

SCV ALERT

CORPORATE ADVISORY
APRIL 2021

SCV & Co. LLP
Chartered Accountants



**Ministry of Corporate
Affairs**

**MCA Notification dated
24th March, 2021**



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**Ministry of Corporate
Affairs**

Governments of India

I. Companies (Accounts) Amendment Rules, 2021

The MCA vide its Notification dated 24.03.2021, has introduced the Companies (Accounts) Amendment Rules, 2021 to further amend the Companies (Accounts) Rules, 2014. The said new Rules will come into effect from 1st April, 2021.

The important provisions in the said Rules are summarized as under:

- As per the new Rules, for the financial year commencing on or after the 1st April, 2021, 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.
- The Board's Report will now also include the disclosures in respect of the following:
 - a) the details of application made or any proceeding pending under the Insolvency and Bankruptcy Code, 2016 during the year along with their status as at the end of the financial year.
 - b) 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.

II. Amendment to Schedule III of Companies Act, 2013

The MCA vide its Notification dated 24.03.2021, has amended the Schedule III of the Companies Act, 2013. The said amendments will come into effect from 1st April, 2021.

The important amendments in the said Notification are summarized as under:

1. **“Turnover” word is replaced with “Total Income” and “may” is replaced with “shall”** in General instructions for preparation of Balance Sheet and statement of Profit and Loss of a company.

(Common Amendment applicable to Division I and Division II)

After the amendment, it will be read as under:

Depending upon the **Total Income** of the company, the figures appearing in the Financial Statements **shall** be rounded off as given below:—

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.

2. Under Division I, in Part 1- Balance-sheet

“Under Non-Current Assets” replace the Words “Property Plant and Equipment” with **“Property Plant and Equipment and Intangible assets”** and substitute the word “Tangible Assets” with **“Property Plant and Equipment”**.

After the amendment, it will be read as under:

Extract of Balance-sheet:

II. ASSETS
Non-current assets
(1) (a) Property, Plant and Equipment and Intangible Assets
(i) Property, Plant and Equipment
(ii) Intangible assets
(iii) Capital work-in-progress
(iv) Intangible assets under development

3. New Disclosure of Shareholding Pattern of Promoters in Notes to Accounts.
(Common Amendments applicable to Division I and Division II)

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				

- Promoter means a promoter as defined under Companies Act 2013
- % Change will be calculated with respect to number of shares held in the beginning of year or if issued for first time then from date of issue
- Disclosures to be given for each class separately

4. Under Division I - Insertion of “Current maturities of Long Term Borrowings” under “Short Term Borrowings” and deletion of the same from “other Current Liabilities”.

After Amendment it will be read as under:

Extract of Schedule of Short Term Borrowings:

Short-term borrowings:

(i) Short-term borrowings shall be classified as:

- A. Loans repayable on demand;
 - (a) from banks.
 - (b) from other parties.
- B. Loans and advances from related parties;
- C. Deposits;
- D. Other loans and advances (specify nature)....

(ii) Current Maturities of Long Term Borrowings

5. New Insertion of Trade Payable Ageing Schedule

(Common Amendments applicable to Division I and Division II)

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					

Similar Information Is required where there is no due date of Payment is specified in that case disclosure is required from date of transaction.

Unbilled dues shall be disclosed separately.

6. Replacement of word “**Tangible Assets**” with “**Property Plant and Equipment**” in PPE Schedule.

Separate Disclosure for Reconciliation of Gross and Net Carrying amounts of each class of assets at the beginning and end of the reporting period is required when amount of change due to revaluation is 10% or more in the aggregate of the net carrying value of each class of Property, Plant and Equipment/Intangible Asset.

(Common Amendments applicable to Division I and Division II)

7. Security Deposits has been omitted from “**Long Term loans and Advances**” and has been inserted in “**Other Non-Current Assets**”.

