

Changes in Schedule III & CARO 2020



CA. PRAMOD JAIN

FCA, FCS, FCMA, LL.B, MIMA, DISA, IP

Shared at

Patel Nagar CPE Study Circle of NIRC of ICAI

16th August 2022

AS

- **Companies (Accounting Standards) Rules, 2021 notified vide notification dated 23.06.2021**
- **These have replaced Companies (Accounting Standards) Rules, 2006**
- **Effective for accounting periods commencing on or after 1st April, 2021**

AS Applicability for Companies other than Ind AS

- Effective for Accounting Periods from 1.4.2021

Conditions	SMC			Other than SMC	
	Existing	Revised		Existing	Revised
Turnover (excluding other Income) in PY	< 50 Cr	< 250 Cr		> 50 Cr	> 250 Cr
Borrowing (including public deposit)	< 10 Cr	< 50 Cr		>10 Cr	> 50 Cr

SMC Disclosure

- **For FS upto 31.3.2021** - "The Company is a Small and Medium Sized Company (SMC) as defined in the General Instructions in respect of Accounting Standards notified under the Companies Act, 2013. Accordingly, the Company has complied with the Accounting Standards as applicable to a Small and Medium Sized Company."
- **For FS from 1.4.2021** - "The Company is a Small and Medium Sized Company (SMC) as defined in the Companies (Accounting Standards) Rules, 2021 notified under the Companies Act, 2013. Accordingly, the Company has complied with the Accounting Standards as applicable to a Small and Medium Sized Company."
- Two year wait period if change from Non-SMC to SMC

AS – Non-Corporates

- Is audit of FS required during Tax Audit?
- Are Notes to the accounts prepared for Non-Corporates
- Are Accounting Standards applicable to Non-corporates?
- What if there is non-compliance?
Where to Report it?

AS Applicability for Non-Companies

- Effective for Accounting Periods from 1.4.2020
- Instead of 3 levels.. Now 4 levels

Level	Turnover			Borrowing	
	Existing	Revised		Existing	Revised
I (Large)	> 50 Cr	> 250 Cr		> 10 Cr	> 50 Cr
II (Medium)	1-50Cr	50-250 Cr		1-10 Cr	10-50 Cr
III (Small)	< 1 Cr	10-50 Cr		< 1 Cr	2-10 Cr
IV (Micro)		< 10 Cr			< 2 Cr

MSME Disclosure - Non Corporate


- **“The Entity is a Micro Small and Medium Sized Enterprise (MSME) as per the announcement made by ICAI and has complied with the Accounting Standards insofar as they are applicable to entities falling in Level II or Level III or Level IV, as the case may be.”**
- **Two year wait period if change from Level I to II or II to III or III to IV**

AS Applicability

AS No.	Short Title	Companies		Non - Companies			
		Non-SMC	SMC	L - I	L- II	L - III	L - IV
1	Accounting Policies	Y	Y	Y	Y	Y	Y
2	Inventories	Y	Y	Y	Y	Y	Y
3	Cash Flow	Y	N/Y	Y	N	N	N
4	Events after Balance Sheet date	Y	Y	Y	Y	Y	Y
5	Prior Period Items & Policies	Y	Y	Y	Y	Y	Y
6	Depreciation (Omitted w.e.f. 30.3.16)	NA	NA	NA	NA	NA	NA
7	Construction	Y	Y	Y	Y	Y	Y
9	Revenue	Y	Y	Y	Y	Y	Y
10	Property, Plant & Equipment	Y	Y	Y	Y#	Y#	Y#
11	Foreign Exchange	Y	Y	Y	Y	Y#	Y#
12	Government Grants	Y	Y	Y	Y	Y	Y
13	Investments	Y	Y	Y	Y	Y	Y#
14	Amalgamations	Y	Y	Y	Y	Y	N
15	Employee Benefits	Y	Y#	Y	Y#	Y#	Y#

AS Applicability

AS No.	Short Title	Companies		Non - Companies			
		Non-SMC	SMC	L - I	L- II	L - III	L - IV
16	Borrowing Cost	Y	Y	Y	Y	Y	Y
17	Segment	Y	N	Y	N	N	N
18	Related Party	Y	Y	Y	Y	N	N
19	Leases	Y	Y#	Y	Y#	Y#	Y#
20	Earning Per Share	Y	Partly	N	N	N	N
21	Consolidation	N/Y	N/Y	(listed)	N	N	N
22	Deferred Taxes	Y	Y	Y	Y	Y	Partly
23	Consolidated Statements	N/Y	N/Y	(listed)	N	N	N
24	Discontinuing Operation	Y	Y	Y	Y	N	N
25	Interim Reporting	Y (listed)	N*	N	N	N	N
26	Intangible Assets	Y	Y	Y	Y	Y	Y#
27	Interest in Joint Ventures	N/Y	N/Y	(listed)	N	N	N
28	Impairment	Y	Y#	Y	Y#	Y#	N
29	Contingency	Y	Y#	Y	Y#	Y#	Y#



