Amendments
 - b. Detailed explanation of Amendments
2. **Company (Accounts) amendments rules 2021**
 - a. Audit Trail
3. **Company (Audit and Auditors) amendments rules 2021**
 - a. Representations by Management
4. **About JDP & Co**

This slide deck is an attempt to summarize key change on account of these notifications and to decode the impact.



1. Amendments to Schedule-III of Companies Act, 2013

Introduction

- Schedule III of the Companies Act 2013, provides general instructions for preparation of financial statements of companies in compliance with Accounting Standards and Ind AS under Division-I (Indian GAAP) and Division II & III (Ind AS) respectively.
- MCA vide notification dated March 24th 2021, has made amendments in schedule III applicable w.e.f April 1st 2021.
- Following acronym are used throughout the slides
 - DIVISION-I Accounting Standards (AS)
 - DIVISION-II Indian Accounting Standards (Ind AS)
 - DIVISION-III Non Banking Financial Company (NBFC)



सत्यमेव जयते

Ministry of Corporate Affairs
Government Of India

Bird's eye view of Amendments

S.No	Amendments (Changes proposed)	Division-I	Division-II	Division-III
	MODIFICATION TO EXISTING SCHEDULE III			
1.	In Statement of Profit and loss, Turnover substituted with the word Total Income .	✓	✓	✓
2.	Change in the term Tangible Assets to Property plant and equipment .	✓		
3.	Change in the term PPE to Property plant and equipment and Intangible Assets .	✓		
	ENHANCED DISCLOSURES			
1.	Additional disclosure under the head – <u>DIVISION I (AS)</u> Other non-current Assets for Security Deposits <u>DIVISION II (IND AS)</u> Other Financial assets ✓ Security Deposits ✓ Bank deposits with more than 12 months maturity ✓ Others(to be specified)	✓	✓	

Bird's eye view of Amendments (Continued)

S.No	Amendments (Changes proposed)	Division-I	Division-II	Division-III
	ENHANCED DISCLOSURES (CONTINUED)			
2.	<p><u>DIVISION-I (AS)</u></p> <p>A) Disclosure of Ageing schedule for Trade receivable which shall include</p> <ul style="list-style-type: none"> ✓ Undisputed Trade receivables- considered good ✓ Undisputed Trade receivable- considered doubtful ✓ Disputed Trade receivables -considered good ✓ Disputed Trade receivables-considered doubtful <p>Outstanding for a period <6 months, 6 months – 1year, 1-2 years, 2-3 years, >3 years.</p> <p>B) Similar information shall be given where no due date of payment is specified, in such case disclosure shall be from date of transaction.</p>	✓		
3.	<p><u>DIVISION-II (Ind AS) & DIVISION-III (NBFC)</u></p> <p>A) Disclosure of Ageing schedule for Trade receivable which shall include</p> <ul style="list-style-type: none"> ✓ Undisputed Trade receivables- considered good ✓ Undisputed Trade receivable- 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 <p>Outstanding for a period <6 months, 6 months – 1year, 1-2 years, 2-3 years, >3 years.</p> <p>B) Similar information shall be given where no due date of payment is specified, in such case disclosure shall be from date of transaction.</p>		✓	✓

Bird's eye view of Amendments (Continued)

S.No	Amendments (Changes proposed)	Division-I	Division-II	Division-III
	ENHANCED DISCLOSURES (CONTINUED)			
4.	Additional disclosure under the head Short-term borrowing- Current maturities of Long term Borrowings.	✓	✓	
5.	Disclosure of Shareholding pattern of Promoters which shall include Name of the Promoter, No. of shares held by the promoters at the end of the year, percentage of total shares held and percentage change during the year.	✓	✓	✓
	NEWLY PROPOSED DISCLOSURES			
1.	Separate disclosures for Unbilled dues	✓	✓	
2.	Reconciliation of gross and net carrying value of each class of (Refer Point I for details) <ul style="list-style-type: none"> ▪ Property, plant and equipment ▪ Intangible Assets 	✓	✓	✓
3.	A) Disclosure of Ageing schedule for Trade payables which include amounts due to <ul style="list-style-type: none"> ✓ MSME ✓ Others ✓ Disputed- MSME and Others Outstanding for a period less than 1 year, 1-2 years, 2-3 years and >3 years from the due date of payment. B) Similar information shall be given where no due date of payment is specified, in that case disclosure shall be from the date of transaction.	✓	✓	✓

