

Recent Changes in Companies Act 2013 including Schedule III



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Shared at

**Webinar, Rohini CPE Study Circle of NIRC of ICAI
23rd March 2022**

FILING EXTENSION

- ❖ For FY 2020-21 extended due rate of filing without additional fee:
 - ❖ AOC-4, etc till 15.3.2022
 - ❖ MGT-7 till 31.3.2022

BUDGET SPEECH

- ❖ **Small Co S. 2(85) definition changed w.e.f. 1.4.2021**
 - ❖ Paid up Capital from 50 L to 2 Cr
 - ❖ Turnover from 2 Cr to 20 Cr
- ❖ **OPC changes w.e.f. 1.4.2021**
 - ❖ Indian Citizen even if NR can form
 - ❖ Resident – to be in India for 120 days (earlier 182 days)
 - ❖ No limits for forced conversion
 - ❖ No limits for conversion of Pvt. Ltd. Co. into OPC
- INC 6 amended for both way conversion**

AS

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

CSR COMPLIANCE

- Co. to constitute CSR Committee & spend at least 2% of average net profits of company made during 3 immediately preceding FYs, if during immediately preceding FY:
 - Net worth of Rs. 500 Cr. or more, or
 - Turnover of Rs. 1000 Cr. or more, or
 - Net profit of rupees Rs. 5 Cr or more
- If not spent:
 - Not a ongoing project - trf to Sch. VII fund in 6 months
 - Ongoing Project – trf within 30 days to special A/c – spend within 3 years. If not trf to Sch. VII fund in 30 days

CSR COMPLIANCE

- **Form CSR -2 introduced**
- **To be part as annexure to Form AOC-4**
- **For FY – 2020-21 – file till 31.3.2022**

HIGHER ADDITIONAL FEE

- Under 3rd proviso to s. 403 w.e.f. 1.6.2022 for all forms, other than:
 - Increase in capital
 - AOC-4
 - MGT-7
- Applicable when there is default on 2 or more occasions
- In case of INC -22 & PAS-3 – default on 2 or more occasions within 365 days from last such form filed. Forms before 1.6.2022 not to be considered.

HIGHER FEE

TABLE

Sl. No.	Period of delays	Additional fee as a multiple of normal fees	Higher additional fee as a multiple of normal fees (for certain cases)
(1)	(2)	(3)	(4)
1.	Upto 15 days (sections 139 and 157)	One time of normal fees	-
2.	More than 15 days and upto 30 days (Section 139 and 157) and upto 30 days in remaining forms.	2 times of normal filing fees	3 times of normal filing fees
3.	More than 30 days and upto 60 days	4 times of normal filing fees	6 times of normal filing fees
4.	More than 60 days and upto 90 days	6 times of normal filing fees	9 times of normal filing fees
5.	More than 90 days and upto 180 days	10 times of normal filing fees	15 times of normal filing fees
6.	Beyond 180 days	12 times of normal filing fees	18 times of normal filing fees

Audit Trail



AUDIT TRAIL

- ❖ Books of account and other relevant books and papers maintained in electronic mode:
 - ❖ To remain accessible in India so as to be usable for subsequent reference.
 - ❖ For FY on or after 1st April 2022, a company which uses accounting software 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 account
 - ❖ along with the date when such changes were made and
 - ❖ ensuring that the audit trail cannot be disabled.
- ❖ If proper books not maintained auditor to report in IAR

SCHEDULE III

- ❖ **Division I**
- ❖ **Companies (Accounting Standard) Rule 2021**
- ❖ **Division II**
- ❖ **Ind AS**
- ❖ **Division III**
- ❖ **NBFC – Ind AS**

CHANGES IN DIVISION - I

- ❖ **General Instructions – 1**
- ❖ **Balance Sheet – 1**
- ❖ **General Instructions for B/s - > 25**
- ❖ **Statement of PL – 1**
- ❖ **General Instruction for S of PL - 4**