Formats of Financial Statements for Non-corporate Entities

Balance Sheet

Name of the Non-Corporate Entity.....

Balance Sheet as at

	Particulars	Note No	Figures as at the end of (Current reporting period) (in Rs.) (DD/MM/YYYY)	Figures as at the end of (Previous reporting period) (in Rs.) (DD/MM/YYYY)
	1	2	3	4
I.	EQUITY AND LIABILITIES			
	(1) Owners' Fund			
	(a) Owners Capital Account			
	(b) Reserves and surplus			
(2)	Non-current liabilities			
	(a) Long-term borrowings			
	(b) Deferred tax liabilities (Net)			

	Particulars	Note No	Figures as at the end of (Current reporting period) (in Rs.) _____ (DD/MM/YYYY)	Figures as at the end of (Previous reporting period) (in Rs.) _____ (DD/MM/YYYY)
	(c) Other Long Term Liabilities			
	Long-term provisions			
(3)	Current liabilities			
	(a) Short-term borrowings			
	(b) Trade payables:- (A) total outstanding dues of micro, small and medium enterprises and (B) total outstanding dues of creditors other than micro, small and medium enterprises .			
	(c) Other current liabilities			
	(d) Short-term provisions			
	TOTAL			
II.	ASSETS			
(1)	Non-Current Assets			
	(a) Property, Plant and Equipment & Intangible assets			
	(i) Property, Plant and Equipment			
	(ii) Intangible assets			

	Particulars	Note No	Figures as at the end of (Current reporting period) (in Rs.) _____ (DD/MM/YYYY)	Figures as at the end of (Previous reporting period) (in Rs.) _____ (DD/MM/YYYY)
	(iii) Capital work-in-progress			
	(iv) Intangible assets under development			
	(b) Non-current investment			
	(c) Deferred tax assets (net)			
	(d) Long-term loans and advances			
	(e) Other non-current assets			
(2)	Current assets			
	(a) Current investments			
	(b) Inventories			
	(c) Trade receivables			
	(d) Cash and bank balances			
	(e) Short-term loans and advances			
	(f) Other current assets			
	TOTAL			

STATEMENT OF PROFIT AND LOSS

CA. Pramod Jain

Name of the Non-Corporate Entity.....

Statement of Profit and loss for the year ended

(Rupees in.....)

	Particulars	Note	Figures for the current reporting period (in rs.) From _____ (DD/MM/YYYY) To _____ (DD/MM/YYYY)	Figures for the previous reporting period (in Rs.) From _____ (DD/MM/YYYY) To _____ (DD/MM/YYYY)
	1	2	3	4
I.	Revenue from operations		xxx	Xxx
II.	Other income		xxx	Xxx
III.	Total Income (I + II)		xxx	Xxx
IV.	Expenses			
(a)	Cost of Goods Sold			
(b)	Employee benefits expense		xxx	Xxx
(c)	Depreciation and amortization expense		xxx	Xxx
(d)	Finance Cost		xxx	Xxx
(e)	Other expenses		xxx	xxx

	Particulars	Note	Figures for the current reporting period (in Rs.) From _____ (DD/MM/YYYY) To _____ (DD/MM/YYYY)	Figures for the previous reporting period (in rs.) From _____ (DD/MM/YYYY) To _____ (DD/MM/YYYY)
	Total expenses		xxx	xxx
V	Profit before exceptional and extraordinary items and tax (III-IV)		xxx	xxx
VI	Exceptional items		xxx	xxx
VII	Profit before extraordinary items and tax (V - VI)		xxx	xxx
VIII	Extraordinary Items		xxx	xxx
IX	Profit before tax (VII- VIII)		xxx	xxx
X	Tax expense:			
(i)	Current tax		xxx	xxx
(ii)	Deferred tax		xxx	xxx
XI	Profit (Loss) for the period from continuing operations (VII-VIII)		xxx	xxx
XII	Profit/(loss) from discontinuing operations		xxx	xxx
XIII	Tax expense of discontinuing operations		xxx	xxx
XIV	Profit/(loss) from Discontinuing operations (after tax) (XII-XIII)		xxx	xxx
XV	Profit/ (Loss) (XI + XIV)		xxx	xxx

