

Revised Schedule III Vis a Vis CARO 2020 Organized by Hyderabad Chapter of ICMA

By:



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Discussion points

- 1. Changes effective from f.y 21-22**
- 2. Expectation V/s. requirement**
- 3. Reasons for amendments**
- 4. Role of professionals in ensuring compliances**
- 5. Changes notified under Schedule III**
- 6. Reporting of additional regulatory information**
- 7. Revised CARO 2020**
- 8. Schedule III Vis a Vis with CARO 2020**
- 9. Changes to Boards' report and Audit report**
- 10. Expectation of reporting under changed era**
- 11. Key Take Aways**



Changes w.e.f. 1.4.2022

- ✓ CARO 2020 was notified on 25.2.2020
- ✓ Applicability extended w.e.f 20-21 vid noti. 24.3.20
- ✓ CARO 2020 was made applicable 2021-22 notifi dt 17.
- ✓ Schedule III revised w.e.f 2021-22 on 24.3.21
- ✓ Amended Companies Accounts rules
- ✓ Amended Audit and Auditors rules w.e.f. 1.4.2021
- ✓ Accounting standards are notified w.e.f. 23.6.2021



Expectation from auditor

Transparency



Investors like transparent & honest companies

Transparency



Investor Confidence



Stakeholder Satisfaction



Accountability



Signs your business may be in trouble
(and what you can do about it)

Early warning signs

Expectation V/s. requirements of changes

Expectation

Transparency

Stakeholder Satisfaction

Accountability

Investor Confidence

Early warning signs



Requirements

Extensive Disclosures

Adequate disclosures

Responsibility on Auditors/KMP

Enhanced Auditor reporting

Robust systems & processes

Expectation of reporting under changed era

- ❖ FS reporting to become futuristic
- ❖ Enable users to take certain business decisions
- ❖ Report beyond financials and consider economic fact
- ❖ Business responsibility reporting
- ❖ CSR etc.,



Role of Professional in changed regulatory environment

- ✓ Simplified adjudication process and levy of penalties
- ✓ MCA transition from V2 to V3
- ✓ E-adjudication and e-hearing
- ✓ XBRL Filing, Use of artificial intelligence (AI)
- ✓ Technical scrutiny of annual reports/Annual returns
- ✓ Integration of CBDT/GST/Customs/DGFT
- ✓ MCA scrutinizes the documents filed with MCA under STP mode;
- ✓ Recent adjudication orders:
 - ✓ Non filing of Form 20A commencement of business
 - ✓ Non filing of INC- 22 declaration of registered office
 - ✓ Letter heads not containing CIN & Director signing without DIN

Present position of Adjudication

- Reviewing of Annual reports/return focusing on following :
 - ✓ Audit qualifications
 - ✓ Small delay in filing document with MCA
 - ✓ Not having significant accounting policies
 - ✓ UDIN not mentioned in FS
 - ✓ Without proper supporting documents
 - ✓ Inconsistency in reporting
 - ✓ Deviation in disclosure in board's report
 - ✓ Missing attachments in boards report like CSR report and other supporting documents etc.,



Recent Adjudication orders

			Penalty on company			Penalty on Directors/KMP				
S. No	ROC	Sections	One Time	Continuing	Total	One Time	Continuing	No. of KMP	Total Penalty	Total
1	Maharashtra	173	-	-	-	1.00	-	2	1.00	1.00
2	Delhi	92&137	0.20	0.72	0.92	0.20	0.72	1	0.92	1.84
3	Gujrat	197	0.10	-	0.10	0.50	-	1	0.50	0.60
4	Gujrat	92&137	-	-	-	0.30	0.57	2	0.87	0.87
5	Maharashtra	173	-	-	-	5.00	-	2	5.00	5.00
6	Bangalore	88	3.00	-	3.00	0.50	-	1	0.50	3.50
7	Odisha	92&137	1.00	14.61	15.61	9.00	7.82	3	16.82	32.44
8	Maharashtra	177	5.00	-	5.00	13.00	-	13	13.00	18.00
9	Gujrat	82	5.00	-	5.00	1.50	-	3	1.50	6.50
11	Gujrat	203	5.00	-	5.00	1.00	2.98	2	3.98	8.98
12	Bangalore	12	1.00	-	1.00	2.00	-	2	2.00	3.00
13	Bangalore	117	0.50	5.73	6.23	0.25	5.73	1	5.98	12.21
14	Bangalore	117	1.00	0.30	1.30	2.00	1.18	4	3.18	4.48
15	Bangalore	117	0.50	0.02	0.52	0.75	0.07	3	0.82	1.34
16	Bangalore	117	1.00	8.54	9.54	1.50	13.50	3	15.00	24.54
17	Bangalore	88	3.00	-	3.00	0.50	-	1	0.50	3.50
18	Maharashtra	135	0.10	2.00	2.10	1.30	4.69	13	5.99	8.09
19	Bangalore	64	-	4.46	4.46	-	11.58	4	11.58	16.04
20	Bangalore	42	-	0.13	0.13	-	0.65	5	0.65	0.78
21	Delhi	12	1.00	-	1.00	2.00	-	2	2.00	3.00
22	Maharashtra	12	1.00	-	1.00	2.00	-	3	2.00	3.00
23	Maharashtra	42	2.00	-	2.00	3.00	-	3	3.00	5.00
24	Gujrat	12	-	0.50	0.50	-	1.50	3	1.50	2.00
25	Delhi	42	-	0.19	0.19	-	0.38	2	0.38	0.57
26	Gujrat	12	-	1.00	1.00	-	4.00	4	4.00	5.00
27	Delhi	118	1.00	-	1.00	0.60	-	3	0.60	1.60
28	Delhi	56	0.50	-	0.50	1.50	-	3	1.50	2.00
29	Gujrat	42	100.00	-	100.00	100.00	-	5	100.00	200.00
30	Tamil Nadu	203	5.00	-	5.00	1.44	-	1	1.44	6.44
31	Chandigarh	149	0.50	0.66	1.16	0.50	0.66	1	1.16	2.32