Bird's eye view of Amendments (Continued)

S.No	Amendments (Changes proposed)	Division-I	Division-II	Division-III
ADDITIONAL REGULATORY INFORMATION				
1.	Disclosure relating to Borrowings from Banks and Financial Institutions and not used for its intended purpose at the Balance sheet date, the company shall disclose the details of where they have been used	✓	✓	✓
2.	Title deeds of Immovable Property not held in the name of the Company. (Refer Point II for details)	✓	✓	✓
3.	<p><u>DIVISION-I</u> Revaluation of Property, plant and Equipment by a registered valuer.</p> <p><u>DIVISION-II & III</u> Revaluation of fair value Investment property, Property, plant and Equipment, Intangible Assets.</p>	✓	✓	✓
4.	<p>Disclosure where Loans or Advances in the nature of Loans are granted to Promoters, KMP, directors and related parties either severally or jointly that are</p> <ul style="list-style-type: none"> ✓ Repayable on demand ✓ Without specifying any terms or period of repayment. 	✓	✓	✓

Bird's eye view of Amendments (Continued)

S.No	Amendments (Changes proposed)	Division-I	Division-II	Division-III
5.	<p>A) Ageing Schedule of Capital Work-In Progress for</p> <ul style="list-style-type: none"> ✓ Projects in progress ✓ Projects temporarily suspended <p>With amount wise disclosure for a period <1year, 1-2 years, 2-3 years and >3 years shall be given.</p> <p>B) CWIP whose completion is overdue or has exceeded its cost compared to its original plan, Disclosure of CWIP completion schedule Project wise, to be completed in <1 year, 1-2 years, 2-3 years and >3 years shall be given.</p>	✓	✓	✓
6.	<p>A) Ageing Schedule of Intangible assets under development for</p> <ul style="list-style-type: none"> ✓ Projects in progress ✓ Projects temporarily suspended <p>With amount wise disclosure for a period <1year, 1-2 years, 2-3 years and >3 years shall be given.</p> <p>B) For Intangible assts under development whose completion is overdue or has exceeded its cost compared to its original plan, Disclosure of Intangible assets under development completion schedule Project wise, to be completed in <1 year, 1-2 years, 2-3 years and >3 years shall be given.</p>	✓	✓	✓
7.	<p>Details of Benami Properties held (Refer point III for details)</p>	✓	✓	✓

Bird's eye view of Amendments (Continued)

S.No	Amendments (Changes proposed)	Division-I	Division-II	Division-III
8.	<p>Where the Company has borrowings from Banks or Financial Institutions on the basis of security of Current Assets, the Company shall disclose</p> <ul style="list-style-type: none"> ✓ Quarterly returns or statements filed by the company are in agreement with the books of accounts. ✓ If not, summary of reconciliation and reasons of material discrepancy, if any to be adequately disclosed. 	✓	✓	✓
9.	<p>Where a company is declared Willful defaulter by Bank or Financial Institution or other lender</p> <ul style="list-style-type: none"> ✓ Date of declaration as willful defaulter ✓ Details of defaults (amount and nature of defaults) 	✓	✓	✓
10.	<p>If the company has any transactions with Companies struck off under Sec 248 of Companies Act 2013, or Section 560 of Companies Act 1956, the company shall disclose</p> <ul style="list-style-type: none"> ✓ Name of the struck company ✓ Nature of transactions with struck off company ✓ Balance outstanding ✓ Relationship with the Struck off company, if any, to be disclosed 	✓	✓	✓
11.	<p>Registration of charges or satisfaction with Registrar of Companies yet to be registered beyond the Statutory period shall be disclosed.</p>	✓	✓	✓