Other Matters for Non-corporates

- **List of Trade Receivables / Payables**
- **List of unsecured Loans**
- **Notes to the Accounts**
- **Significant accounting policies**
- **MSMED Act 2006**

CARO 2020 & Schedule III

CARO 2020

- CARO 2016 – 16 Clauses
- CARO 2020 – 21 Clauses (47 sub-clauses)
- No Change – 5 clauses
- Amended / rearranged clauses – 9
- Reintroduced – 2 with change
- New – 5 clauses
- Deleted -1 clause

SUB-CLAUSES

Clause No.	No. of Sub-Clauses	Clause No.	No. of Sub-Clauses
(i)	5	(xii)	3
(ii)	2	(xiii)	1
(iii)	6	(xiv)	2
(iv)	1	(xv)	1
(v)	1	(xvi)	4
(vi)	1	(xvii)	1
(vii)	2	(xviii)	1
(viii)	1	(xix)	1
(ix)	6	(xx)	2
(x)	2	(xxi)	1
(xi)	3		

CARO APPLICABILITY

- No major change as compared to CARO 2016
- Applicable to all including Foreign Co. for a/c counting period after 1.4.21 except:
 - Banking Co. / Insurance Co.
 - Section 8 Co.
 - OPC
 - Small Co.
 - Not applicable to CFS except clause 21
- Branch auditor also covered, if applicable to co.

CARO APPLICABILITY

- Pvt. Co not being sub. or holding of Pub. Co. whose:
 - Paid up Capital & Reserves < 1 Cr as at B/s date; and
 - Bonus, Pref. shares to be included
 - Share Application money !!
 - All reserves to be included including revaluation reserve

CARO APPLICABILITY

- Pvt. Co **not being sub./holding of Pub. Co.:**
 - Outstanding Loans - Bank or FIs < **1 Cr during FY**; and
 - All borrowings included – ST and LT
 - Non fund based – to extent devolved, invoked guarantees & devolved LCs
 - TL – interest accrued & due only to be considered
 - CC – Max. balance on any day as per books
 - OD against FD included
 - Outstanding due of Credit card included

Foreign banks covered - FIs include NBFC

CARO APPLICABILITY

- Pvt. Co not being sub. or holding of Pub. Co. whose:
 - Total Revenue (including from discontinuing operations) < 10 crores as per Financial Statements as per Schedule III
 - Other income included

APPLICABILITY???

- A Pvt. Ltd. Co whose details are as under:

- Paid up Capital – Rs. 75 Lacs
- Reserves & Surplus – Rs 800 Lacs
- Turnover Rs. 580 Lacs
- Other Income Rs. 900 Lacs

- Is CARO Applicable??

- No

CARO – NO CHANGE

- 4 – S. 185 /186 Compliance
- 6 – Cost Records
- 7 – Statutory dues
- 13 – Related party Transactions
- 15 – Non cash transactions with directors or persons covered connected with him – S. 192 complied or not

CARO – NO CHANGE

7 – Statutory dues

- Regular in depositing
- If not, outstanding more than 6 months
- Disputed
- Statutory due arises out of a statute, rather than on an independent contractual or legal relationship
- Advance tax, TDS, Custom duty... if intt – irregular.
- Instalments granted by authority, penalty/intt covered
- Irregularity vs. due more than 6 months
- Mere show cause – not disputed, S. 154 – disputed
- If no appeal filed – undisputed dues

Disclose disputed amounts even if provision made or amount deposited under protest

CARO - DELETED / REINTRODUCED

- Old 11 – managerial remuneration deleted – was inserted by CARO 2016
- 14 - Internal audit old CARO 2003 4(vii). Clause (b) is new
 - (a) Whether the company has an internal audit system commensurate with the size and nature of its business;
 - (b) Whether the reports of the Internal Auditors for the period under audit were considered by the statutory auditor;

14 – INTERNAL AUDIT

- Listed Co.
- Unlisted Public Co if:
 - Capital > 50 Cr. in preceding FY; or
 - Turnover > 200 Cr. in preceding FY; or
 - Outstanding loans from banks or PFIs > 100 Cr. At any point of time in preceding FY; or
 - Outstanding deposits > 25 Cr. at any point of time in preceding FY;
- Private Co if:
 - Turnover > 200 Cr. in preceding FY; or
 - Outstanding loans from banks or PFIs > 100 Cr. at any point of time in preceding FY
- Internal auditors being CAs covered by NFRA