Extracts of “other Non-Current Assets” after amendment

- Long-term Trade Receivables (including trade receivables on deferred credit terms)
- **Security Deposits**
- Others (specify nature)....

Further, Trade Receivable Ageing Schedule inserted in “other Non-Current Assets” and “Trade Receivable”

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) Undisputed Trade Receivable- Considered Good					
(ii) Undisputed Trade Receivable- Considered Doubtful					
(iii) Disputed Trade Receivable- Considered Good					
(iv) Disputed Trade Receivable- Considered Doubtful					

Similar Information Is required where there is no due date of Payment is specified in that case disclosure is required from date of transaction.

Unbilled dues shall be disclosed separately.

8. The following additional Disclosures have been added in Notes to Accounts:

- 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.

(Common Amendments applicable to Division I and Division II)

- If, in the opinion of the Board, any of the assets other than Property, Plant and Equipment, **Intangible Assets** (earlier it was mentioned as 'Fixed 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.

9. Omission for Disclosure regarding details of Specified Bank Notes (SBN) held and transacted during the period from 8th November, 2016 to 30th December, 2016 from the Notes to Accounts.

(Common Amendments applicable to Division I and Division II)

10. Additional Regulatory Information Disclosures

- Title deed of Immovable property not held in the name of Company-Company shall provide such details of all immovable property and where such immovable property is jointly held with others, except those properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee

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 – Investment property - PPE retired from active use and held for disposal - others	Land Building Land Building Land Building	-	-	-	-	**also indicate if in dispute

#Relative here means relative as defined in the Companies Act, 2013. *Promoter here means promoter as defined in the Companies Act, 2013

- The Company shall disclose whether revaluation of its PPE is based on the valuation by a registered valuer as defined under rule 2 of the Companies (Registered Valuers and Valuation) Rules, 2017
- Disclosures shall be made where Loans or Advances 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		

• **Capital-Work-in Progress (CWIP)**

A.) For Capital-work-in progress, following ageing schedule shall be given:

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 capital-work-in progress, whose completion is overdue or has exceeded its cost compared to its original plan, following CWIP completion schedule shall be given, Details of projects where activity has been suspended shall be given separately

CWIP	To be completed in			
	Less Than 1 Year	1-2 Years	2-3 Years	More Than 3 Years
Project 1 Project 2				

• **Intangible asset under development-**

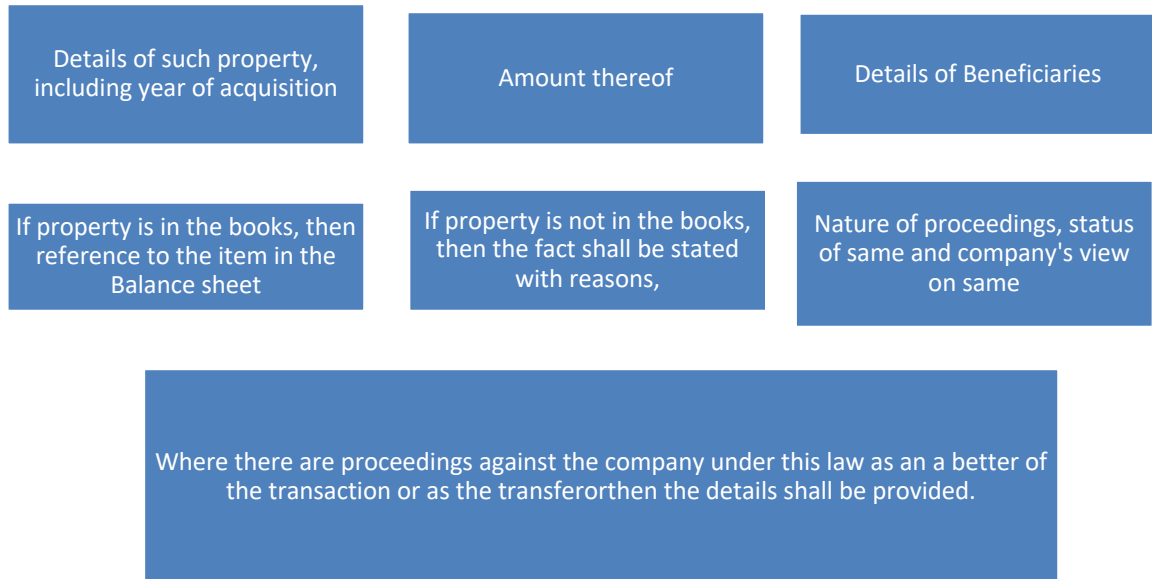
A.) For Intangible asset under development, following ageing schedule shall be given:

