

Significant Changes in Audit Report, Board Report & Financials Statements



Executive Summary

The Ministry of Corporate Affairs (“MCA”) has brought some significant changes in Auditor’s Report, Board’s Report and Financial Statements of the Companies. Apart from these changes MCA has mandated Audit Trails in the Accounting Software used by the Companies. The summary of these changes are as follows:

- ✓ Accounting Software must have feature of recording audit trail of each and every transaction, creating an edit log of each changes made.
- ✓ Auditor’s Report to have following additional matters in all types of companies:
 - Representation by the management in regards to outflow of funds round tripping for the use of Ultimate Beneficiary or for guarantee on behalf of Ultimate Beneficiary
 - Representation by the management in regards to inflow of funds round tripping for the use of Ultimate Beneficiary or for guarantee on behalf of Ultimate Beneficiary.
 - Non-noticing of event causing to believe that above representations contain any material misstatements.
 - Compliance with section 123 of Companies Act, 2013 in regards to Dividend declaration and payment.
 - Confirmation on Audit trail in accounting software.
- ✓ Board’s Report to have following additional matters in companies other than Small Company & OPC:
 - Details and status of applications made or any proceeding pending under the Insolvency and Bankruptcy Code, 2016 during the year.
 - Details and reason of amount saved by the company in case of One time Settlement.
- ✓ Financials Statements to have following changed/additional disclosures as per Schedule III.
 - Rounding off to be mandatory and total income to be criteria for it.
 - Change of nomenclature ‘Property Plant & Equipment’ and ‘Tangible Assets’.
 - Shareholding of Promoters to be disclosed.
 - Current maturities of Long-term borrowings to be disclosed separately under “Short Term Borrowings”.
 - **Trade payables due for payment to be disclosed and ageing schedule shall be given.**
 - Reconciliation to be given of the gross and net carrying amounts of Property, Plant and Equipment and Intangible Assets for amount of change due to revaluation.
 - Security Deposits to be disclosed as non-current assets.
 - **Trade Receivables ageing schedule shall be given for Trade Receivables outstanding.**
 - Disclosure of actual use of borrowed funds if not used for specific purpose.
 - “Long term maturities of finance lease obligations” omitted from “Borrowings” under “Non-Current Liabilities” and “Current maturities of Long term borrowings” to be disclosed separately in “Borrowings” under “Current Liabilities”.
 - Lease Liabilities to be disclosed.
 - Format of Statement of Changes in Equity is revised.
 - Title deeds of Immovable Property not held in name of the Company to be disclosed.
 - Disclose whether Fair Value of Investment Property is done by Registered Valuer.
 - Disclose whether Revaluation of PPE and Intangible Assets is done by Registered Valuer.
 - Disclosures to be made in regards to Loans or Advances in the nature of loans granted to promoters, directors, KMPs and the related parties.
 - Ageing schedule and completion schedule to be disclosed for CWIP and Intangible assets under Development.
 - **Details of Benami Property held to be disclosed.**
 - Disclosures to be made in regards to borrowings from banks or financial institutions on the basis of security of current assets.

- Disclosures to be made if company is declared wilful defaulter.
- Disclosures to be made if company has transactions with Struck off Companies.
- Pending registration of Charge or Satisfaction with ROC to be disclosed.
- Disclosures to be made if company has not complied with the number of layers prescribed under clause (87) of section 2 of Companies Act, 2013.
- Certain ratios to be disclosed including explanation for numerator and denominator & change in ratio by more than 25%.
- Disclosure to be made whether effect of any Scheme of Arrangements approved have been accounted.
- Disclosures to be made in regards to Utilisation of Borrowed funds and share premium.
- In P&L, in place of “Total Revenue”, Total Income to be used.
- Grants or donations received shall be disclosed under Revenue from Operations in case of Section 8 company.
- Disclosures to be made in regards to Undisclosed Income.
- Disclosures to be made in regards to CSR, if company covered under section 135 of Companies Act, 2013.
- **Certain Disclosures to be made if company has traded or invested in Crypto currency or Virtual Currency.**

Above changes has been discussed in detail, hereinafter:

Companies (Accounts) Amendment Rules, 2021

✓ **Mandatory use of Accounting Software having Audit Trail**

Every company which uses accounting software for maintaining its books of accounts, 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 in books of accounts along with date when such changes were made and ensuring that **audit trail cannot be disabled**.