AMENDED – CL. 5

- In respect of deposits accepted by company or **amounts which are deemed to be deposits**, whether directives issued by RBI and provisions of ss. 73 to 76 or any other relevant provisions of Companies Act & rules made thereunder, where applicable, have been complied with, if not, the nature of such contraventions be stated; if an order has been passed by CLB/NCLT/RBI/any court or any other tribunal, whether same has been complied with or not
- Not to comment on amounts which are not deposits, yet auditor should check.. They are exempt. See DPT-3 filed

AMENDED – CL. 10

- (a) whether moneys raised by way of IPO or FPO (including debt instruments) during year were applied for purposes for which those are raised, if not, the details together with delays or default and subsequent rectification, if any, as may be applicable, be reported;
 - Default - amount involved , nature of default, delay in utilization
 - Co. to disclose end use of IPO/FPO in notes & auditor to verify – see SEBI (Listing Obl. & Dis. Req.) Reg.
 - Temporary investment (FDR) to be reported
- Term Loans from Private Parties
 - If against property, FDR, etc – no specific purpose

AMENDED – CL. 10

- (b) whether company has made any preferential allotment or private placement of shares or convertible deb. (fully, partially or **optionally convertible**) during the year & if so, whether requirements of section 42 and **section 62** have been complied with & funds raised have been used for purposes for which funds were raised, if not, provide details in respect of amt involved & nature of non-compliance;

AMENDED – CL. 12

- (a) whether the Nidhi Company has complied with the Net Owned Funds to Deposits in the ratio of 1:20 to meet out the liability;
- (b) whether the Nidhi Company is maintaining ten per cent. unencumbered term deposits as specified in the Nidhi Rules, 2014 to meet out the liability;
- (c) whether there has been any default in payment of interest on deposits or repayment thereof for any period and if so, the details thereof

AMENDED – CL. 16

- (a) Whether co. is required to be registered u/s 45-IA of RBI Act, 1934 & if so, whether registration has been obtained;
 - Understanding business, if principal business is Financing activity
 - 50-50 Test - Financial Assets > 50% of total assets and income from Financial assets > 50% of Gross Income

If required and registration not obtained
reasons to be stated

AMENDED – CL. 16

- (b) Whether co. has conducted any Non-Banking Financial or Housing Finance activities without a valid Certificate of Reg. (CoR) from RBI
- (c) Whether the company is a Core Investment Company (CIC) as defined in regulations made by the RBI, if so, whether it continues to fulfil criteria of a CIC, and in case co. is an exempted or unregistered CIC, whether it continues to fulfil such criteria;
- (d) Whether Group has more than 1 CIC as part of Group, if yes, indicate no. of CICs which are part of Group;

NEW – CL. 17

- Taken from Clause 4(x) of CARO 2003 with some changes
- Whether the company has incurred **cash losses** in financial year and in the immediately preceding financial year, if so, state the amount of cash losses.
 - Earlier only if company existed for more than 5 years
 - Accumulated losses more than 50%

NEW – CL. 18

- Whether there has been any **resignation of the statutory auditors during the year**, if so, whether the auditor has taken into consideration the issues, objections or concerns raised by outgoing auditors.
 - Reasons mentioned for Resignation – ADT-3
 - Last Audit Reports
 - Communications / discussions / communications with TCWG, etc before accepting engagement.
 - Include in MRL- all material concerns / objections discussed by outgoing auditor has been shared
 - Documentation of Communication with Outgoing Auditor / Engagement Acceptance

NEW – CL. 21

- Whether there have been any **qualifications or adverse remarks** by the respective auditors in the Companies (Auditor's Report) Order (CARO) reports of the companies included **in the consolidated financial statements**, if yes, indicate the details of the companies and the paragraph numbers of the CARO report containing the **qualifications or adverse remarks**
- **This clause is only for CFS**

SCHEDULE III

❖ Division I

❖ Companies (Accounting Standard) Rule 2021

❖ Division II

❖ Ind AS

❖ Division III

❖ NBFC – Ind AS

CHANGES – B/S

- ❖ Rounding-Off – Turnover to Total Income
- ❖ Heading of PPE corrected
 - II. ASSETS
 - Non-current assets
 - (1) (a) Property, Plant & Equipment and Intangible assets
 - (i) ~~Tangible assets~~ Property, Plant & Equipment
- ❖ Promoters' shareholding & changes during the year
- ❖ “Current Maturities of Long term borrowings” reclassified as Short Term Borrowings instead of Current Liabilities