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 asset under development, whose completion is overdue or has exceeded its cost compared to its original plan, following Intangible asset under development completion schedule shall be given, Details of projects where activity has been suspended shall be given separately

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 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 there-under, the company shall disclose the following:-

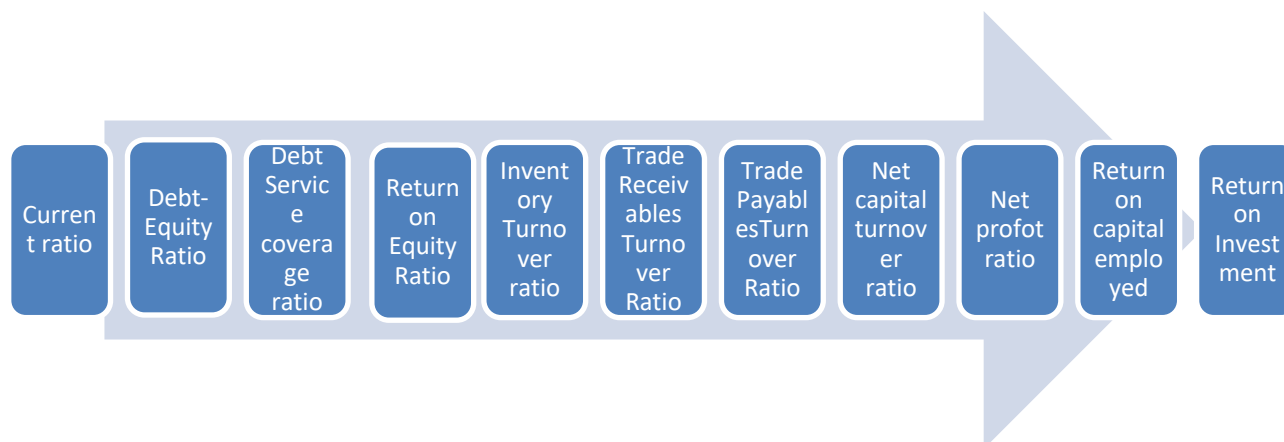


- Where the Company has borrowings from banks or financial institutions on the basis of security of current assets, it shall disclose the following:-
 - (a) whether quarterly returns or statements of current assets filed by the Company with banks or financial institutions are in agreement with the books of accounts.
 - (b) if not, summary of reconciliation and reasons of material discrepancies, if any to be adequately disclosed.
- **Wilful Defaulter**-Where a company is declared as wilful defaulter by any bank or financial Institution or other lender details shall be given
 - a) Date of declaration as wilful defaulter
 - b) Details of defaults (amount and nature of defaults).

“Wilful defaulter” 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 RBI.
- **Relationship with Struck 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 following details:-

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)		

- **Registration of charges or satisfaction with Registrar of Companies**-Where any charges or satisfaction yet to be registered with ROC beyond the statutory period, details and reasons thereof shall be disclosed.
- **Compliance with number of layers of companies**-Where the company has not complied with the number of layers as 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.
- **Following Ratios to be disclosed** and 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.



- **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.