Schedule III changes

Division I

- I GAAP

Division II

- Ind AS

Division III

- NBFC

CHANGES MADE TO SCHEDULE III

VIDE NOTIFICATION DT 24/03/2021

Changes to schedule III

1. Mandatory rounding off the figures
2. Intangible assets to be disclosed separately after PPE
3. Disclosure of change in promoters shareholding (Any change)
4. Current maturity of long term borrowing to be shown under short term borrowing instead of current liability.
5. Trade payable to be disclosed separately
6. Trade receivables to be disclosed separately
7. Security deposits to be disclosed under other financial assets instead of long term loans
8. Banks deposits with maturity more than 12 months to be shown under other financial assets
9. If the company has not used the borrowings from banks and financial institutions for



Changes to schedule III ctd..

9. Title deeds of immovable property not held in the Company's name (separate format)
10. In case of revaluation of PPE, Intangible assets, Investment property, whether report from Regd valuer obtained
11. Loans and advances to promoters/KMP/Directors/related parties – repayable on demand /without specifying payment – with % of total loans
12. Capital Work in process ageing 1/2/3 years and more than 3years – **project wise**
13. Intangible assets under development
14. Details of benami transactions
15. Whether Stock statements submitted with bankers are in agreement with books of accounts and if not summary of reconciliation



Additional regulatory information

16. Whether the Company is willful defaulter, then details of default
17. Relationship with Struck off Companies u/s 248 and receivable and payables
18. Pending charges to be filed with ROC
19. Compliance with number of layers of companies
20. Certain ratios to be disclosed
21. Compliance with approved Scheme(s) of Arrangements u/s 230-237
22. Round tripping of loans
23. Undisclosed income
24. Disclosure on CSR
25. Details of crypto or virtual currency



Additional regulatory information

Following accounting ratios

- 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

- Explain the items included in numerator and denominator for computing the above ratios