CHANGES – B/S

- ❖ Security Deposits reclassified as Other Non-current assets instead of Long-Term Loans & advances
- ❖ Ageing:
 - ❖ Trade Payables – MSME / Disputed / Unbilled dues
 - ❖ Trade Receivable – Disputed / Doubtful / Unbilled Dues
 - ❖ CWIP / Intangible Asset under Development – In Progress / temporarily suspended - overdue or has exceeded its cost compared to its original plan CWIP separately (ageing of to be completed)
- ❖ PPE / Intangible Asset Reco. - amt of change due to revaluation (if change is 10% or more in aggregate of net carrying value of each class of PPE) added

CHANGES – B/S

- ❖ Title deeds of Immovable Property not held in name of the Company – Includes ...if held in name of promoter, director or relative of promoter / director or employee of promoter / director – **CARO – Cl. – 1(c)**
 - ❖ PPE
 - ❖ Investment Property
 - ❖ PPE held for sale
 - ❖ Stock in trade not covered

CHANGES – B/S

- ❖ In case of revaluation of PPE – valuation by a registered valuer – **CARO – Cl. – 1(d)**
- ❖ Benami Property – to be given only where any proceedings have been initiated or pending against the company – **CARO – Cl. – 1(e) – whether co. disclosed**

CARO – CL. 1

- 1 – FA – Earlier 3 sub-clauses – Now 5(6).
- (a) (A) whether company is maintaining proper records showing full particulars, including quantitative details & situation of PPE;
 - FAR in electronic form if 2 conditions satisfied:
 - Controls & security measures in Co. are such that once finalised, FAR cannot be altered without proper authorization & audit trail.
 - FAR can be retrieved in a legible form.
 - In case above conditions not satisfied, to obtain duly authenticated print-out of FAR. In case auditor decides to rely on electronically FAR - to maintain adequate documentation evidencing evaluation of controls that seek to ensure completeness, accuracy & security of register.

CARO – CL. 1

- (B) Whether the company is maintaining proper records showing full particulars of intangible assets;
 - Consider applicable documentation requirements of intangible assets as laid down in Copyright Act, 1957, Patents Act, 1970, Trade Marks Act, 1999 , Designs Act, 2000, IT Act 2000, etc.
 - Documents / Registers could be in form of narratives, SOPs, Ledgers in ERP platforms, etc
- (b) Whether these PPE have been physically verified by management at reasonable intervals; - material discrepancies were noticed -properly dealt with in books of a/c

CARO – CL. 1

- (c) Whether title deeds of all immovable properties (other than properties where the company is lessee and the lease agreements are duly executed in favour of the lessee) disclosed in FS are held in name of company, if not, provide details thereof in format below

Description of property	Gross carrying value	Held in name of	Whether promoter, director or their relative or employee	Period held – indicate range, where appropriate	Reason for not being held in name of company* Dispute if any
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- Check in case of conversions
- TDR, Plt& Mach. Imbedded in land are not imm. Property
- Check in Notes to Schedule III

CARO – CL. 1

- (d) Whether company has revalued its PPE (including Right of Use assets) or intangible assets or both during the year & if so:
 - Whether revaluation is based on valuation by a Registered Valuer; - **Check in Notes to Schedule III**
 - Specify amt of change, if change is $\leq 10\%$ in aggregate of net carrying value of each class of PPE or intangible assets **Check in FA Notes to Schedule III**
- (e) Whether any proceedings have been initiated or are pending against co. for holding any benami property under Benami Laws, if so, whether co. has appropriately disclosed details in its FS - **Check in Notes to Schedule III**

CHANGES – B/S

- ❖ Where Company has borrowings from banks or FIs against current assets- **CARO – Cl. 2(b) – 5 Cr sanctioned WC**
 - ❖ Quarterly returns filed are in agreement with books of accounts
 - ❖ If not, summary of reconciliation & reasons of material discrepancies –
 - ❖ Sanctioned but not utilized.. Still to be given
 - ❖ To be given ..even if security of Current asset is of other entity

