

# Review of Financial Statements of Companies & Non-Corporates



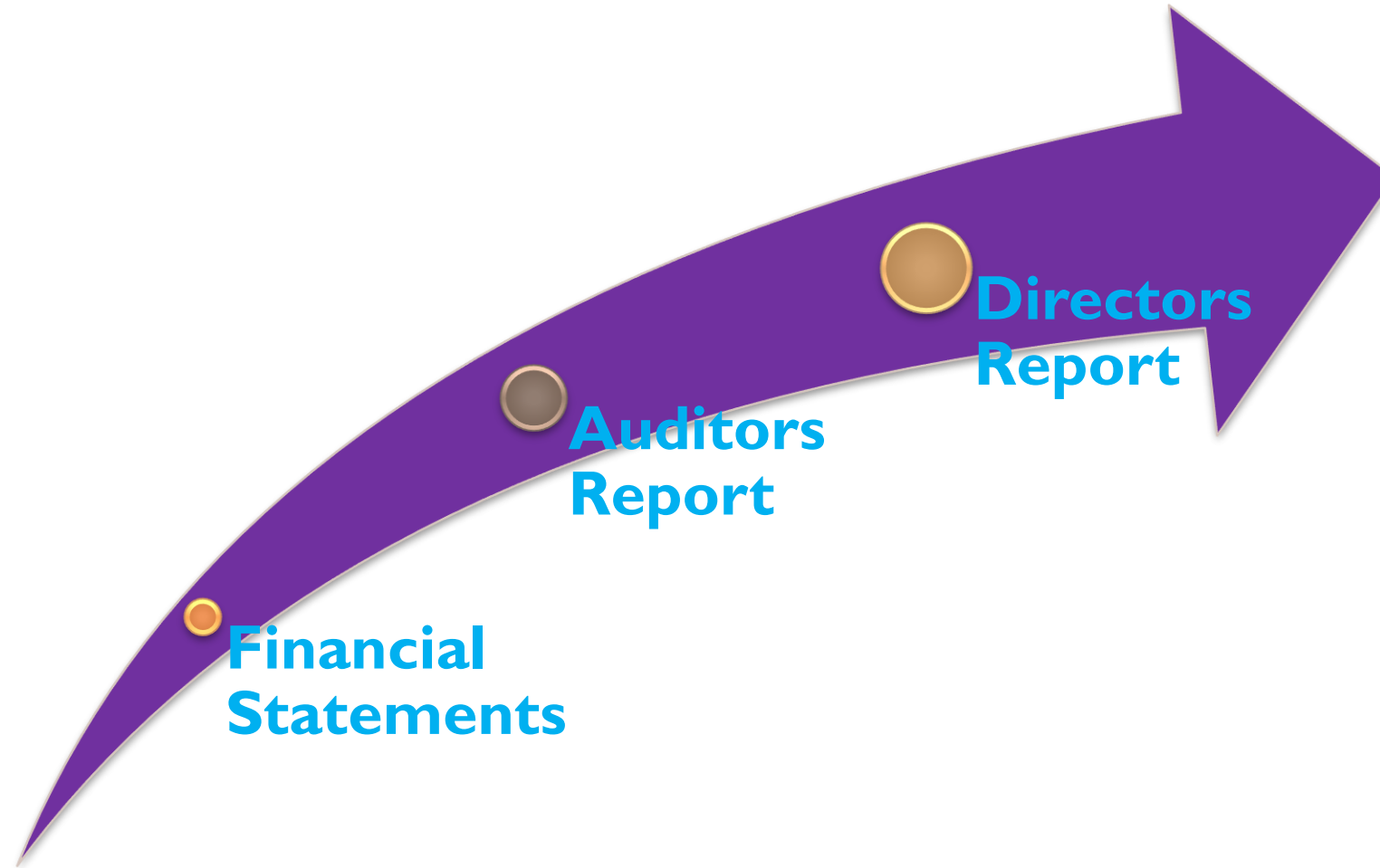
**CA. PRAMOD JAIN**

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

**ICAI – Amritsar Branch (NIRC)**

**18<sup>th</sup> April 2026**

# The PROCESS



**Annual Report  
Companies**

**Director's  
Report**

**Auditor's  
Report**

**Financial  
Statements**

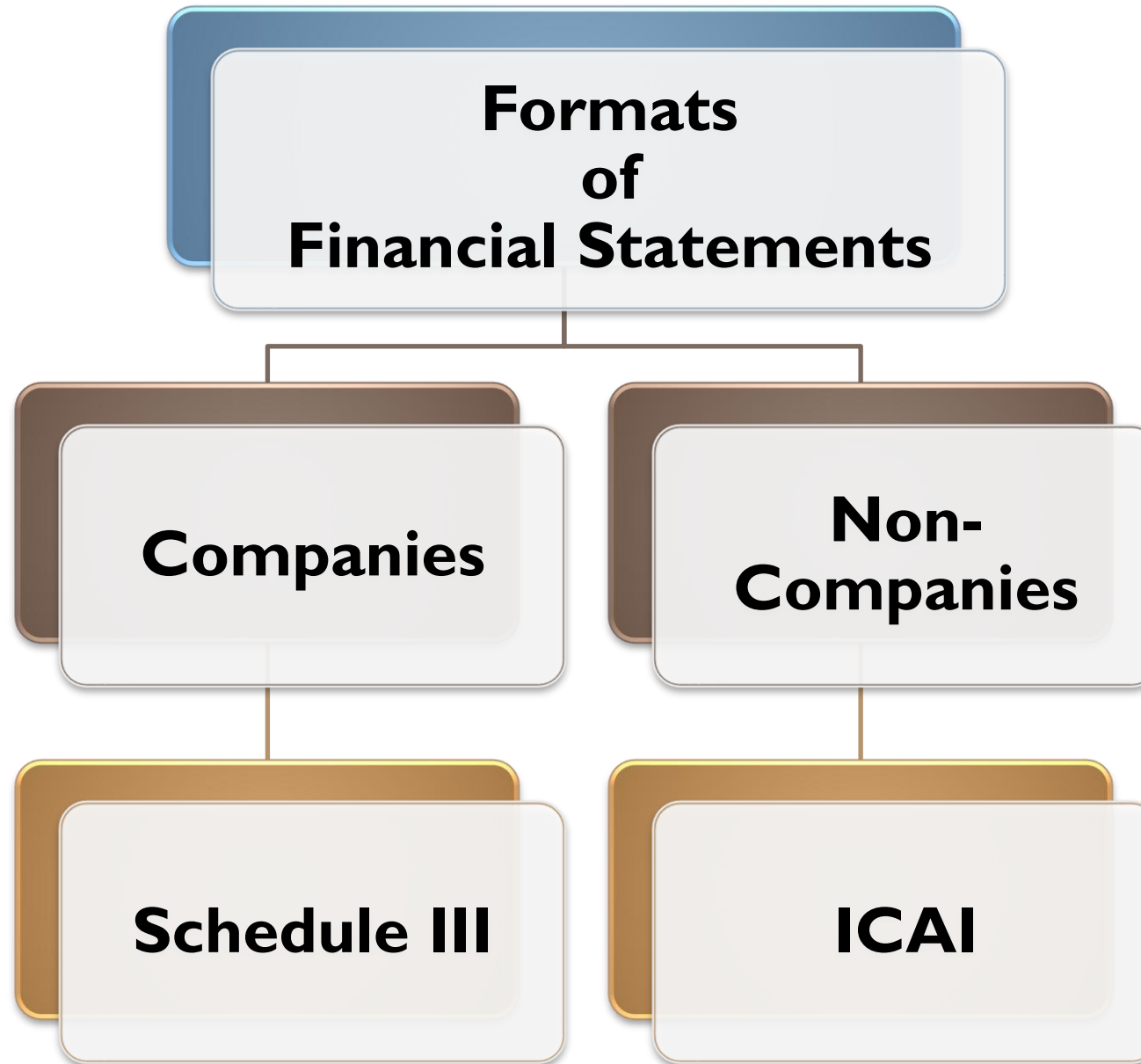
**Balance Sheet**

**Profit /Loss**

**Statement of changes in  
equity, if any**

**Cash Flow**

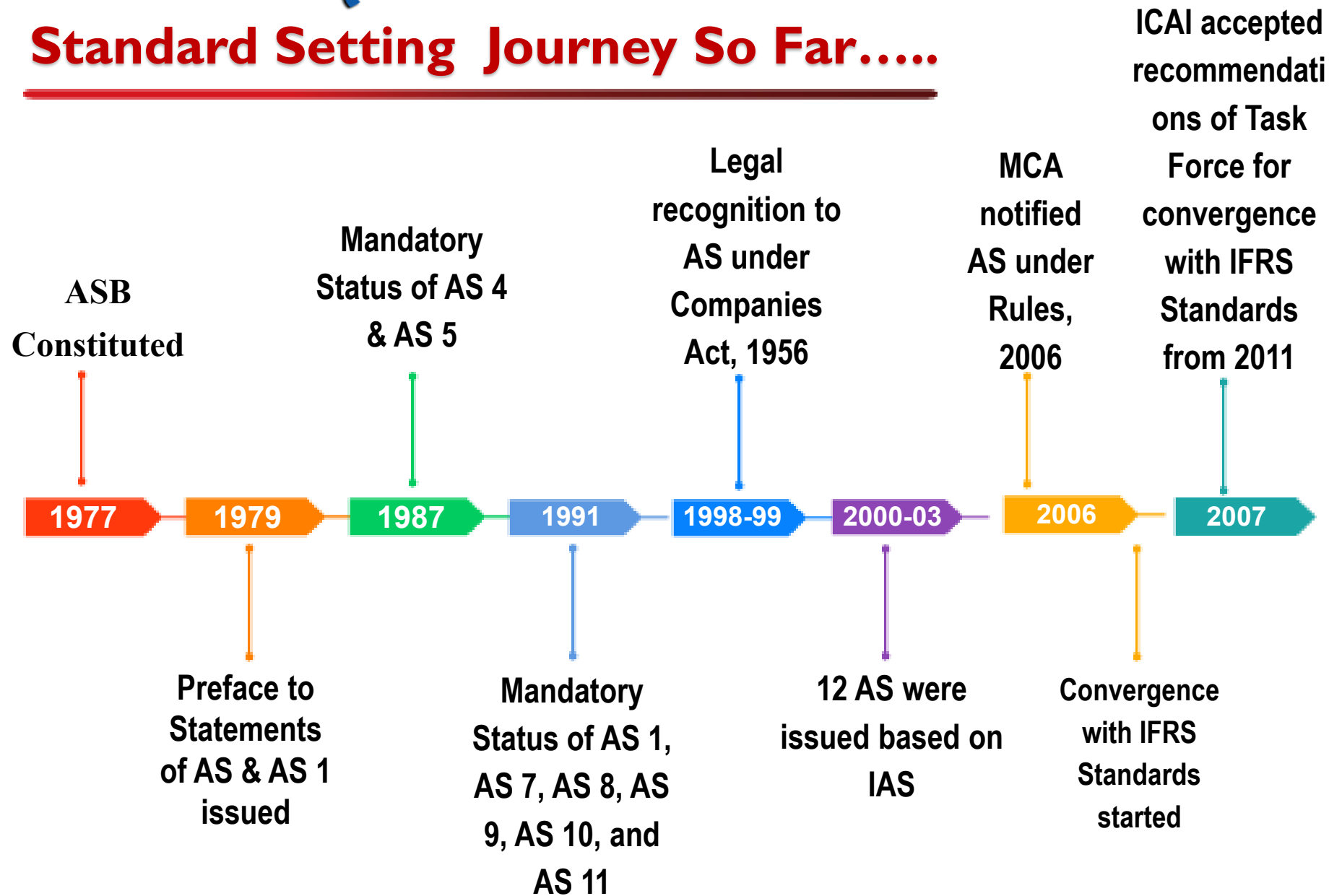
**Notes**



# SCHEDULE III

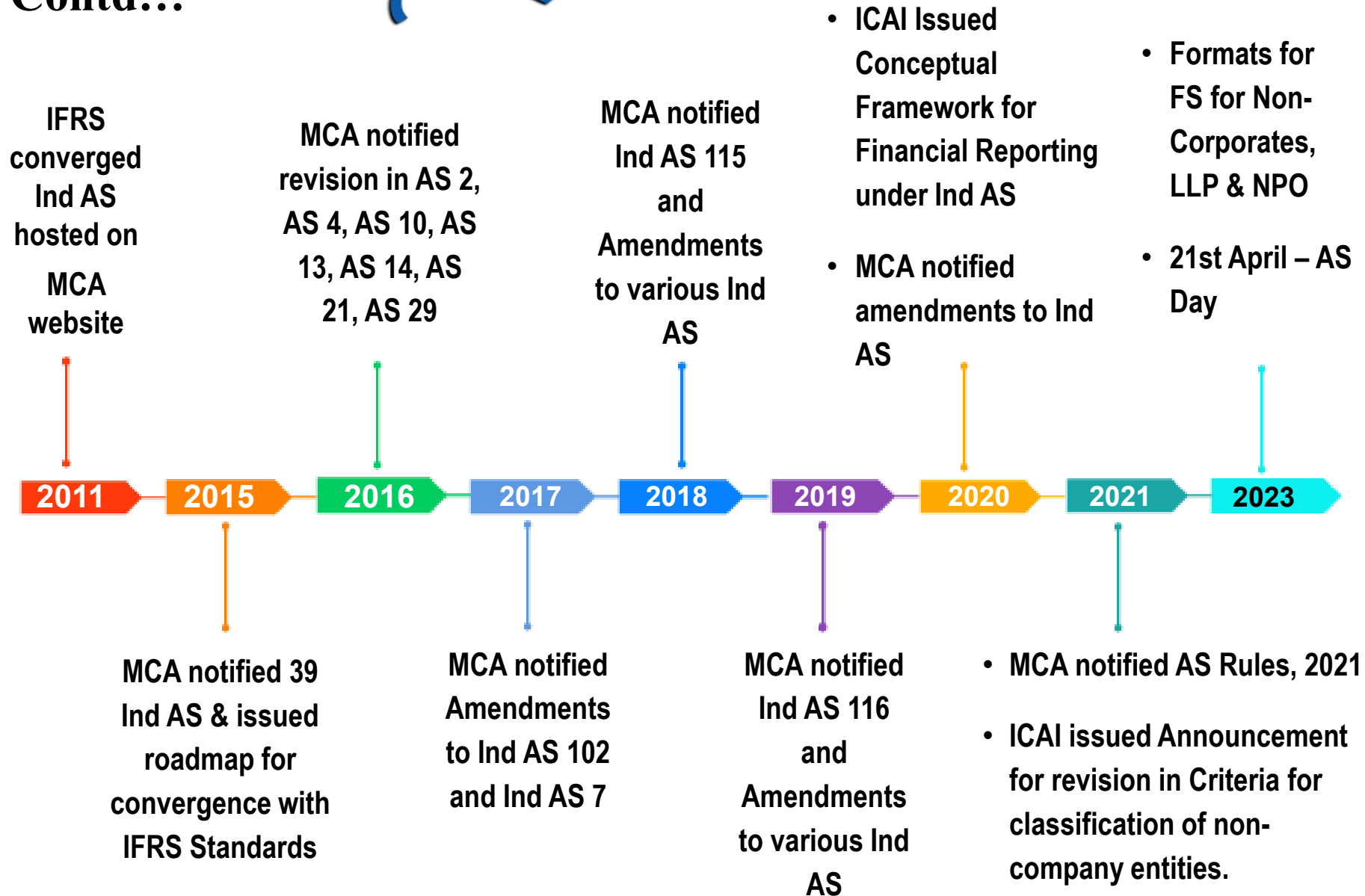
- ❖ **Division I**
  - ❖ **Companies (Accounting Standard)**  
**Rule 202 I**
- ❖ **Division II**
  - ❖ **Ind AS**
- ❖ **Division III**
  - ❖ **NBFC – Ind AS**

## Standard Setting Journey So Far.....





Contd...



# Recognition of Accounting Standards by Regulators

1999

Legal recognition to Accounting Standards issued by the ICAI under Companies Act

2001

SEBI mandated all listed companies to mandatorily comply with AS

2002

IRDAI required insurance companies to comply with AS

2003

Reserve Bank of India issued guidelines for Bank for strict compliance of AS