Accordingly, w.e.f. 01.04.2021, Rule 3(1) of Companies (Accounts) Rules, 2014 for using accounting software having feature of audit trail is applicable to all companies irrespective of its capital or turnover.

What is Audit Trail?

As per Wikipedia *“An audit trail is a security-relevant chronological record, set of records, and/or destination and source of records that provide documentary evidence of the sequence of activities that have affected at any time a specific operation, procedure, event, or device.”*

✓ **Additional Matters which shall be contained in Board Report***

- i. Details of application made or any proceeding pending under the Insolvency and Bankruptcy Code, 2016 (31 of 2016) during the year along with their status as at the end of the financial year.
- ii. Details of difference between amount of the valuation done at the time of one time settlement and the valuation done while taking loan from the Banks or Financial Institutions along with the reasons thereof

**Not applicable to Small Company or One Person Company*

Companies (Audit and Auditors) Amendment Rules, 2021

Auditor's report shall also include their views and comments on the following additional matters

As per Rule 11 of Companies (Audit and Auditors) Rules 2014, the auditor's report shall also include their views and comments on certain matters. Following additional matters are specified in this regard:

- ✓ 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;
- 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
- 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.
- ✓ Whether the 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 for all transactions recorded in the software and the audit trail feature has not been tampered with and the audit trail has been preserved by the company as per the statutory requirements for record retention.

Amendments in Schedule III

Impact on Companies

The notification has amended Division I, Division II and Division III of Schedule III. Accordingly,

- ✓ Companies preparing financial statements in accordance with Accounting Standards (AS) shall ensure compliance with changes in Division I of Schedule III
- ✓ Companies preparing financial statements in accordance with Indian Accounting Standards (Ind AS) shall ensure compliance with changes in Division II of Schedule III
- ✓ Non-Banking Financial Companies (NBFC) preparing financial statements in accordance with Indian Accounting Standards (Ind AS) shall ensure compliance with changes in Division III of Schedule III