Explain the reason, if the variation is more than 25%

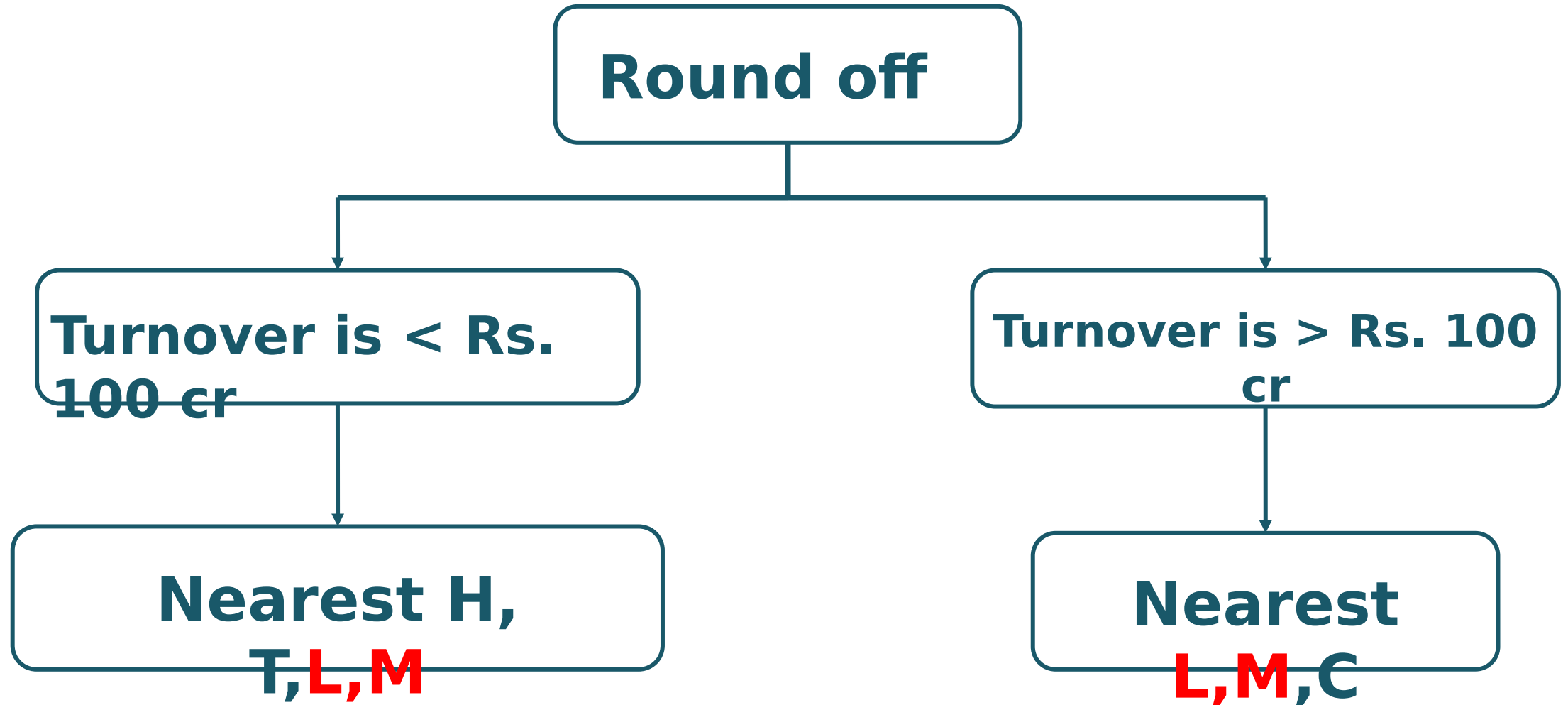
Additional regulatory information

2.27 Ratios

The following are analytical ratios for the year ended March 31, 2022 and March 31, 2021

Particulars	Numerator	Denominator	31st March 2022	31st March 2021	Variance
Current Ratio	Current assets	Current liabilities	2.1	2.7	-23.4%
Debt – Equity Ratio	Total Debt (represents lease liabilities) ⁽¹⁾	Shareholder’s Equity	0.1	0.1	0.1%
Debt Service Coverage Ratio	Earnings available for debt service ⁽²⁾	Debt Service ⁽³⁾	38.5	38.8	-0.8%
Return on Equity (ROE)	Net Profits after taxes	Average Shareholder’s Equity	30.2%	27.0%	3.2%
Trade receivables turnover ratio	Revenue	Average Trade Receivable	5.9	5.4	9.0%
Trade payables turnover ratio	Purchases of services and other expenses	Average Trade Payables	11.3	9.9	13.3%
Net capital turnover ratio	Revenue	Working Capital	3.8	2.8	35.1% *
Net profit ratio	Net Profit	Revenue	20.4%	21.0%	-0.6%
Return on capital employed (ROCE)	Earning before interest and taxes	Capital Employed ⁽⁴⁾	38.8%	32.5%	6.3%
Return on Investment(ROI)					
Unquoted	Income generated from investments	Time weighted average investments	8.7%	7.9%	0.9%
Quoted	Income generated from investments	Time weighted average investments	5.9%	6.2%	-0.3%

Mandatory rounding off



Companies FS cannot be reported in rupees from 2021-22 F.Y. onwards

Trade Receivables Ageing

Outstanding for following periods from the **due date of payment**

Particulars (IND AS)	Less than 6 Months	6 Months - 1 Year	1-2 Years	2-3 Years	More than 3 Years	Total
Undisputed Trade Receivables - considered good						
Disputed Trade Receivables - considered good						
Undisputed Trade Receivables - Which have Significant impact on Credit Risk						
Undisputed Trade Receivables - Credit Impaired						