ASB also engages with the Regulators on various accounting issues and support their capacity building initiatives.

# 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 1<sup>st</sup> April, 2021**

# AS APPLICABILITY FOR COMPANIES

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

## SMC Disclosure

- **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**

???

- **Are Financial Statements Audited during Tax audit of Prop. Partnership?**
- **Are Notes to accounts prepared for Non-Corporates?**
- **Are Accounting Standards applicable to Non-corporates?**
- **What if there is non-compliance?**
- **Where to Report such non-compliance?**

# Accounting Standards



**Entities that  
are to follow  
AS**

**Companies**

**Other than  
Companies**

**Companies  
(Accounting  
Standards)  
Rules, 2021  
(27 Standards)**

**Ind AS  
(40 Standards)**

**AS issued by  
ICAI  
(27 Standards)**

# AS Applicability for Non-Companies

- Effective for Accounting Periods **from 1.4.2024**. Instead of 4 levels.. Now 2 levels :
  - Large
  - Micro, Small and Medium Sized Entity (MSME)

LEVEL	TURNOVER (in immediately Preceding FY)		BORROWING (in immediately Preceding FY)	
	Existing	Revised	Existing	Revised
<b>I</b> Large	> 250 Cr	> 250 Cr	> 50 Cr	> 50 Cr
<b>II</b> MSME	50-250 Cr	≤ 250 Cr	10-50 Cr	≤ 50 Cr
<b>III</b>	10-50Cr	NA	2-10Cr	NA
<b>IV</b>	< 10 Cr	NA	< 2 Cr	NA

# **MSME Disclosure Non-Corporate**

- **“The Entity is a Micro Small and Medium Sized Entity (MSME) as per the announcement made by ICAI and has complied with the Accounting Standards insofar as they are applicable to an MSME.”**
- **Two year wait period if change from Large to MSME.**

# AS Applicability

AS No.	Short Title	Companies		Non - Companies	
		Non-SMC	SMC	Large	MSME
1	Disclosure of Accounting Policies	Y	Y	Y	Y
2	Valuation of Inventories	Y	Y	Y	Y
3	Cash Flow Statements	Y	N/Y	Y	N
4	Events after Balance Sheet date	Y	Y	Y	Y
5	Prior Period Items & Changes in Policies	Y	Y	Y	Y
6	Depreciation (Omitted 30.3.16)	NA	NA	NA	NA
7	Construction Contracts	Y	Y	Y	Y
9	Revenue Recognition	Y	Y	Y	Y
10	Property, Plant & Equipment	Y	Y	Y	Partly
11	Changes in Foreign Exchange Rates	Y	Y	Y	Partly
12	Accounting for Government Grants	Y	Y	Y	Y
13	Accounting for Investments	Y	Y	Y	Y
14	Accounting for Amalgamations	Y	Y	Y	N
15	Employee Benefits	Y	Partly	Y	Partly