Bird's eye view of Amendments (Continued)

S.No	Amendments (Changes proposed)	Division-I	Division-II	Division-III
12.	<p>Compliance with number of layers of companies- In case of Non compliance with Sec 2(87) read with Companies (Restriction on number of layers) Rules 2017.</p> <ul style="list-style-type: none"> ✓ Name and CIN of the Company ✓ Relationship/extent of holding of the company in such downstream companies <p>Shall be disclosed.</p>	✓	✓	✓
13.	<p>Ratios to be disclosed (Refer Point-IV for details)</p>	✓	✓	✓
14.	<p>Compliance with Approved schemes of Arrangements as per Section 230 to 237 of Companies Act 2013, the Company shall disclose Effect of such scheme has been accounted in the Books of Account of the Company and deviation shall be disclosed.</p>	✓	✓	✓
15.	<p>Utilisation of Borrowed funds and share premium (Refer Point-V for details)</p>	✓	✓	✓
16.	<p>Under the heading Non-current Liabilities and Current liabilities, Sub heading Financial Liabilities, additionally lease liability is required to be disclosed.</p>		✓	
17.	<p>Additional disclosure of Other Financial Assets, which incorporates Financial assets that do not fit into any other financial asset categories such as Security deposits.</p>		✓	

Bird's eye view of Amendments (Continued)

S.No	Amendments (Changes proposed)	Division-I	Division-II	Division-III
18.	ADDITIONAL DISCLOSURES UNDER STATEMENT OF PROFIT AND LOSS ✓ Corporate Social Responsibility (CSR) (Refer Point-VI for details) ✓ Undisclosed Income (Refer Point-VII for details) ✓ Details of Crypto currency or Virtual currency (Refer Point-VIII for details)	✓	✓	✓
19.	Amendment in Statement of Changes in Equity		✓	✓

COMPANY (ACCOUNT) AMENDMENT RULES 2021

Audit Trail

As per the Notification of MCA dated 24th March 2021, Applicable from 1st April 2021

Every company which uses accounting software for maintaining its books of account shall

- ✓ Use only such accounting software which has a feature of recording audit trail of each and every transaction
- ✓ Creating an edit log of each change made along with the date when such changes were made
- ✓ Ensuring that the audit trail cannot be disabled

However, the Applicability of audit trail was deferred and applicable from April 1st 2022 vide Notification issued by MCA on April 1st 2021.

COMPANY (AUDIT AND AUDITORS) AMENDMENT RULES 2021

Representations by Management (Refer detailed explanation)

However, the Applicability of rule was deferred and applicable from April 1st 2022 vide Notification issued by MCA on April 1st 2021.

Detailed explanation of Amendments

I. Reconciliation of gross and net carrying amount of PPE and Intangible assets

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/Intangible Assets) and other adjustments and the related depreciation and impairment losses/reversals shall be disclosed separately.

II. Title deeds of Immovable property not held in the name of the company

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

III. Details of Benami Property held

Where any proceedings have been initiated or pending against the company for holding any Benami property under Benami Transactions (Prohibition) Act 1988, the company shall disclose the following:

- ✓ Details of such property including year of acquisition.
- ✓ Amount and details of Beneficiaries
- ✓ If property is recorded in books, reference to the item in Balance sheet, if not recorded then fact shall be stated with reasons.
- ✓ In case proceedings against the company is initiated under this law, Nature of proceedings, status and company's view on the same.