Un-billed receivable to be shown separately

Trade Receivables Ageing

2.8 TRADE RECEIVABLES

Particulars	As at	
	March 31, 2022	March 31, 2021
<i>(In ₹ crore)</i>		
Current		
Trade Receivable considered good - Unsecured ⁽²⁾	19,454	16,817
Less: Allowance for expected credit loss	488	423
Trade Receivable considered good - Unsecured	18,966	16,394
Trade Receivable - credit impaired - Unsecured	85	120
Less: Allowance for credit impairment	85	120
Trade Receivable - credit impaired - Unsecured	-	-
Total trade receivables⁽¹⁾	18,966	16,394
⁽¹⁾ Includes dues from companies where directors are interested	1	-
⁽²⁾ Includes dues from subsidiaries	268	203

Trade receivables ageing schedule for the year ended as on March 31, 2022 and March 31, 2021:

Particulars	Outstanding for following periods from due date of payment						Total
	Not Due	Less than 6 months	6 months to 1 year	1-2 years	2-3 years	More than 3 years	
Undisputed Trade receivables – considered good	14,555	4,703	133	10	30	23	19,454
	13,280	3,457	16	26	-	34	16,813
Undisputed Trade receivables – credit impaired	-	1	3	43	31	3	81
	1	1	75	38	5	-	120
Disputed Trade receivables – considered good	-	-	-	-	-	-	-
	-	1	3	-	-	-	4
Disputed Trade receivables – credit impaired	-	-	-	4	-	-	4
	-	-	-	-	-	-	-
	14,555	4,704	136	57	61	26	19,539
	13,281	3,459	94	64	5	34	16,937
Less: Allowance for credit loss							573
							543
Total Trade Receivables							18,966
							16,394

Trade Payables Ageing

Particulars	Outstanding for following periods from the due date of payment				Total
	Less than 1 year	1-2 years	2-3 Years	More than 3 years	
MSME					
Others					
Disputed dues MSME					
Disputed dues Others					

Un-billed receivable to be shown separately

Outstanding dues only to Micro and small but **not medium**

Trade Payables Ageing

2.14 TRADE PAYABLES

Particulars	(In ₹ crore)	
	As at	
	March 31, 2022	March 31, 2021
Outstanding dues of micro enterprises and small enterprises	3	-
Outstanding dues of creditors other than micro enterprises and small enterprises ⁽¹⁾	2,666	1,562
Total trade payables	2,669	1,562
<i>⁽¹⁾ Includes dues to subsidiaries</i>	<i>613</i>	<i>400</i>

There is no interest due or outstanding on the dues to Micro, Small and Medium Enterprises. During the year ended March 31, 2022 and March 31, 2021, an amount of ₹70 crore and ₹13 crore was paid beyond the appointed day as defined in the Micro, Small and Medium Enterprises Development Act 2006.

Trade payables ageing schedule for the year ended as on March 31, 2022 and March 31, 2021:

Particulars	(In ₹ crore)					Total
	Not Due	Outstanding for following periods from due date of payment				
		Less than 1 year	1-2 years	2-3 years	More than 3 years	
Outstanding dues to MSME	3	-	-	-	-	3
Others	-	-	-	-	-	-
	2,131	535	-	-	-	2,666
	<u>1,318</u>	<u>236</u>	<u>1</u>	<u>4</u>	<u>3</u>	<u>1,562</u>
Total trade payables	2,134	535	-	-	-	2,669
	<u>1,318</u>	<u>236</u>	<u>1</u>	<u>4</u>	<u>3</u>	<u>1,562</u>

Relationship with struck off companies

(In ₹ crore)				
Name of Struck off Company	Nature of transactions	Transactions during the year	Balance outstanding as at March 31, 2022	Relationship with the Struck off company
Compulease Net				Vendor

Impact of IBC

Trade Payables Ageing

- Point / Question –
 - Necessary to determine due date of payment
 - In case no due date of payment is specified disclosure shall be from the date of the transaction
 - Unbilled – whether will include certain estimations / provision

Trade Receivables Ageing

- Point / Question –
- Schedule of ageing is under both Trade Receivable & Other Non-Current Asset
 - If the receivable is non-current – ideally ageing upto 1 year will not be available
 - If the receivable is current, then unless the operating cycle is longer – it cannot be more than 1 year
 - ‘Due date of payment’ is mentioned – it should be from the ‘date it is due’
 - In case no due date of payment is specified disclosure shall be from the date of the transaction

Utilisation of Borrowings

- 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.
- Point / Question
 - Tracking of money trail will not be easy task
 - Ensuring that all related details are available will be necessary
 - Onus on the Company to prove that it was utilized for the purpose of borrowing

Utilisation of Borrowings

- **Enhanced Disclosure for borrowings from banks or financial institutions on the basis of security of current assets**
 - 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.
 - if not, summary of reconciliation and reasons of material discrepancies, if any to be adequately disclosed

