Key Developments in Companies Act 2013

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1 AMENDMENT TO SCHEDULE III

Applicability:

Applicable on All Companies for the Financial Year on or after 01st April, 2021 i.e, for the the Financial Statements ending as on 31St March, 2020 (F/Y 2021-22)

Purpose:

✓To provide more transparency;
✓To align the Companies Financial Statements in accordance with the Auditor's Reporting Requirements.

KEY HIGHLIGHTS OF AMENDMENTS

I. General Instructions for Preparation of Balance Sheet:

Rounding Off:

Earlier Rounding off was not mandatory and it was applicable on Turnover of the Company.

As per New Amendment, The Rounding off shall be mandatory and instead of Turnover the rounding off will be applicable on Total Income.

Total Income	Rounding Off
(a) less than one hundred crore rupees	To the nearest hundreds, thousands, lakhs or millions, or decimals thereof.
(b) one hundred crore rupees or more	To the nearest lakhs, millions or crores, or decimals thereof.

II. Additional Disclosure in Notes to Balance Sheet

1. Shareholding of Promoters:

Note on Share Capital in Financial Statements shall disclose the Shareholding of promoters in the format prescribed:

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				

2. Trade Payables (Aeging Schedule):

Schedule for Payments which are due, to be disclosed in the notes of Trade Payables in the prescribed format.
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.

Particulars	Outstanding for following periods from due date of payment				
	Less than One Year	1-2 Years	2-3 Years	More than 3 Years	Total
(i) MSME (ii) Others (iii) Disputed Dues – MSME (iv) Disputed Dues - Others					

II. Additional Disclosure in Notes to Balance Sheet

3. Reclassification:

a. **Current Maturities of Long-Term Borrowings** : Reclassified under the Head ***Short-Term Borrowings*** instead of Other Current Liabilities.

b. **Security Deposits** : Reclassified under the Head ***Other Non-Current Assets*** instead of Long Term Loans and Advances.

4. Property, Plant and Equipments:

a. Heading of Property Plant and Equipments to include "and Intangible Assets";

b. Instead of Tangible Assets the words "Property, Plant and Equipments" to be substituted;

c. A 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 Intangible assets) and other adjustments and the related depreciation and impairment losses/reversals shall be disclosed separately.

5. Disclosure on Utilization of Borrowings:

Where the Company has not used the borrowings from banks and financial institutions for the purpose for which it was taken at the Balance Sheet date, the Company shall disclose the details of where they have been used

II. Additional Disclosure in Notes to Balance Sheet

6. Trade Receivables (Aeging Schedule):

Schedule for Outstanding Receivables, to be disclosed in the notes of Trade Recievables in the prescribed format.

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.

Particulars	Outstanding for following periods from due date of payment					
	Less than 6 Months	6 Months – 1 Year	1-2 Years	2-3 Years	More than 3 Years	Total
(i) Undisputed Trade Receivables – Considered Good						
(ii) Undisputed Trade Receivables – Considered Doubtful						
(iii) Disputed Trade Receivables – Considered Good						
(iv) Disputed Trade Receivables – Considered Doubtful						

III. Additional Regulatory Information

1. **Title Deeds of immovable property not held in name of the Company:** Disclosure to be made separately.

2. **Revaluation of Assets:** In case of Revaluation, 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.

3. **Loans/ Advance to Directors/ KMP/ Related parties:** Disclosures shall be made where 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

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		

III. Additional Regulatory Information

4. **Capital Work-in-Progress:** Aeging Schedule and Completion Schedule (if completion is overdue or has exceeded its cost) of Capital Work-in-Progress to be disclosed in the prescribed format.

5. **Intangible assets under development:** Aeging Schedule and Completion Schedule (if completion is overdue or has exceeded its cost) of Intangible Assets under Developments to be disclosed in the prescribed format.

6. **Benami Property:** 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 details prescribed for the same.

7. **Wilful Defaulters:** Where a company is a declared wilful defaulter by any bank or financial Institution or other lender, following details shall be given:
   (a) Date of declaration as wilful defaulter,
   (b) Details of defaults (amount and nature of defaults).

8. **Relationship with Stuck Off Companies:** 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 prescribed details and relationship with such company in the prescribed format.