AMENDED – CL. 2

- (a) Whether physical verification of inventory has been conducted at reasonable intervals by the management
 - Whether, in the opinion of the auditor, the coverage and procedure of such verification by the management is appropriate;
 - Whether any discrepancies of 10% or more in the aggregate for each class of inventory were noticed and if so,
Whether they have been properly dealt with in the books of account;

AMENDED – CL. 2

- (b) Whether during **any point of time of the year**, co. has been **sanctioned** working capital limits in excess of Rs. 5 Crs., in aggregate, from banks or FIs on basis of security of current assets;
 - CC, OD, purchase/discount of bills, factoring... LC, BG
- Whether quarterly returns or statements filed by co. with such banks or FIs are in agreement with the books of account of Company,
 - Stock / book debt, credit monitoring arrangement reports, ageing analysis of debtors/other receivables, other financial information, provisional B/s
- If not, give details - **Check in Notes to Sch. III**

AMENDED – CL. 11

- (a) Whether any fraud by the company or any fraud on the company ~~by its officers or employees~~ has been noticed or reported during the year, if yes, the nature and the amount involved is to be indicated;
 - Only to report 'noticed or reported' frauds. 143(12) frauds to CG. Reported frauds u/s 143(12) to be reported not suspected frauds
 - Management fraud vs. Employee fraud
 - Fraudulent Financial Reporting vs. Misappropriation of assets
- (b) Whether any report u/s 143 (12) has been filed by the auditors in Form ADT-4 with CG
- (c) Whether auditor has considered whistle-blower complaints, if any, received during the year by the company;

FRAUD - S 447

- Any act or omission,
- Concealment of fact or
- Abuse of position of any person (by him or herself or by any other person in connivance in any manner).
- With the intent to deceive or to gain undue advantage to injure the interest of
 - Company, or
 - Shareholders, or
 - Creditors, or
 - Any other person (whether or not there is any wrongful gain or loss).

FALSE STATEMENT - S. 448

- If any person makes a false statement in any:
 - Return
 - Report
 - Certificate
 - FS
 - Prospectus
 - Other document under this Act
 - Is false in any material particulars, knowing it to be false
 - Omits any material fact knowing it to be material
- Action u/s 447

FRAUDULENTLY INDUCING PERSON TO INVEST MONEY

- Any person who, either knowingly or recklessly makes any **statement, promise or forecast** which is false, deceptive or misleading, or deliberately conceals any material facts, to induce another person to enter into:
 - any agreement for, or with a view to, acquiring, disposing of, subscribing for, or underwriting securities;
 - any agreement, purpose / pretended purpose of which is to secure a profit to any of parties from yield of securities or by reference to fluctuations in value of securities; or
 - any agreement for, or with a view to **obtaining credit facilities** from any bank or financial institution,
- shall be liable for action u/s 447. (S. 36)

CHANGES – B/S

- ❖ Loans or Advances **in nature of loans granted** to promoters, directors, KMPs & related parties (Companies Act) either severally or jointly– **CARO – Cl. – 3(f)**:
 - ❖ Repayable on demand or
 - ❖ Without specifying any terms / period of repayment...
 - ❖ Along with % to total advances – AS 18, S. 186(4)
 - ❖ Consider relationship on date of loan – show in aggregate
 - ❖ Outstanding amount on date of B/s

AMENDED – CL- 3

- Whether **during the year** company has made **investments in, provided any guarantee or security or** granted any loans or advances in the nature of loans, secured or unsecured, to companies, firms, LLPs or any other parties, **(earlier only u/s 189 covered – MBP-4)** if so,-
 - (a) whether during year company has provided loans or provided advances in the nature of loans, or stood guarantee, or provided security to any other entity **[not applicable to companies whose principal business is to give loans]**, if so, indicate-

AMENDED – CL. 3

- A. aggregate amount during year, and balance outstanding at the b/s date with respect to such loans or advances and guarantees or security to subsidiaries, joint ventures and associates;
- B. aggregate amount during year, and balance outstanding at the b/s with respect to such loans or advances and guarantees or security to parties other than subsidiaries, JV and associates;
- In both cases... only granted during yr – squared up also to be given

AMENDED – CL. 3

- (b) Whether **investments made, guarantees provided, security given** and terms & conditions of grant of all loans & advances in nature of loans & guarantees provided are not prejudicial to company's interest
 - CY, Terms s.186(7) (Loans), ability to lend, borrower standing, applicable to all companies including NBFC
- (c) In respect of loans & advances in nature of loans, whether schedule of repayment of principal and payment of interest has been stipulated & whether the repayments or receipts are regular;