Title deeds of Immovable Property not held in name of the Company

- Details of all the Immovable Property (other than under lease and the agreement is in the name of the Co) whose title deeds are not held in name of the Company. If the same is held jointly with others, details to the extent of the company's shares shall be disclosed.
- Point / Question –
 - Detailed inspection of documents will be required
 - In case of Companies which are very old – getting all documents may be an issue
 - Reason for not being held in the Name of the Company may be difficult to ascertain
 - Relative is a wide term

Change in promoters shareholding

2.12.2 Shareholding of promoter

Shares held by promoters at March 31, 2022:

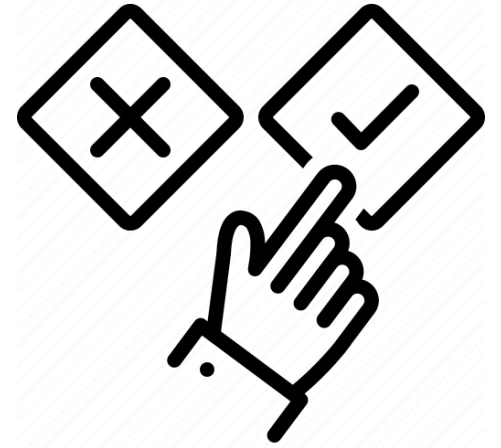
Promoter name	No. of shares	% of total shares	% Change during the year
Sudha Gopalakrishnan	9,53,57,000	2.27%	-
Rohan Murty	6,08,12,892	1.45%	-
S Gopalakrishnan	4,18,53,808	0.99%	-
Nandan M Nilekani	4,07,83,162	0.97%	-
Akshata Murty	3,89,57,096	0.93%	-
Asha Dinesh	3,85,79,304	0.92%	-
Sudha N Murty	3,45,50,626	0.82%	-
Rohini Nilekani	3,43,35,092	0.82%	-
Dinesh Krishnaswamy	3,24,79,590	0.77%	-
Shreyas Shibulal	2,37,04,350	0.56%	-0.71%
N R Narayana Murthy	1,66,45,638	0.40%	-
Nihar Nilekani	1,26,77,752	0.30%	-
Janhavi Nilekani	85,89,721	0.20%	-27.74%
Kumari Shibulal	52,48,965	0.12%	-41.00%
Deeksha Dinesh	76,46,684	0.18%	-
Divya Dinesh	76,46,684	0.18%	-
Meghana Gopalakrishnan	48,34,928	0.11%	-
Shruti Shibulal	27,37,538	0.07%	-
S D Shibulal	58,14,733	0.14%	168.36%

Changes to CARO 2020

Applicability of CARO 2020

CARO 2020 applies to all companies incl. foreign companies except;

1. Banking Companies
 2. Insurance Companies
 3. Section 8 Companies
 4. OPC & Small Companies
 5. Private Companies other than subsidiary of Public Companies having
 - a. Paid up capital and reserves and surplus not more than Rs. 1 crore and
 - b. Borrowing not more than Rs.. 1 crores and
 - c. Turnover not more than Rs. 10 crore
- CARO Applies to stand alone FS but not for CFS except qualifications of component companies



Small company definition and its impact_

2(85) "small company" means a company, **other than a public company** having,—

paid-up share capital
does not exceed rupees
two crores;



turnover does not exceed
rupees **twenty crores;**

Which is not:

- (A) a holding company or a subsidiary company;
- (B) a company registered under section 8; or
- (C) a company or body corporate governed by any special Act;

This is effective from 1.4.2021 (GSR 92E dt 1.2.21)

Private Ltd company which is an associate of other company fulfilling both the above conditions becomes small company

Both the conditions to be fulfilled to
become small company

Small Company definition and its impact (Ctd...)

1. ABC Pvt Ltd which is not subsidiary of public company its

Paid-up capital	Turnover	Status
3 Crore	25 crore	Not small company
1 Crore	25 crore	Not small company
3 Crore	15 crore	Not small company
1 Crore	15 crore	Small company

Does ABC **Ltd** Company whose paid-up capital and turnover is Rs. 1 crore , is small company?

CARO Changes - new clauses

Case 1

**ABC private Limited which is not a subsidiary of public company has
paid up capital Rs. 80 Lakhs ,
Turnover Rs. 9 crore and
Borrowing Rs. 90 lakhs**

Does CARO applies

No, This is small company.