# AS Applicability

CA. Pramod Jain

AS No.	Short Title	Companies		Non - Companies	
		Non-SMC	SMC	Large	MSME
16	Borrowing Cost	Y	Y	Y	Y
17	Segment Reporting	Y	N	Y	N
18	Related Party Disclosures*	Y	Y	Y	N*
19	Leases	Y	Partly	Y	Partly
20	Earning Per Share	Y	Partly	N	N
21	Consolidated Financial Statements	N/Y	N/Y	(listed)	N
22	Accounting for Taxes on Income	Y	Y	Y	Partly
23	Accounting for Associates in CFS	N/Y	N/Y	(listed)	N
24	Discontinuing Operations	Y	Y	Y	N
25	Interim Financial Reporting	Y (listed)	N**	N**	N
26	Intangible Assets	Y	Y	Y	Partly
27	Interest in Joint Ventures	N/Y	N/Y	(listed)	N
28	Impairment of Assets*	Y	Partly	Y	N*
29	Provisions, Contingent Liab. & Assets	Y	Partly	Y	Partly

# AS Relaxations for MSME

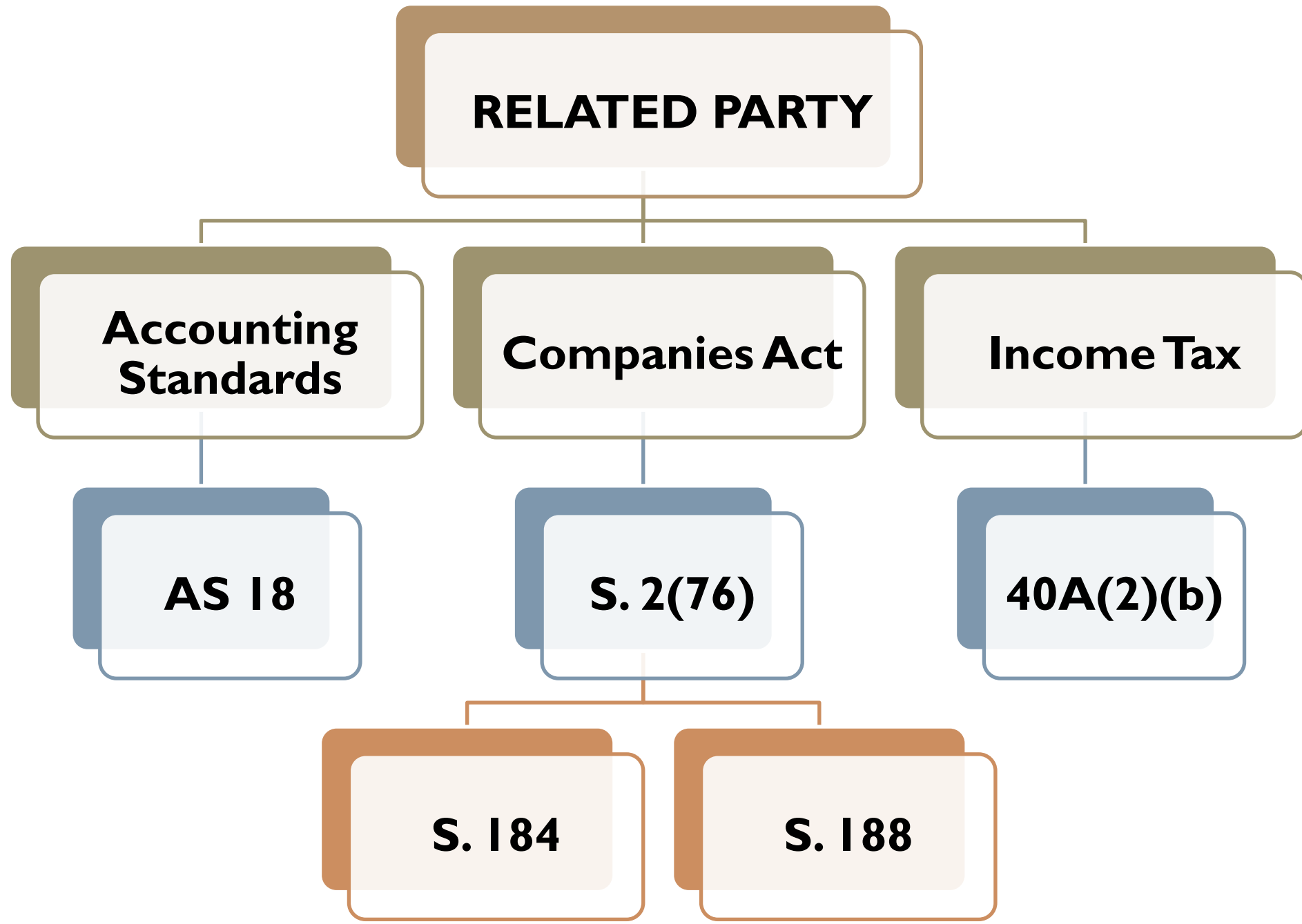
<b>AS 10</b>	<b><i>Property, Plant and Equipment</i></b>	May not comply with paragraph 87 relating to encouraged disclosures.
<b>AS 11</b>	<b><i>The Effects of Changes in Foreign Exchange Rates</i></b>	May not comply with paragraph 44 relating to encouraged disclosures.
<b>AS 15</b>	<b><i>Employee Benefits</i></b>	Paragraph 11 to 16, paragraphs 46 and 139, paragraphs 50 to 116, paragraphs 117 to 123, paragraphs 129 to 131. Discounting not required. Actuarial valuation not mandatory. Instead of following PUCM these entities can follow any other rational method to calculate and account for accrued liability - on assumption that such benefits are payable to all employees at the end of accounting year
<b>AS 19</b>	<b><i>Leases</i></b>	May not comply with paragraph 22 (c), (e) and (f); 25 (a), (b) and (e); 37 (a), (f) and (g); 38; and 46 (b), (d) and (e).