Summary of changes made

Division I

Particulars	Significant Changes/Remarks	Applicable																																		
Rounding off	Companies have to round off the figures appearing in the financial statements, hitherto it was optional. Further, the criteria for rounding off shall be based on “total income” in place of “turnover”	Division I Division II																																		
Change of nomenclature ‘Property Plant & Equipment’ and ‘Tangible Assets’	After the word “Property, Plant and Equipment”, the words “and Intangible assets” shall be inserted and for the words “Tangible Assets”, the words “Property, Plant and Equipment” shall be substituted	Division I																																		
Shareholding of Promoters	<p>A company shall disclose Shareholding of Promoters* as below:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="4">Shares held by promoters at the end of the year</th> <th>% change during the year**</th> </tr> <tr> <th>S. No.</th> <th>Promoter Name</th> <th>No. of Shares**</th> <th>% of total shares*</th> <th></th> </tr> </thead> <tbody> <tr> <td colspan="4">Total</td> <td></td> </tr> </tbody> </table> <p>* Details shall be given separately for each class of shares. ** Percentage change shall be computed with respect to the number at the beginning of the year or if issued during the year for the first time then with respect to the date of issue.</p>	Shares held by promoters at the end of the year				% change during the year**	S. No.	Promoter Name	No. of Shares**	% of total shares*		Total					Division I Division II Division III																			
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S. No.	Promoter Name	No. of Shares**	% of total shares*																																	
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Current maturities of Long-term borrowings	Current maturities of Long-term borrowings shall be disclosed separately under “Short Term Borrowings” hitherto it was disclosed under “Other Current Liabilities” as Current maturities of long-term debt.	Division I																																		
Trade Payables Ageing Schedule	<p>In respect of Trade Payables, Trade payables due for payment shall be disclosed in the notes.</p> <p>The following ageing schedule shall be given for Trade payables due for payment:</p> <p>Trade Payables ageing schedule</p> <p style="text-align: right;">(Amount in Rs.)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2">Particulars</th> <th colspan="4">Outstanding for following periods from due date of payment #</th> <th rowspan="2">Total</th> </tr> <tr> <th>Less than 1 year</th> <th>1-2 years</th> <th>2-3 years</th> <th>More than 3 years</th> </tr> </thead> <tbody> <tr> <td>(i) MSME</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>(ii) Others</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>(iii) Disputed dues - MSME</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>(iv) Disputed dues - Others</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p># similar information shall be given where no due date of payment is specified in that case disclosure shall be from the date of the transaction.</p> <p>Unbilled dues shall be disclosed separately</p>	Particulars	Outstanding for following periods from due date of payment #				Total	Less than 1 year	1-2 years	2-3 years	More than 3 years	(i) MSME						(ii) Others						(iii) Disputed dues - MSME						(iv) Disputed dues - Others						Division I Division II Division III
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Property, Plant and Equipment	<p>In 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) and other adjustments and the related depreciation and impairment losses/reversals shall be disclosed separately.</p> <p>Here “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)” is inserted.</p>	Division I Division II Division III																																								
Other Intangible Assets	<p>In 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 Intangible Assets) and other adjustments and the related amortisation and impairment losses/reversals shall be disclosed separately.</p> <p>Here “amount of change due to revaluation (if change is 10% or more in the aggregate of the net carrying value of each class of Intangible Assets)” is inserted.</p>	Division I Division II Division III																																								
Property, Plant and Equipment and Intangible Assets	<p>If, in the opinion of the Board, any of the assets other than Property, Plant and Equipment and Intangible Assets and non-current investments do not have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated, the fact that the Board is of that opinion, shall be stated.</p> <p>Here “and Intangible Assets” have been added.</p>	Division I																																								
Security Deposits	Classification of “Security Deposits” has been changed from “Long-term loans and advance” to “Other non-current assets”	Division I																																								
	Classification of “Security Deposits” has been changed from “Loans” to “Other Financial assets”	Division II																																								
Trade Receivables Ageing Schedule	<p>For trade receivables outstanding, following ageing schedule shall be given:</p> <p>Trade Receivables ageing schedule (For Division I)</p> <p style="text-align: right;">(Amount in Rs.)</p> <table border="1" data-bbox="328 1473 1289 2110"> <thead> <tr> <th rowspan="2">Particulars</th> <th colspan="5">Outstanding for following periods from due date of payment #</th> <th rowspan="2">Total</th> </tr> <tr> <th>Less than 6 months</th> <th>6 months - 1 year</th> <th>1-2 years</th> <th>2-3 years</th> <th>More than 3 years</th> </tr> </thead> <tbody> <tr> <td>(i) Undisputed Trade receivables considered good</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>(ii) Undisputed Trade Receivables considered doubtful</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>(iii) Disputed Trade Receivables considered good</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>(iv) Disputed Trade Receivables considered</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Particulars	Outstanding for following periods from due date of payment #					Total	Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	(i) Undisputed Trade receivables considered good							(ii) Undisputed Trade Receivables considered doubtful							(iii) Disputed Trade Receivables considered good							(iv) Disputed Trade Receivables considered							Division I Division II Division III
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	doubtful						
Trade Receivables ageing schedule (For Division II and Division III) (Amount in Rs.)							
	Particulars	Outstanding for following periods from due date of payment #					Total
		Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	
	(i) Undisputed Trade receivables considered good						
	(ii) Undisputed Trade Receivables - which have significant increase in credit risk						
	(iii) Undisputed Trade Receivables - credit impaired						
	(iv) Disputed Trade Receivables considered good						
	(v) Disputed Trade Receivables - which have significant increase in credit risk						
	(vi) Disputed Trade Receivables - credit impaired						
<p># similar information shall be given where no due date of payment is specified, in that case disclosure shall be from the date of the transaction.</p> <p>Unbilled dues shall be disclosed separately.</p>							
Borrowings from banks and financial institutions	Where the company has not used the borrowings from banks and financial institutions for the specific purpose for which it was taken at the balance sheet date, the company shall disclose the details of where they have been used						Division I Division II Division III
Long term maturities of finance lease obligations	"Long term maturities of finance lease obligations" has been omitted from "Borrowings" under "Non-Current Liabilities" and "Current maturities of Long term borrowings" shall be disclosed separately in "Borrowings" under "Current Liabilities".						Division II
Lease Liabilities	Heading "Lease Liabilities" is inserted under "Financial Liabilities" within "Non-current liabilities" and "Current Liabilities" in Balance Sheet.						Division II
Statement of Changes in Equity	Current format of Statement of Changes in Equity is revised. New Format requires Statement of Changes in Equity for both current reporting period and previous reporting period. Refer Annexure 1						Division II Division III
Additional Regulatory Information							
Title deeds of Immovable Property not	The company shall provide the details of all the immovable property (other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee) whose title deeds						Division I Division II