Small company definition was amended w.e.f 1st April, 2021 - CARO was issued in 2020

Case 2 - CARO reporting does it applies to Consolidated FS

NO. However comment is required on qualification of component accounts

Case 3 - Does CARO Applies to ICICI Bank

No, it is banking company

Case 4 -Does CARO Applies to Bajaj Insurance

No, its insurance company

Case 5 -Does CARO Applies to foreign Company

Yes,

CARO Changes - new clauses

1. Internal audit

- Whether the company has an internal audit system commensurate with the size and nature of its business?
- Whether the reports of the Internal Auditors for the period under audit were considered by the statutory auditor?

2. Cash losses

Whether the Company has incurred cash losses in the Financial Year and in the immediately preceding Financial year? If so, state the **amount of cash losses**.

3. Auditor Resignation

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 the outgoing auditors?

CARO Changes - new clauses (Contd..)

4. Solvency of the Company

- Based on financial ratios, ageing and expected dates of realisation of financial assets and payment of financial liabilities and management plans.
- auditor to comment on **solvency of the Company for next one year**

5. Benami Transactions

- Any proceedings have been initiated or are pending against the company under Benami Transactions (Prohibition) Act, 1988 for holding any Benami property
- if so, whether the Company has appropriately disclosed the details in its financial statements;

6. Stock Statements to Banker

- If the working capital limits are **more than Rs. 5 crores**,
- whether the quarterly returns or statements filed by the Company with such banks or financial institutions **are in agreement books**, If not, give details.

CARO Changes - new clauses (Contd..)

7. Property, Plant and equipment

- whether the company is maintaining proper records showing full particulars of Intangible assets?
- Is there any revaluation of PPE, (including Right of Use assets) or intangible assets or both during the year and, if so,
- whether the revaluation is based on the valuation by a Registered Valuer.
- Specify the amount of change, if change is 10% or more in the aggregate of the net carrying value of each class of Property, Plant and Equipment or intangible assets

8. Un- disclosed Income

- Any transactions not recorded in the books of account have been surrendered or disclosed as income during the year in the tax assessments if so, whether the previously unrecorded income has been properly recorded in the books of account during the year

9. Funds Utilization

- whether funds raised on short term basis have been utilised for long term purposes, or vice versa,if yes, the nature and amount to be indicated;

CARO Changes - new clauses (Contd..)

10. Default in payment to lenders

whether the company has defaulted in repayment of loans or other borrowings or

- ✓ payment of interest thereon to any lender, if yes, the period and the amount of default to be
- ✓ Whether the Company is willful defaulter
- ✓ Whether term loans were applied for the same purpose
- ✓ Whether short loans were applied for long term
- ✓ Any loan taken to meet the obligation of Subsidiary/JV/Associate, report such details
- ✓ Any loan taken pledging securities of S/JV/A, details of such loan and any default thereof

11. Inventory physical verification

- ✓ Comment on process followed and discrepancies for more than 10% of inventory in each category

Lender wise details to be disclosed in case of banks/FI

CARO Changes - new clauses (Contd..)

12. Loans, investment and guarantee (section 185)

whether the Company has made

- investments, provided guarantee or granted any loans or advances in the nature of loans
either Secured or unsecured
- Companies, firms, LLP or any other parties (any party)
- Disclose Aggregate amounts and balance outstanding at the balance sheet
 - To Subsidiary, Associate, JV
 - To parties other than the above
- ❖ Whether terms and conditions prejudicial to the interest of the Company
- ❖ Whether schedule of repayment is adhered, if not
- ❖ Whether the company has taken reasonable steps for recovery or not;

CARO Changes - new clauses (Contd..)

- Whether any loan **fallen due** during the year, has been **renewed or extended or fresh loans granted** to settle the overdues of existing loans given to the same parties, if so,
- specify the aggregate **amount of such dues** renewed or extended or settled by fresh loans and the percentage
- (f) whether the company has granted any loans **without specifying any terms** or period of repayment, if so, specify the aggregate amount, percentage thereof to the total loans granted, aggregate amount of loans granted to Promoters, related parties

CARO Changes - new clauses (Contd..)

12. Fraud Reporting

- whether any report under sub-Section (12) of Section 143 of the Companies Act has been filed by the auditors in Form ADT-4 as prescribed under Rule 13 of Companies (Audit and Auditors) Rules 2014 with the Central Government?
- Reporting of all frauds on the company is required (whether or not it is done by its employees or officers)

13. Whistle Blower Mechanism

- Whether the auditor has considered whistle-blower complaints, if any, received during the year by the Company?