# AS Relaxations for MSME

<b>AS 22</b>	<b><i>Accounting for Taxes on Income</i></b>	To comply with current tax related provisions only. Transitional - the accumulated deferred tax asset/liability appearing in FS of immediate previous accounting period, shall be adjusted against the opening revenue reserves / owner's funds
<b>AS 26</b>	<b><i>Intangible Assets</i></b>	May not comply with paragraphs 90(d)(iii), 90(d)(iv) and 98
<b>AS 28</b>	<b><i>Impairment of Assets</i></b>	Allowed to measure value in use on basis of reasonable estimate instead of PV technique and hence, may not comply with paragraph 121 (g). May not comply with paragraphs 121(c)(ii); 121(d)(i); 121(d)(ii) and 123.
<b>AS 29</b>	<b><i>Provisions, Contingent Liabilities and Contingent Assets</i></b>	May not comply with paragraphs 66 and 67

## **AS 18 & AS 28**

- **AS 18 (Related Party)**
- **AS 28 ( Impairment)**
- **Applicable if :**
  - **Turnover (excluding other income) exceeds Rs. 50 crore in the immediately preceding accounting year; or**
  - **Have borrowings in excess of Rs. 10 crore at any time during the immediately preceding accounting year**



**Financial Statements Formats**  
by  
**ICAI**

**Non-Corporates**

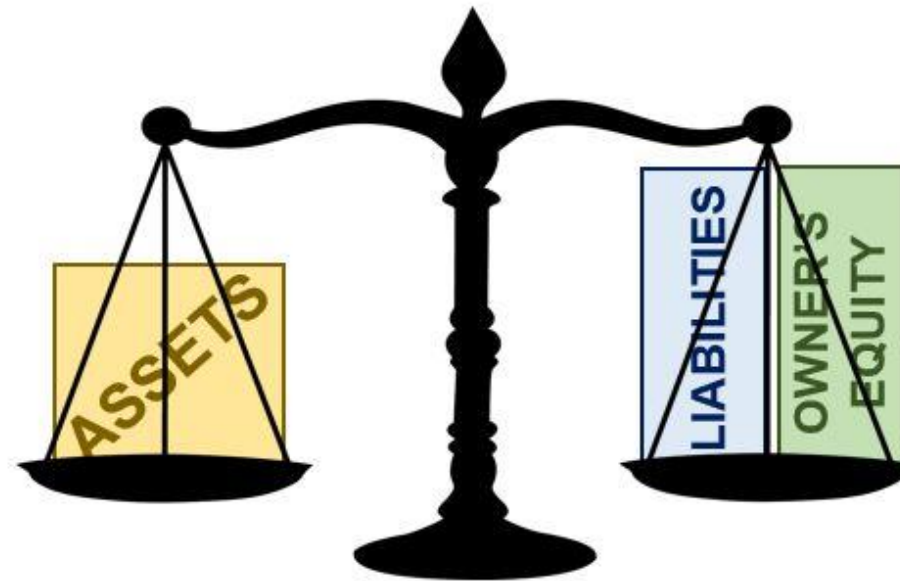
**LLPs**

**NPOs**

# Formats of Financial Statements for Non-corporate Entities

Proprietorship  
Partnership  
LLP

# Balance Sheet



*It has to balance*

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.	<b>OWNERS' FUND AND LIABILITIES</b>			
	(1) Owners' Fund			
	(a) Owners Capital Account			
	(b) Reserves and surplus			
(2)	<b>Non-current liabilities</b>			
	(a) Long-term borrowings			
	(b) Deferred tax liabilities (Net)			

# Balance Sheet Items

## Owner's Fund

		(Amount in Rs. XX)		
	Particulars	Note No	31 March 20XX	31 March 20XX
<b>I</b>	<b>OWNERS' FUNDS AND LIABILITIES</b>			
<b>1.</b>	<b>Owners' Funds</b>			
(a)	Owners' Capital Account		-	-
	(i) Owners'/Partners' Capital Account <sup>4</sup>	3a		
	(ii) Owners'/Partners' Current Account <sup>4</sup>	3b		

## Owner's Capital Account A/c

Note - 3 Owners' Capital Account									
									(Amount in Rs.)
Sr. No.	Name of Partner/ Proprietor/ Owner	Share of profit/ (loss) (%)	As at 1st April 20XX (Opening Balance)	Capital Introduced/cont ributed during the year	Remuneration for the year	Interest for the year	Withdrawals during the year	Share of Profit / Loss for the year	As at 31st March 20XX (Closing Balance)
1									-
			-	-	-	-	-	-	-
Previous Year (PY)			-	-	-	-	-	-	-

- In case of a prop, it should be sufficient to give the movement as
  - i. Opening balance
  - ii. Add: Contribution
  - iii. Add/ less : Profit / loss
  - iv. less Withdrawals ( No harm if you need to segregate withdrawals like for tax/ insurances etc)

	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)	<b>Current liabilities</b>			
	(a) Short-term borrowings			
	(b) Trade payables			
	(c)Other current liabilities			
	(d)Short-term provisions			
	<b>TOTAL</b>			
II.	<b>ASSETS</b>			
(1)	<b>Non-Current Assets</b>			
	(a) Property, Plant and Equipment & Intangible assets			
	(i) Property, Plant and Equipment			
	(ii) Intangible assets			

## Current Liabilities

			(Amount in Rs.)	
			31 March 20XX	31 March 20XX
<b>3</b>	<b>Current liabilities</b>			
(a)	Short-term borrowings	5	-	-
(b)	Trade payables			
	Total outstanding dues of micro, small and			
(i)	medium enterprises	9	-	-
	Total outstanding dues of creditors other than			
(ii)	micro, small and medium enterprises	9	-	-
(c)	Other current liabilities	10	-	-
(d)	Short-term provisions	8	-	-
			-	-
	<b>Total</b>		-	-

## Other Current Liabilities

		(Amount in Rs.)	
		31 March 20XX	31 March 20XX
<b>10</b>	<b>Other current liabilities</b>		
(a)	Current maturities of finance lease obligations (Refer note XX)	-	-
(b)	Interest accrued but not due on borrowings	-	-
(c)	Interest accrued and due on borrowings	-	-
(d)	Income received in advance	-	-
(e)	Unearned revenue	-	-
(f)	Goods and Service tax payable	-	-
(g)	TDS payable	-	-
(h)	Other payables (specify nature)	-	-
	<b>Total Other current liabilities</b>	-	-