held in name of the Company	are not held in the name of the company in format given below and where such immovable property is jointly held with others, details are required to be given to the extent of the company's share.							
	Relevant line item in the Balance sheet	Description of item of property	Gross carrying value	Title deeds held in the name of	Whether title deed holder is a promoter, director or relative of promoter/director or employee of promoter/director	Property held since which date		Reason for not being held in the name of the company**
	PPE -	Land Building	-	-	-	-		**also indicate if in dispute
	Investment property - PPE retired from active use and held for disposal/ Non-current asset held for sale - others	Land Building Land Building						
Fair value of investment property	Company shall disclose as to whether the fair value of investment property (as measured for disclosure purposes in the financial statements) is based on the valuation by a registered valuer as defined under rule 2 of Companies (Registered Valuers and Valuation) Rules, 2017.						Division II Division III	
Revaluation of Property, Plant and Equipment	Company shall disclose as to whether the revaluation is based on the valuation by a registered valuer as defined under rule 2 of the Companies (Registered Valuers and Valuation) Rules, 2017.						Division I Division II Division III	
Revaluation of Intangible Assets	Company shall disclose as to whether the revaluation is based on the valuation by a registered valuer as defined under rule 2 of the Companies (Registered Valuers and Valuation) Rules, 2017.						Division II Division III	
Loans or Advances in the nature of loans are granted to promoters, directors, KMPs and the related parties	Following disclosures shall be made where Loans or Advances in the nature of loans are granted to promoters, directors, KMPs and the related parties (as defined under Companies Act, 2013,) either severally or jointly with any other person, that are: (a) repayable on demand or (b) without specifying any terms or period of repayment						Division I Division II Division III	
	Type of Borrower	Amount of loan or advance in the nature of loan outstanding		Percentage to the total Loans and Advances in the nature of loans				
	Promoters							
	Directors							

	KMPs						
	Related Parties						
Capital-Work-in Progress (CWIP)	a) For CWIP, following ageing schedule shall be given:						Division I Division II Division III
	CWIP	Amount in CWIP for a period of				Total*	
		Less than 1 year	1-2 years	2-3 years	More than 3 years		
	Projects in progress						
Projects temporarily suspended							
b) For CWIP, whose completion is overdue or has exceeded its cost compared to its original plan, following CWIP completion schedule shall be given**:							
CWIP	To be completed in						
	Less than 1 year	1-2 years	2-3 years	More than 3 years			
Project 1							
Project 2							
**Details of projects where activity has been suspended shall be given separately.							
Intangible assets under development	a) For Intangible assets under development, following ageing schedule shall be given:						Division I Division II Division III
	Intangible assets under development	Amount in CWIP for a period of				Total*	
		Less than 1 year	1-2 years	2-3 years	More than 3 years		
	Projects in progress						
Projects temporarily suspended							
b) For Intangible assets under development, whose completion is overdue or has exceeded its cost compared to its original plan, following Intangible assets under development completion schedule shall be given**:							
Intangible assets under development	To be completed in						
	Less than 1 year	1-2 years	2-3 years	More than 3 years			
Project 1							
Project 2							
**Details of projects where activity has been suspended shall be given separately.							
Details of Benami Property held	Where any proceedings have been initiated or pending against the company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and the rules made thereunder, the company shall disclose the following: -						Division I Division II Division III