9. **Registration/Satisfaction of Charges with RoC:** Details and Reason to be disclosed in case charge registration/satisfaction is yet to be Registered with Competent Authority.

III. Additional Regulatory Information

10. **Ratios:** Following Ratios and reason for change in the ratio by more than 25% with the Preceding Year to be disclosed:

- Current Ratio
- Debt-Equity Ratio
- Deb-Service Coverage Ratio
- Return on Equity Ratio
- Inventory Turnover Ratio
- Trade Receivables Turnover Ratio
- Trade Payables Turnover Ratio
- Net Capital Turnover Ratio
- Net Profit Ratio
- Return on Capital Employed
- Return on Investment

11. **Compliance with approved Scheme of Arrangement:** Where any Scheme of Arrangements has been approved by the Competent Authority, 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 of holding of the company in such downstream companies shall be disclosed.

12. **Utilisation of Borrowed Funds and Share Premium:** Details to be provided in respect of :

a. Transactions where an entity has provided any advance, loan, or invested funds to any other person (s) or entity/ entities, including foreign entities.

b. Transactions where an entity has received any fund from any person (s) or entity/ entities, including foreign entity.

13. **Compliance with number of layers of Companies:** 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.

IV. Additional Disclosure in Notes to Profit & Loss Account

1. Undisclosed Income (Reconciliation of Income Tax and Companies Act):

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.

2. 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.

IV. Additional Disclosure in Notes to Profit & Loss Account

3. 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:

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 provision during the year should be shown separately.

2 COMPANIES (ACCOUNTS) SECOND AMENDMENT RULES, 2021

Highlight:

Amendment in Rule 3 of Companies (Accounts) Rules, 2014 to be effective from 01st April, 2022 which was earlier 01st April, 2021.

Purpose:

✓To provide more transparency;
✓To Provide and Audit Trail of each and every transaction in books of accounts.

AMENDMENT OF RULE 3

Books of Account in Electronic Mode:

The books of accounts and other relevant books and papers maintained in electronic mode shall remain accessible in India so as to be usable for subsequent reference.

Provided that for the financial year commencing on or after the *1st day of April, 2022*, every company which uses accounting software for maintaining its books of account, 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.

BENEFITS OF AUFIT TRAIL

Transparency and Accuracy

Security and Fraud Prevention

User Accountability and Record Integrity

Documented Evidence of History of Financial transaction to its Source

Easy tracing of Financial Data of each and every transaction at the time of Audit.

AMENDMENT OF RULE 8

Additional 2 Matters to be Included in Board Report:

1. The details of application made or any ***proceeding pending*** under ***IBC*** (the Insolvency and Bankruptcy Code, 2016) during the year alongwith their status as at the end of the financial year.

2. The 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.

Non-Applicability of Rule 8:

This Rule shall not apply to :

1. One Person Company
2. Small Company

3 COMPANIES (AUDIT AND AUDITORS) SECOND AMENDMENT RULES, 2021

Highlights:

1. Amendment in Rule 11 of Companies (Audit and Auditors) Rules, 2014 to be effective from 01st April, 2021;
2. Amendment in Clause g of Rule 11 to be effective from 01st April, 2022 which was earlier 01st April, 2021;
3. Rule 11 talks about the Other Matters to be included in Auditors Report.

AMENDMENT OF RULE 11

OTHER MATTER TO BE INCLUDED IN AUDITORS REPORT

Post amendment the Auditor's Report shall include views and comments on the following Six matters, namely:-

- *Pending Litigations*
- ***Law or accounting standards, for material foreseeable losses.***
- ***Delay in transferring amounts, required to be transferred to IEPF.***
- ***Management's representation other than as disclosed in the notes to the accounts, no funds have been advanced or loaned or invested or received by the company to or in any other or from any person or entity including foreign entities.***
- ***Dividend declared or paid during the year is as per Secton-123 of the Act.***
- ***Whether Company in respect of financial years commencing on or after the 1st April, 2022 has used such accounting software which has a feature of recording audit trail (edit log) facility and the same has been operated throughout the year for all transactions and the audit trail has been preserved throughout the year and tampered with.***

Thank You

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