	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)	<b>Current assets</b>			
	(a) Current investments			
	(b) Inventories			
	(c) Trade receivables			
	(d) Cash and bank balances			
	(e) Short-term loans and advances			
	(f) Other current assets			
	<b>TOTAL</b>			

## Current Assets

			(Amount in Rs.)	
			31 March 20XX	31 March 20XX
<b>2</b>	<b>Current assets</b>			
(a)	Current investments	12	-	-
(b)	Inventories	15	-	-
(c)	Trade receivables	16	-	-
(d)	Cash and bank balances	17	-	-
(e)	Short Term Loans and Advances	13	-	-
(f)	Other current assets	18	-	-
	<b>Total</b>		-	-

## Inventories

15	Inventories	31-March-20XX	31-March-20XX
(a)	Raw materials	-	-
(b)	Work-in-progress	-	-
(c)	Finished goods	-	-
(d)	Stock-in-trade	-	-
(e)	Stores and spares	-	-
(f)	Loose Tools	-	-
(g)	Others (Specify nature)	-	-
	<b>Total</b>	-	-

## Other Important Disclosures

- **In case of secured loans, disclose:**
  - **Nature of security**
  - **Terms of repayment**
  - **Where loans guaranteed by owners, details thereof**
- **Details as per section 22 of MSMED Act 2006**
- **PPE schedule for previous year too**
- **Trade Receivables – more than 6 months, less than 6 months – good / doubtful**

# Applicability of GN

The Accounting Standards Board has now prescribed the formats for the presentation of the financial statements of Non-corporate Entities in the form of Guidance Note, which were earlier issued as a part of Technical Guide. The objective is to standardise the formats of financial statements for these entities and to enhance the quality and comprehensiveness of the financial reporting by these entities.

This Guidance Note is relevant for the purpose of preparation of the financial statements of the above mentioned Non-Corporate Entities unless any formats/principles are specifically prescribed by the relevant Statute or Regulator or any Authority, e.g., formats have been prescribed for Trusts under Maharashtra Public Trust Rules, 1951, Autonomous Bodies under Government of India are required to compile their accounts in a uniform format of accounts as prescribed by Government of India, Ministry of Finance, Guidance has been specifically given by ICAI (e.g., Educational Institutions, Political Parties, NPOs, etc.).

# Changes in Terminology

## GENERAL INSTRUCTIONS FOR PREPARATION OF BALANCE SHEET AND STATEMENT OF PROFIT AND LOSS OF A NON-CORPORATE ENTITY

1. (a) These formats shall apply for preparation of Balance Sheet and Statement of Profit and Loss of a non-corporate entity. Where compliance with the requirements of the relevant statute including Accounting Standards as applicable to the Non-Corporate entity require any change in treatment or disclosure including addition, amendment, substitution or deletion in the head or sub-head or any changes, inter se, in the financial statements or statements forming part thereof, the same shall be made and the formats shall be modified accordingly.

(b) This Guidance Note uses terminology that is suitable considering the nature and business of non-corporate entities in general. However, certain non-corporate entities may need to amend the descriptions used for particular line items in the formats of financial statements and for the financial statements themselves, e.g., Association of Persons may need to use terminology “members’ funds” instead of “owners’ funds”.

# STATEMENT OF PROFIT AND LOSS



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 From ____ To _____	Figures for the previous reporting period From ____ To _____
	1	2	3	4
I.	Revenue from operations		xxx	Xxx
II.	Other income		xxx	Xxx
III.	<b>Total Income (I + II)</b>		xxx	Xxx
IV.	Expenses			
(a)	Cost of Material Consumed		xxx	xxx
(b)	Purchases of Stock-in trade		xxx	xxx
(c)	Changes in Inventories of Finished goods, WIP & Stock in trade		xxx	xxx
(d)	Employee benefits expense		xxx	Xxx
(e)	Depreciation and amortization expense		xxx	Xxx
(f)	Finance Cost		xxx	Xxx
(g)	Other expenses		xxx	xxx

## Revenue from Operations

		(Amount in Rs.)	
19	Revenue from operations	31 March 20XX	31 March 20XX
(a)	Sale of products	-	-
(b)	Sale of services	-	-
(c)	Grants or donations received	-	-
(d)	Other operating revenue	-	-
	Revenue from operations (Gross)	-	-
	Less: Excise duty	-	-
	Revenue from operations (Net)	-	-

## Other Income

		(Amount in Rs.)	
20	Other income	31 March 20XX	31 March 20XX
(a)	Interest income	-	-
(b)	Dividend income	-	-
(c)	Net gain on sale of investments	-	-
(d)	Other non-operating income (Please specify)	-	-
	Total other income	-	-

# Partner's Interest

## 3. Finance Costs

Finance costs shall be classified as:

- (a) Interest expense (other than interest on partners'/members' capital);
- (b) Interest on partners'/members' capital;
- (c) Other borrowing costs;
- (d) Applicable net gain/loss on foreign currency transactions and translation.

	Particulars	Note	Figures for the	Figures for the
			current reporting period (in Rs.) From ____ To ____	previous reporting period (in rs.) From ____ To ____
	<b>Total expenses</b>		<b>xxx</b>	<b>xxx</b>
<b>V</b>	<b>Profit before exceptional and extraordinary items, partner's remuneration &amp; tax (III-IV)</b>		<b>xxx</b>	<b>xxx</b>
<b>VI</b>	<b>Exceptional items</b>		<b>xxx</b>	<b>xxx</b>
<b>VII</b>	<b>Profit before extraordinary items, partner's remuneration and tax (V - VI)</b>		<b>xxx</b>	<b>xxx</b>
<b>VIII</b>	<b>Extraordinary Items</b>		<b>xxx</b>	<b>xxx</b>
<b>IX</b>	<b>Profit before partner's remuneration &amp; tax (VII- VIII)</b>		<b>xxx</b>	<b>xxx</b>
<b>X</b>	<b>Partner's Remuneration</b>			
<b>XI</b>	<b>Profit before Tax (IX-X)</b>			
<b>XII</b>	<b>Tax expense:</b>			
<b>(i)</b>	<b>Current tax</b>		<b>xxx</b>	<b>xxx</b>
<b>(ii)</b>	<b>Excess / Short provision of tax related to earlier years</b>			
<b>(iii)</b>	<b>Deferred tax</b>		<b>xxx</b>	<b>xxx</b>
<b>XIII</b>	<b>Profit (Loss) for the period from continuing operations (XI-XII)</b>		<b>xxx</b>	<b>xxx</b>
<b>XIV</b>	<b>Profit/(loss) from discontinuing operations</b>		<b>xxx</b>	<b>xxx</b>
<b>XV</b>	<b>Tax expense of discontinuing operations</b>		<b>xxx</b>	<b>xxx</b>
<b>XVI</b>	<b>Profit/(loss) from Discontinuing operations (after tax) (XII-XIII)</b>		<b>xxx</b>	<b>xxx</b>
<b>XVII</b>	<b>Profit/ (Loss) (XI + XIV)</b>		<b>xxx</b>	<b>xxx</b>