Detailed explanation of Amendments

IV. Ratios to be disclosed

Division-I	Division-II	Division-III
<ul style="list-style-type: none"> i. Current Ratio ii. Debt-Equity Ratio iii. Debt Service Coverage Ratio iv. Return on Equity Ratio v. Inventory turnover ratio vi. Trade Receivables turnover ratio vii. Trade payables turnover ratio viii. Net capital turnover ratio ix. Net profit ratio x. Return on Capital employed xi. Return on investment. 		<ul style="list-style-type: none"> i. Capital to risk-weighted assets ratio (CRAR) ii. Tier I CRAR iii. Tier II CRAR iv. Liquidity Coverage Ratio

V. Utilisation of Borrowed Funds and Share premium

Where company has **advanced/loaned/invested funds or received any fund** (either borrowed funds or share premium or any other sources or kind of funds) to any other person or entity , 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

Detailed explanation of Amendments

V. Utilisation of Borrowed Funds and Share premium (Continued)

- (ii) provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries; the company shall disclose the following:-
- ✓ Date and amount of fund advanced/loaned/invested or fund received with complete details of each Intermediary.
 - ✓ Date and amount of fund further advanced/loaned/invested or fund by such Intermediaries to other intermediaries or Ultimate Beneficiaries along with complete details of the ultimate beneficiaries.
 - ✓ Date and amount of guarantee, security or the like provided to or on behalf of the Ultimate Beneficiaries.
 - ✓ Declaration that relevant provisions of the Foreign Exchange Management Act, 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

VI. Corporate Social Responsibility

Where the company covered under section 135 of the companies act, the following shall be disclosed with regard to CSR activities:-

- Amount required to be spent by the company during the year
- Amount of expenditure incurred, Short fall at the end of the year
- Total of previous years shortfall and reasons for shortfall
- Nature of CSR activities
- Details of related party transactions, e.g., contribution to a trust controlled by the company in relation to CSR expenditure as per relevant AS
- 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.

Detailed explanation of Amendments

VII. Undisclosed Income

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 accounts during the year

VIII. Details of Crypto Currency or Virtual Currency

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.

IX. Representations by Management

- ✓ Whether the management has represented that, to the best of it's knowledge and belief, other than as disclosed in the notes to the accounts, no funds have been advanced/loaned/invested (or) received by the company (either from borrowed funds or share premium or any other sources or kind of funds) by the company to or in any other person or entity, including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, 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 provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
- ✓ Based on the audit procedures performed by the auditor, nothing has come to their notice that has caused them to believe that the representations contain any material mis-statement.
- ✓ Dividend declared or paid during the year by the company is in compliance with section 123 of the Companies Act, 2013.
- ✓ Whether the company has used such accounting software for maintaining its books of account which has a feature of recording audit trail (edit log) facility and the same has been operated throughout the year.

JDP & Co, Chartered Accountants

- J D P & Co is a premier professional services Firm focused on providing high end quality services to our clients in Audit, tax, FEMA and corporate law matters.
- Behind the efficiency of any organization lies the skills of its personnel. As the needs of each client is unique, our professionals are trained to anticipate the same and implement imaginative solutions thereby assisting in achievement of organizational goals.
- The firm represents a combination of specialized skills, which are geared to offers sound financial advice and personalized proactive services.
- Those associated with the firm have regular interaction with industry and other professionals which enables the firm to keep pace with contemporary developments and to meet the needs of its clients.
- The team at J D P & Co has deep industry experience across all sectors including Technology, Manufacturing, Communications, Infrastructure & Real Estate and Pharmaceuticals.

About Us

- ❑ Right Team mix
- ❑ Industry and technical expertise
- ❑ Strong assurance from a fresh and innovative industry specific audit

Editorial Team



L Padam Jain



Dikshit P Jain

Follow us on:



Reach out to us

Do write us back your feedback/Queries/Comments if any at mail@jdpcos.in

JDP & Co Chartered Accountants

Unit 3B, 6-3-569/2, Above Vibrant Ford,
Opp. RTA Khairtabad Rockdale Compound, Somajiguda-082.
M: +91 94924 48121 www.jdpcos.in

Thank You

Disclaimer: The substance of this report are exclusively for instructive reason. It doesn't establish proficient guidance or suggestion of firm. Neither the creators nor firm and its partners acknowledges any liabilities for any misfortune or harm of any sort emerging out of any data in this report nor for any activities taken in dependence subsequently. Peruser's are encouraged to counsel the expert for understanding pertinence of this article in the individual situations. While due consideration has been taken in setting up this report, the presence of missteps and exclusions thus isn't precluded.