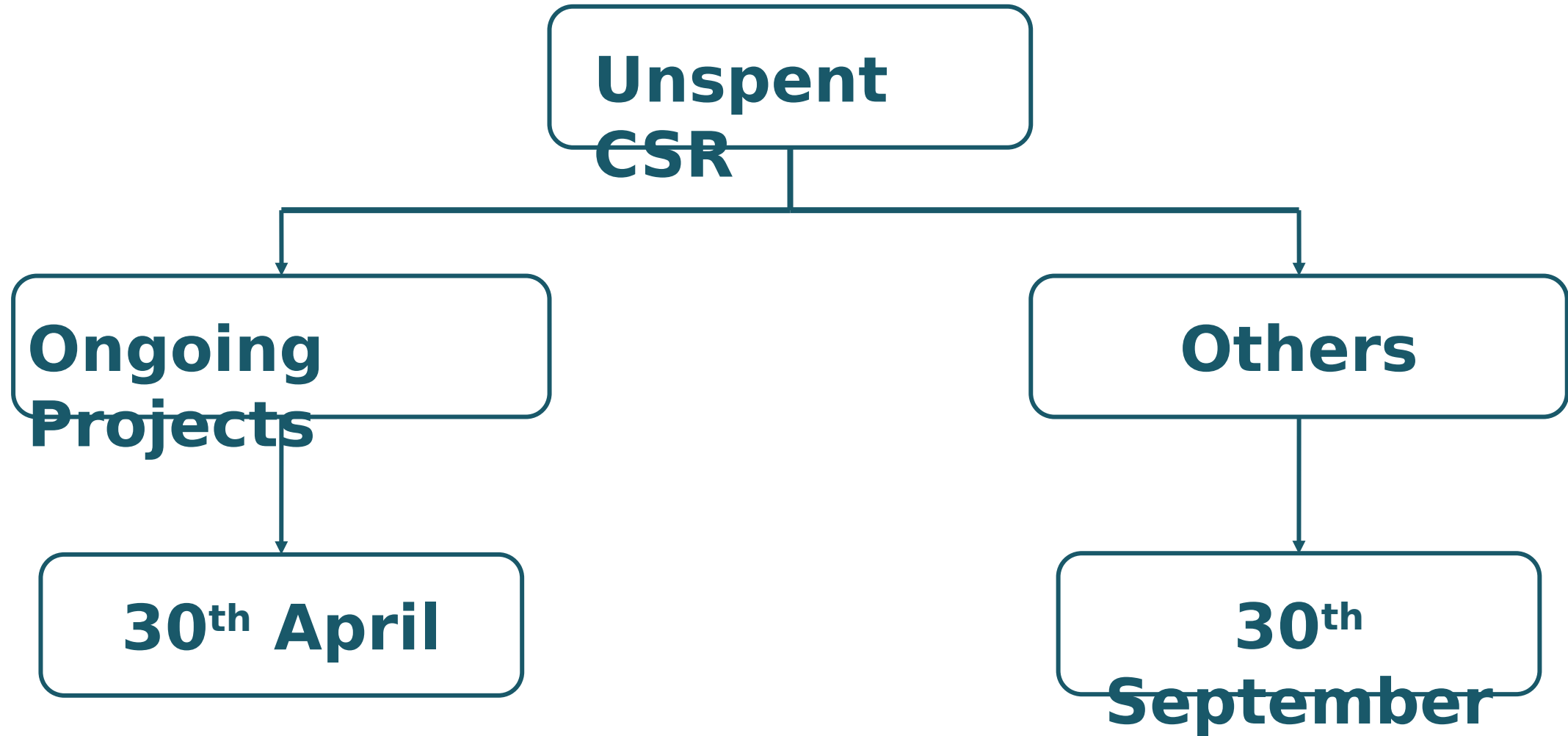
14. Reporting on Registration u/s 45-IA of RBI Act

- whether the non-banking finance or housing finance activities are done after taking certificate of registration from RBI
- fulfilment of classification criteria laid down by RBI for Core Investment Company. Number of CICs in the Group to which company belongs