## Previous Year Figures

- **Framework for preparation and presentation of financial statements**
- **SA 710 – Comparative Information – Corresponding Figures and Comparative Financial Statements**
- **To state in Other matter:**
  - **Para 17** - If the financial statements of the prior period were audited by a **predecessor auditor**.
  - **Para 19** - If the prior period financial statements were **not audited**.

## **Matters for FS of Non-Corporates**

- **Rounding off not mandatory**
- **Offset of income / Expenses or Assets / liability**  
**NOT** allowed
- **Disclose Contingent liabilities**
- **Disclose PPE instead of Fixed assets or Tangible assets**
- **Can Penalties / other than business Incomes be credited to capital A/c?**
- **Are list of Trade Receivables / Payables / Unsecured Loans mandatory?**

## **Derecognition / Cessation of Liability**

- **Settlement of a present obligation may occur by:**
  - **payment of cash;**
  - **transfer of other assets;**
  - **provision of services;**
  - **replacement of that obligation with another obligation; or**
  - **conversion of the obligation to equity.**
- **Creditor waiving or forfeiting its rights.**

# **BASICS – Current vs. Non-Current**

- **Current Asset - satisfies any of following criteria;**
  - **In the company's normal operating cycle it is;**
    - **Intended for sale; or**
    - **Intended to be consumed; or**
    - **Expected to be realized.**
  - **Held primarily for the purpose of being traded; or**
  - **Expected to be realized within 12 months after reporting date; or**
  - **Cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after reporting date.**

# **BASICS - Current Liability**

- **Current liability if it satisfies any of the following criteria; if it is :**
  - **Expected to be settled in the company's normal operating cycle; or**
  - **Held primarily for the purpose of being traded; or**
  - **Due to be settled within 12 months after reporting date; or**
  - **The company does not have an unconditional right to defer settlement of liability for at least 12 months after reporting date. Terms of a liability that could, at option of counterparty, result in its settlement by issue of equity do not affect its classification.**

# General

- **Balance Sheet Title – ‘as at’ or ‘as on’ 31st March**
- **PL Title - Statement of Profit & Loss / I & E**
- **Rounding off based on total income (earlier turnover) – Companies - Mandatory.**
  - **< Rs. 100 Crores - nearest hundreds, thousands, lakhs or millions or decimal thereof**
  - **Rs. 100 Crores or more - To the nearest lakhs or millions or crores or decimal thereof**

# General

- **Comparative figures required to be disclosed for the last reporting period**
- **Linking of notes with B/S & PL**
- **B/s & PL on letterhead of Auditors ??**
- **Date of signing**
- **Payment to shareholders for 2(22)(e)**
- ❖ **Promoters' shareholding & changes during the year**

# Companies - Share Capital & Reserves

- **Authorized / Paid up Capital – Check with Master Data**
- **Reconciliation of no of shares outstanding at beginning and at end of reporting period.**
- **Rights, preference & restrictions attaching to each class of shares etc.**
- **Is conversion of loans into shares in event of default in repayment – Non-cash?**
- **Share Premium A/c??**

# Expenses

## Disclosure on face of the PL:

- **Cost of material consumed**
- **Purchase of stock-in-trade**
- **Changes in inventories of finished goods Work-in-progress and stock in trade**
- **Employee benefit expenses**
- **Finance cost**
- **Depreciation and amortization expenses**
- **Other expenses.**

# NOTES TO THE ACCOUNTS

- **Notes to the accounts classified into**
  - **Significant Accounting Policies; and**
  - **Explanatory information on P&L a/c and Balance Sheet; and**
  - **Regulatory information**
- **Accounting, reporting and disclosure norms as per Accounting Standards**

# Companies - Important Notes

- **Contingent Liabilities / Commitments (to the extent not provided for)**
- **Broad Heads – Raw Material, Income, Purchases**
- **Value of imports made during the year on CIF basis:-**
  - **Raw Materials**
  - **Components (intermediaries & components) & Spare Parts (for capital equipment)**
  - **Capital Goods**

# Companies - Important notes

- **Expenditure in foreign currency (accrual basis) on:**
  - **Royalty**
  - **Know-how**
  - **Professional & consultation fee**
  - **Interest**
  - **Others**
- **Dividend if paid in FC (cash Basis):**
  - **Total amount remitted during the year in FC**
  - **Total no. of non-resident shareholders**
  - **No. of shares held by them on which dividend due**
  - **Year to which dividend relates**

# Companies - Important notes

- **Foreign Exchange Earnings (Accrual basis):**
  - **Export of goods (calculated on F.O.B. basis)**
  - **Royalty, know how, professional and consultation fees**
  - **Interest and dividends**
  - **Other income (indicating the nature thereof)**

## **Companies - Other Disclosures in Notes**

- **To disclose in FS full particulars of:**
  - **Loan given;**
  - **Investment made;**
  - **Guarantee given; or**
  - **Security Provided.**
  - **Purpose for which loan or guarantee or security is proposed to be utilised by recipient of loan or guarantee or security [186(4)]**
- **Contribution during year to National Defence Fund**

# Companies - Other Disclosures in Notes

- **Public Companies:**
  - **Money received from director**
- **Private companies**
  - **Money received from director**
  - **Money received from relative of director**

# COMPANIES - NOTES

## ❖ 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

# COMPANIES - NOTES

- ❖ 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. – I(c)**
- ❖ PPE
- ❖ Investment Property
- ❖ PPE held for sale
- ❖ Stock in trade not covered

# COMPANIES - NOTES

- ❖ 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

# COMPANIES - NOTES

- ❖ **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**

# COMPANIES - NOTES

- ❖ **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**

# COMPANIES - NOTES

- ❖ **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....**

# COMPANIES - NOTES

❖ 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.