Opening + CY, squared up loans covered – no. of cases

AMENDED – CL. 3

- (d) if amt is overdue, state total amt overdue for more than 90 days, & whether reasonable steps have been taken by co. for recovery of principal and interest;
 - CY + opening, no. of cases, principal amt overdue, intt overdue, steps taken
- (e) whether any loan/advance in nature of loan granted which has fallen due during year, has been renewed/extended or fresh loans granted to settle overdues of existing loans given to same parties, if so specify agg. amt of such dues renewed/extended or settled by fresh loans & % of aggregate to total loans or advances in nature of loans granted during yr [not applicable if principal business is to give loans]

AMENDED – CL. 3

- (f) whether co. has granted any loans or advances in nature of loans **either repayable on demand or without specifying any terms or period of repayment, if so,**
 - specify aggregate amount,
 - % thereof to total loans granted,
 - aggregate amt of loans granted to Promoters, related parties as defined in s. 2(76) –
- **Check in Notes to Schedule III**

CHANGES – B/S

- ❖ Details where a company is a declared wilful defaulter by any bank / FI / other – **CARO – Cl. - 9(b)**
- ❖ Where company has not used borrowings from banks & FIs for specific purpose for which it was taken at B/S date - Details of where used – **CARO – Cl. – 9(c)**
– **For TL only**
 - ❖ To disclose when such borrowings are outstanding at B/s date
 - ❖ One to one relationship not to be established

CHANGES – B/S

- ❖ Details of utilisation of Borrowed funds & share premium – **CARO – Cl. 9(e) + Rule 11(e)**
 - ❖ Where company has advanced.. 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:
 - ❖ 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 to or on behalf of Ultimate Beneficiaries
- ❖ Similar – where company has borrowed....

AMENDED – CL. 9

- (a) whether the company has defaulted in repayment of loans or other borrowings **or in the payment of interest thereon to any lender**, if yes, the period and the amount of default to be reported as per the format below:

Nature of borrowing, including debt securities	Name of lender* Lender-wise if from bank, FI & Govt.	Amount not paid on due date	Whether principal or interest	No. of days delay or unpaid	Remarks, if any
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- Default – non payment of dues, FIs include NBFCs
 - All defaults existing **on B/S date??** – even earlier years
- Govt. does not include – Foreign govt., Govt. Co, PSU, Boards, Corporations

AMENDED – CL. 9

- (b) Whether the company is a **declared wilful defaulter** by any bank or financial institution or other lender; - Check in Notes to Schedule III
 - RBI issues wilful defaulters list
 - Obtain CIBIL Rank Report
 - If not declared a wilful defaulter but received a show-cause notice - may disclose.
 - Obtain MRL for both.
- (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;

AMENDED – CL. 9

- If temporary invested.. Then also to disclose
- Reporting could be:
 - Nature of Borrowing
 - Name of Lender
 - Amount Diverted
 - Purpose for which amount sanctioned
 - Purpose for which amount utilized
- Diversion as per RBI master circular:
 - Utilisation of short-term working capital funds for long-term purposes not in conformity with terms of sanction
 - Deploying borrowed funds for purposes/activities or creation of assets other for which loan sanctioned

AMENDED – CL. 9

- Transferring borrowed funds to subsidiaries / Group cos. or other corporates by whatever modalities
- Routing of funds through any bank other than lender bank without prior permission of lender
- Investment in other companies by way of acquiring equities / debt instruments without approval of lenders
- Shortfall in deployment of funds vis-à-vis amounts disbursed / drawn and difference not being accounted for.
- Check in Notes to Schedule III – its specific borrowing

(d) Whether funds raised on short term basis have been utilised for long term purposes, if yes, the nature and amount to be indicated;

AMENDED – CL. 9

- (e) whether the company has taken **any funds** from any entity or person on account of or to meet the obligations of its subsidiaries, associates or joint ventures, if so, details thereof with nature of such transactions and the amount in each case; - **Check in Notes to Schedule III**
- (f) whether the company has **raised loans** during the year on the pledge of securities held in its subsidiaries, joint ventures or associate companies, if so, give details thereof and also report if the company has defaulted in repayment of such loans raised;

AUDITOR RULE 11

- (e) (i) Whether the **management has represented** that, to the best of its knowledge and belief, other than as disclosed in the notes to the accounts, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the company to or in any other person(s) or entity(ies), 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

AUDITOR RULE 11

- (ii) Whether the **management has represented**, that, to the best of its knowledge and belief, other than as disclosed in the notes to the accounts, no funds have been received by the company from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the company shall, whether, 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 provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and
- (iii) **Based on such audit procedures that the auditor has considered reasonable and appropriate in the circumstances, nothing has come to their notice that has caused them to believe that the representations under sub-clause (i) and (ii) contain any material mis-statement.**
- (f) Whether the dividend declared or paid during the year by the company is in compliance with section 123 of Companies Act, 2013.