CHANGES IN DIVISION -II

- ❖ **General Instructions – 1**
- ❖ **Balance Sheet – 2**
- ❖ **Statement for Changes in Equity – substituted**
- ❖ **General Instructions for B/s - > 28**
- ❖ **General Instruction for S of PL - 4**

CHANGES IN DIVISION -III

- ❖ **Statement for Changes in Equity – substituted**
- ❖ **General Instructions for B/s - > 23**
- ❖ **General Instruction for S of PL - 3**

CHANGES – B/S

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

CHANGES – B/S

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

CHANGES – B/S

- ❖ Title deeds of Immovable Property not held in name of the Company – Includes ...if held in name of promoter, director or relative of promoter / director or employee of promoter / director – **CARO – Cl. – 1(c)**
- ❖ In case of revaluation of PPE – valuation by a registered valuer – **CARO – Cl. – 1(d)**
- ❖ Loans or Advances in nature of loans **granted** to promoters, directors, KMPs & related parties (Companies Act) either severally or jointly - repayable on demand or without specifying any terms / period of repayment... along with % to total advances – AS 18, S. 186(4) – **CARO – Cl. – 3(f)**

CHANGES – B/S

- ❖ Benami Property – to be given only where any proceedings have been initiated or pending against the company – **CARO – Cl. – 1 (e) – whether co. disclosed**
- ❖ Where the Company has borrowings from banks or FIs against current assets - Quarterly returns filed are in agreement with books of accounts - if not, summary of reconciliation & reasons of material discrepancies – **CARO – Cl. 2(b) – 5 Cr sanctioned WC**

CHANGES – B/S

- ❖ 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**
 - ❖ If temporary invested.. Then also to disclose
 - ❖ Diversion as per RBI master circular:
 - ❖ Utilisation of short-term working capital funds for long-term purposes not in conformity with terms of sanction
 - ❖ Deploying borrowed funds for purposes/activities or creation of assets other for which loan sanctioned

CHANGES – B/S

- ❖ **Diversion as per RBI master circular:**
 - ❖ **Transferring borrowed funds to subsidiaries / Group cos. or other corporates by whatever modalities**
 - ❖ **Routing of funds through any bank other than lender bank without prior permission of lender**
 - ❖ **Investment in other companies by way of acquiring equities / debt instruments without approval of lenders**
 - ❖ **Shortfall in deployment of funds vis-à-vis amounts disbursed / drawn and difference not being accounted for.**

CHANGES – B/S

❖ Ratios along with numerator & denominator -
explanation if variation > 25% - CARO – cl. (19)

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

CL. 19 – CARO 2020

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

CHANGES – B/S

- ❖ Details where a company is a declared wilful defaulter by any bank / FI / other – **CARO – Cl. - 9(b)**
- ❖ Details of utilisation of Borrowed funds and share premium – **CARO – Cl. 9(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.... **CARO – Cl. 9(f)**

CHANGES – B/S

- ❖ **Relationship with struck-off Company – Investment, Drs, Crs, Shareholders, Others**
- ❖ **Any charges or satisfaction yet to be registered with Registrar of Companies beyond the statutory period, details and reasons thereof.**
- ❖ **Compliance with number of layers of companies**
- ❖ **Compliance with approved Scheme(s) of Arrangements – accounting in books of account ‘in accordance with the Scheme’ and ‘in accordance with accounting standards’ and deviation, if any**

CHANGES – PL

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

CHANGES – PL

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

1. Amount required to be spent during the year,
2. Amount of expenditure incurred,
3. Shortfall at the end of the year,
4. Total of previous years shortfall,
5. Reason for shortfall,
6. Nature of CSR activities,
7. Details of related party transactions
8. Where a provision is made with respect to a liability incurred by entering into a contractual obligation, the movements in the provision during the year should be shown separately.

CL. 20 – CARO 2020

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

CHANGES – DIV II & III

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

CHANGES – III

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

AS Applicability for Companies other than Ind AS

- Effective for Accounting Periods from 1.4.2021

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

SMC Disclosure

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

AS Applicability for Non-Companies

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

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

MSME Disclosure - Non Corporate

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

AS Applicability

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

AS Applicability

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

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