# COMPANIES - NOTES

- ❖ **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 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**

# COMPANIES - NOTES

- ❖ **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**

# COMPANIES - NOTES

## ❖ **Corporate Social Responsibility (CSR)**

- 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.**

# AUDIT



True and Fair View



# Types of Audit Reports

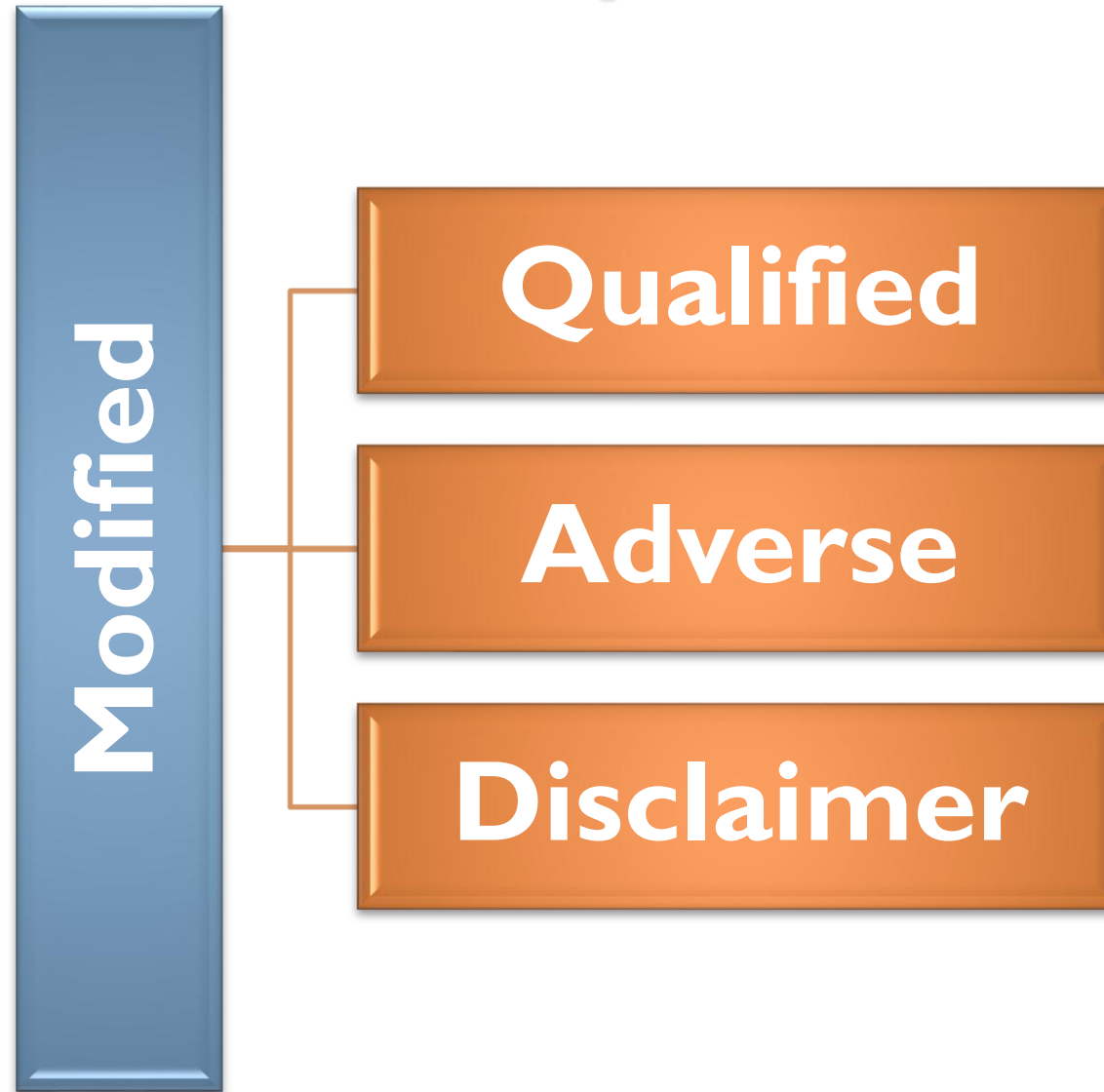


**Unmodified**



**Modified**

# Modified Audit Reports



# Modified Audit Reports

	Auditor's judgment about Pervasiveness of the matter	
Nature of Matter	<b>Material</b> <b>but NOT</b> <b>Pervasive</b>	<b>Material</b> <b>AND</b> <b>Pervasive</b>
Financial statements are <b>Materially</b> misstated	<b>Qualified Opinion</b> (...except for...)	<b>Adverse Opinion</b> (...do not present true & fair...)
<b>Unable to obtain Sufficient Appropriate Audit Evidence</b>	<b>Qualified Opinion</b> (...except for...)	<b>Disclaimer of Opinion</b> (...we do not express an opinion...)

# CRC - MCA

- **Central Scrutiny Centre set up by MCA**
- **Whether external balance confirmations were sought from all parties, and if not received, what alternative procedures were performed under SA 505 – where observation was external confirmations not provided**
- **Other loans and advances” of ₹xxxxxxx/- as at 31.03.20xx, the audit procedures performed to verify whether these loans are genuine and the borrowers identifiable.**
- **Audit procedures performed to verify the nature, source, and genuineness of other income**

# CRC - MCA

- **Your assessment under SA 570 (Going Concern) for each financial year and evidence supporting going concern assumption – where there were nil revenue from operations for past few years**
- **Audit fees are ₹25,000 (FY 2019–20 and FY 2020–21) and ₹35,000 (FY 2023–24) for an NBFC with persistent non-compliance and growing loans. Clarify:**
  - **(a) whether you or your firm have any direct or indirect relationship with the directors, shareholders, or their families beyond the audit engagement;**
  - **(b) whether your firm provides any non-audit services to the Company, its directors, or related entities;**
  - **(c) how many other companies with common directors (XX/YY) or common shareholders are audited by your firm.**

# CRC - MCA

- **Cash in hand was ₹x,xx,xxx (FY 20xx–xx) with bank balance of ₹xxx (FY 2020–xxxx).**
  - **You are requested to clarify the audit procedures performed to verify the existence and completeness of reported cash balances, and whether the pattern of withdrawing substantially all bank balances and holding as cash was examined from a risk assessment perspective**

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