CHANGES – B/S

❖ Ratios along with line items included in numerator & denominator - explanation variation > 25% - CARO (19)

1. Current Ratio
2. Debt-Equity Ratio
3. Debt Service Coverage Ratio
4. Return on Equity Ratio
5. Inventory turnover ratio
6. Trade Receivables turnover ratio
7. Trade payables turnover ratio
8. Net capital turnover ratio,
9. Net profit ratio,
10. Return on Capital employed
11. Return on investment.

CL. 19 – CARO 2020

- ❖ Whether auditor is of opinion that no material uncertainty exists as on date of audit report that company is **CAPABLE OF MEETING ITS LIABILITIES EXISTING AT DATE OF B/S** as and when they fall due within a period of 1 year from b/s date
- ❖ On basis of:
 - ❖ Financial ratios
 - ❖ Ageing and Expected dates of realisation of financial assets & payment of financial liabilities
 - ❖ Other information accompanying FS
 - ❖ Knowledge of BOD & Management plans

CHANGES – B/S

- ❖ Relationship with struck-off Company – Investment, Drs, Crs, Shareholders, Others
 - ❖ If restored before approval of FS – not to be given
- ❖ Any charges or satisfaction yet to be registered with Registrar of Companies beyond the statutory period, details and reasons thereof.
- ❖ Compliance with number of layers of companies
- ❖ Compliance with approved Scheme(s) of Arrangements – accounting in books of account 'in accordance with the Scheme' and 'in accordance with accounting standards' and deviation, if any

CHANGES – PL

- ❖ Total Revenue – Total Income
- ❖ Revenue from operations to include - Grants or donations received (relevant in case of s. 8 co. only)
- ❖ Undisclosed income - not recorded in books of a/cs which are surrendered or disclosed as income during the year under Income Tax, unless immunity under scheme - also whether previously unrecorded income & related assets have been properly recorded in books of a/c during the year. – **CARO – Cl. (8)**
- ❖ Details where the Company has traded or invested in Crypto currency or Virtual Currency

NEW – CL. 8

- Whether any transactions **not recorded** in books of account have been surrendered or disclosed as income during the year **in tax assessments** under the Income Tax Act, 1961
- If so, whether previously unrecorded income has been properly recorded in books of a/c during the year. -
Check in Notes to Schedule III
 - Search / Survey
 - Unrecorded in the books of accounts and which were surrendered or disclosed as income in the tax assessments - have voluntarily admitted – VSVS not covered

CHANGES – PL

✦ Corporate Social Responsibility (CSR) – CARO – Cl. 20

1. Amount required to be spent during the year,
2. Amount of expenditure incurred,
3. Shortfall at the end of the year,
4. Total of previous years shortfall,
5. Reason for shortfall,
6. Nature of CSR activities,
7. Details of related party transactions
8. 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.

CL. 20 – CARO 2020

- (a) Whether, in respect of other than ongoing projects, company has transferred unspent amount to a Fund specified in Schedule VII within a period of 6 months of expiry of FY in compliance with second proviso to s. 135(5)
- (b) Whether any amount remaining unspent u/s 135(5) of the Companies Act, pursuant to any ongoing project, has been transferred to special account in compliance with s. 135(6)

CHANGES – DIV II & III

- ❖ Mostly same as Division I
- ❖ In Financial Liabilities – addition of Lease Liabilities
- ❖ Statement for Changes in Equity substituted – additional disclosure in changes in equity due to prior period errors and restated balance at the beginning of the reporting year – also disclose the same for the previous reporting period. Also details of other equity for prior reporting period.
- ❖ Fair Value of Investment Property, Revaluations by RV only – **CARO – Cl.- 1**

CHANGES – III

- Ratios for NBFCs :
 1. Capital to risk-weighted assets ratio (CRAR)
 2. Tier I CRAR
 3. Tier II CRAR
 4. Liquidity Coverage Ratio

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CA. Pramod Jain

www.capramodjain.com

pramodjain@lunawat.com

+91 9811073867



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