	<ul style="list-style-type: none"> a) Details of such property, including year of acquisition, b) Amount thereof, c) Details of Beneficiaries, d) If property is in the books, then reference to the item in the Balance Sheet, e) If property is not in the books, then the fact shall be stated with reasons, f) Where there are proceedings against the company under this law as an abetter of the transaction or as the transferor then the details shall be provided, g) Nature of proceedings, status of same and company's view on same. 																									
Borrowings from banks or financial institutions on the basis of security of current assets	<p>Where the Company has borrowings from banks or financial institutions on the basis of security of current assets, it shall disclose the following:</p> <ul style="list-style-type: none"> a) whether quarterly returns or statements of current assets filed by the Company with banks or financial institutions are in agreement with the books of accounts b) if not, summary of reconciliation and reasons of material discrepancies, if any to be adequately disclosed. 	Division I Division II Division III																								
Wilful Defaulter*	<p>Where a company is a declared wilful defaulter by any bank or financial Institution or other lender, following details shall be given:</p> <ul style="list-style-type: none"> a) Date of declaration as wilful defaulter, b) Details of defaults (amount and nature of defaults), <p>* "wilful defaulter" here means a person or an issuer who or which is categorized as a wilful defaulter by any bank or financial institution (as defined under the Act) or consortium thereof, in accordance with the guidelines on wilful defaulters issued by the Reserve Bank of India.</p>	Division I Division II Division III																								
Relationship with Struck off Companies	<p>Where the company has any transactions with companies struck off under section 248 of the Companies Act, 2013 or section 560 of Companies Act, 1956, the Company shall disclose the following details</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Name of struck off Company</th> <th style="width: 25%;">Nature of transactions with struck-off Company</th> <th style="width: 15%;">Balance outstanding</th> <th style="width: 45%;">Relationship with the Struck off company, if any, to be disclosed</th> </tr> </thead> <tbody> <tr> <td></td> <td>Investments in securities</td> <td></td> <td></td> </tr> <tr> <td></td> <td>Receivables</td> <td></td> <td></td> </tr> <tr> <td></td> <td>Payables</td> <td></td> <td></td> </tr> <tr> <td></td> <td>Shares held by struck off company</td> <td></td> <td></td> </tr> <tr> <td></td> <td>Other outstanding balances (to be specified)</td> <td></td> <td></td> </tr> </tbody> </table>	Name of struck off Company	Nature of transactions with struck-off Company	Balance outstanding	Relationship with the Struck off company, if any, to be disclosed		Investments in securities				Receivables				Payables				Shares held by struck off company				Other outstanding balances (to be specified)			Division I Division II Division III
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	Other outstanding balances (to be specified)																									
Registration of charges or satisfaction with Registrar of Companies	<p>Where any charges or satisfaction yet to be registered with Registrar of Companies beyond the statutory period, details and reasons thereof shall be disclosed.</p>	Division I Division II Division III																								