15.Consolidated FS

16.Audit Qualification of subsidiary, associate and JV

Changes to Schedule III



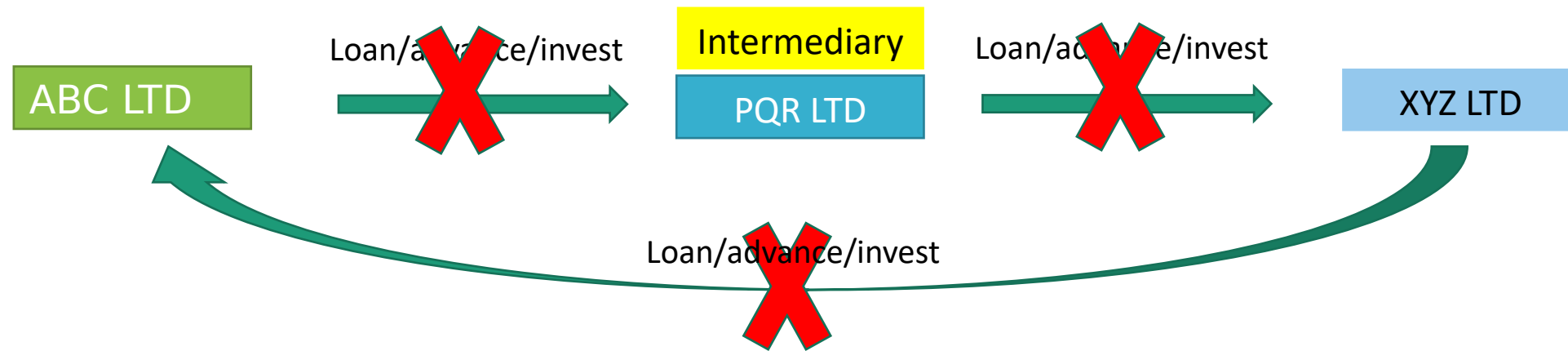
CARO ORDER 2020- MODIFICATIONS

Changes made in CARO 2020	Previous requirement	Revised requirement
Borrowing	Default in repayment of principal	Default in interest payment also covered
Physical verification of inventory	Physical verification	Coverage of physical verification discrepancies is more than 10%
Deposits	Public deposits	Deemed deposits u/s. 73
Payment of statutory dues		GST has been added
Repayment and usage of funds	Default of principal is covered Default to bank/FI	Default of interest is also covered Default to any lenders i.e including ICD, loan from third parties
Fixed Assets	Called as Fixed Assets	Property, Plant and equipment (PPE)

Deletions

Reporting on managerial remuneration company and recovery of excess remuneration paid

Changes in A.R fy21-22 - round tripping of loans



ABC Ltd **cannot** give loan to PQR Ltd with an understanding that PQR to give loan to XYZ Ltd.

PQR Ltd. **cannot** take from ABC Ltd for giving loan to XYZ Ltd.

Statutory auditors of both the Companies to report such instances

Overview of CARO 2020

Particulars	Count
New reporting requirements under CARO 2020 (including sub-clauses)	28
Reporting requirements modified (including sub-clauses)	15
Reporting requirements carried forward with no modifications (including sub-clauses)	8
Reporting requirement of CARO 2016 deleted	1
Total	50

Schedule III Interplay with CARO 2020

Schedule III

CARO

Usage of borrowed funds
diversion

Nature of

Title deeds of imm. Property not held in company's name

Benami transactions

Stock statements submitted to bankers

Willful defaulter

Schedule III - other requirements

- Companies act, Rules and accounting standards prevail over schedule III
- Schedule III disclosure requirements are minimum disclosures
- Disclosure requirements **are in addition to but not substitution** thereof
- Applicable for companies commencing f.y on or after 1.4.2021
- Comparative figures need to be given for the period ending 2021-22
- Same format for Consolidated financials
- No repeated disclosure and reference can be made
- Same rounding off figures in FS



Changes in Audit report for the year 2021-22

- 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; 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.
- iv. Whether the dividend declared or paid during the year by the company is in compliance with section 123 of the Companies Act 2013

Take aways

- Changes to Schedule III & CARO 2020 are applicable for FS 2021-22
- Audit trial is mandatory for accounting software (**even small private** limited company deferred w.e.f. 1.4.2023)
- **Mandatory rounding off figures in FS (H/T/LM/Crore)**
- Management need to make detailed disclosure in notes to accounts of FS
- Auditors will confirm the correctness of such disclosure after audit review
- Preparation of FS with notes to accounts for the year 2021-22 requires more time
- Revised disclosure as per amendment needs to be made for the year 2020-21 (comparative)
- Routing of funds through intermediary is not permitted
- In case of improper disclosure, company may get notice from bank/FI
- Compliance team to take additional caution while preparing and filing Annual report
- Audit report for the fy 2021-22 need to have three new clauses on rounding tripping of loans, payment of dividend
- Boards' report to have additional reporting on Application filed under IBC and valuation done



Take aways

- Ensure to disclose disputed amount to supplier, if any. (**cannot take stand for IBC purpose**)
- Identify and disclose details of promoters
- FS round off only FS reporting but



Questions ?????





K.Chandra Sekhar, M.Com, LLB, ACS, ACMA, (CA),
Practicing Company Secretary,
Insolvency Professional & Regd Valuer - SFA
(A Peer Reviewed Unit)

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Thank You & Stay Safe