Compliance with number of layers of companies	Where the company has not complied with the number of layers prescribed under clause (87) of section 2 of the Act read with Companies (Restriction on number of Layers) Rules, 2017, the name and CIN of the companies beyond the specified layers and the relationship/extent of holding of the company in such downstream companies shall be disclosed.	Division I Division II Division III
Ratios	<p>Following Ratios to be disclosed:</p> <ul style="list-style-type: none"> a) Current Ratio, b) Debt-Equity Ratio, c) Debt Service Coverage Ratio, d) Return on Equity Ratio, e) Inventory turnover ratio, f) Trade Receivables turnover ratio, g) Trade payables turnover ratio, h) Net capital turnover ratio, i) Net profit ratio, j) Return on Capital employed, k) Return on investment. <p>The company shall explain the items included in numerator and denominator for computing the above ratios. Further explanation shall be provided for any change in the ratio by more than 25% as compared to the preceding year.</p>	Division I Division II
	<p>Following Ratios to be disclosed:</p> <ul style="list-style-type: none"> a) Capital to risk-weighted assets ratio (CRAR), b) Tier I CRAR, c) Tier II CRAR, d) Liquidity Coverage Ratio 	Division III
Compliance with approved Scheme(s) of Arrangements	Where any Scheme of Arrangements has been approved by the Competent Authority in terms of sections 230 to 237 of the Companies Act, 2013, the Company shall disclose that the effect of such Scheme of Arrangements have been accounted for in the books of account of the Company 'in accordance with the Scheme' and 'in accordance with accounting standards' and deviation in this regard shall be explained.	Division I Division II Division III
Utilisation of Borrowed funds and share premium	<p>A. Where company has advanced or loaned or invested funds (either borrowed funds or share premium or any other sources or kind of funds) 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</p> <ul style="list-style-type: none"> (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 (ii) provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries <p>the company shall disclose the following:</p> <ul style="list-style-type: none"> I. date and amount of fund advanced or loaned or invested in Intermediaries with complete details of each Intermediary. II. date and amount of fund further advanced or loaned or invested by such Intermediaries to other intermediaries or Ultimate Beneficiaries alongwith complete details of the ultimate beneficiaries. III. date and amount of guarantee, security or the like provided to or on behalf of the Ultimate Beneficiaries 	Division I Division II Division III

	<p>B. Where a company has received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the company shall</p> <ul style="list-style-type: none"> (i) 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 (ii) provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries, the company shall disclose the following: <ul style="list-style-type: none"> I. date and amount of fund received from Funding parties with complete details of each Funding party. II. date and amount of fund further advanced or loaned or invested other intermediaries or Ultimate Beneficiaries alongwith complete details of the other intermediaries' or ultimate beneficiaries. III. date and amount of guarantee, security or the like provided to or on behalf of the Ultimate Beneficiaries IV. declaration that relevant provisions of the Foreign Exchange Management Act, 1999 (42 of 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 (15 of 2003). 	
Profit & Loss		
Change of nomenclature 'Total Revenue'	Under the heading "III. Total Revenue (I +II)", for the word "Revenue", the word "Income" shall be substituted	Division I
Grants or donations received	Grants or donations received shall be disclosed under Revenue from Operations in Profit & Loss (relevant in case of section 8 companies only)	Division I Division II
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 account during the year.	Division I Division II Division III
Corporate Social Responsibility (CSR)	Where the company covered under section 135 of the companies act, the following shall be disclosed with regard to CSR activities: <ul style="list-style-type: none"> - a) amount required to be spent by the company during the year, b) amount of expenditure incurred, c) shortfall at the end of the year, d) total of previous years shortfall, e) reason for shortfall, f) nature of CSR activities, g) details of related party transactions, e.g., contribution to a trust controlled by the company in relation to CSR expenditure as per relevant Accounting Standard, h) where a provision is made with respect to a liability incurred by entering into a contractual obligation, the movements in the 	Division I Division II Division III

		provision during the year should be shown separately.	
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.	Division I Division II Division III

Nucleus Remarks

Certain amendments in Schedule III are to bring parity in certain disclosures between financial statements prepared in accordance with different divisions. Further, some of the changes are in the nature of an improvement carried out to align the disclosures in accordance with the applicable reporting framework.

The companies should evaluate each change and ensure the necessary preparedness for arranging such additional inputs and information to meet the above requirements.

Should you have any query or need any clarification, please contact:

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ABOUT US

Nucleus AAR Advisors LLP is a business-consulting firm providing specialized services in the field of investment banking, deal transaction advisory, corporate advisory, international taxation, audit & assurance. We collaborate entrepreneurs in their critical decision-making by providing them various analysis customized as per their requirement. We also help in the effective implementation of decisions and its subsequent monitoring as well.

Team nucleus is comprised of people from big4s and reputed consulting firms with combined experience of 30+ years.

Team is distinguished by their functional and technical expertise combined with their hands-on experience, thereby ensuring that our clients receive the most professional service.



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