- **Utilisation of Borrowed funds and share premium-**
 - The company is required to disclose-
 - a. date and amount of fund advanced or loaned or invested in Intermediaries with complete details of each Intermediary
 - b. date and amount of fund further advanced or loaned or invested by such Intermediaries to other intermediaries or Ultimate Beneficiaries along with complete details of the ultimate beneficiaries.
 - c. date and amount of guarantee, security or the like provided to or on behalf of the Ultimate Beneficiaries
 - d. 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)

 - Auditor is required to disclose the following
 - a.) date and amount of fund received from Funding parties with complete details of each Funding party
 - b.) 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.
 - c.) date and amount of guarantee, security or the like provided to or on behalf of the Ultimate Beneficiaries
 - d.) 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)

11. In Part-II Statement of Profit & Loss

“Revenue” is substituted with “Income” under the heading “Total revenue”.

Extract of Profit & Loss after amendment

Particulars	Note no	Figures as at the end of	
		current reporting period	the previous reporting period
1	2	3	4
I. Revenue from operations			
II. Other income			
III. Total Income (I + II)			

12. Under Schedule of Revenue from Operations, Insertion of Grants or Donations received (relevant in case of section 8 companies only)

Extract of Schedule of Revenue from Operations post amendment

- (a) Sale of products;
 - (b) Sale of services;
 - (c) **Grants or donations (applicable only in case of Section 8 Company)**
 - (d) Other operating revenues
 - (e) Excise Duty
- (Common Amendments applicable to Division I and Division II)

13. The following additional Notes have been inserted in Notes to Accounts regarding Profit & Loss Account:

- Details of any transaction 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 etc. not recorded in books of accounts unless there is immunity for such disclosures and also shall state whether previously unrecorded income and related assets have been properly recorded in the books of account during the year.

(Common Amendments applicable to Division I and Division II)

- Where the company covered under section 135 of the Companies Act, the following shall be disclosed with regard to CSR activities:-
 - i. amount required to be spent by the company during the year,
 - ii. amount of expenditure incurred,
 - iii. shortfall at the end of the year,
 - iv. total of previous years shortfall,
 - v. reason for shortfall,
 - vi. nature of CSR activities,
 - vii. 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,
 - viii. 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 shall be shown separately.

(Common Amendments applicable to Division I and Division II)

- Disclosures of amount invested or traded in Crypto or Virtual Currency during the year is required :
 - profit or loss on transactions involving Crypto currency or Virtual Currency
 - amount of currency held as at the reporting date
 - deposits or advances from any person for the purpose of trading or investing in Crypto Currency/ virtual currency.

(Common Amendments applicable to Division I and Division II)

14. Under Division II, in Part I Balance-sheet

Insertion of “Lease Liabilities” under “Financial Liabilities” in Non-Current Liabilities and in Current Liabilities.

Extract of Balance-sheet post amendment is as under:

Non-current liabilities

(a) Financial Liabilities

(i) Borrowings

(ii) Lease Liabilities....

Current liabilities

(a) Financial Liabilities

(i) Borrowings

(ii) Lease Liabilities....

15. Statement of Change in Equity has been substituted. There is an insertion of two more columns in Equity share Capital respect of “Changes in Equity Share Capital due to prior period errors” and “Restated balance at the beginning of the current reporting period”.

16. Trade Receivable Ageing Schedule under Current and Non-Current Assets:

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 Receivable- Considered Good						
(ii) Undisputed Trade Receivable- which have significant risk						
(iii) Undisputed Trade Receivable- credit Impaired						
(iv) Disputed Trade						

Receivable- Considered Good						
(v) Disputed Trade Receivable- Considered Doubtful						
(vi) Disputed Trade Receivable- credit Impaired						

#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.

Unbilled dues shall be disclosed separately”;

17. Under Loan Schedule “Security Deposits” is to be omitted and the new Schedule “other financial assets” is created which is an all-inclusive heading, which incorporates financial assets that do not fit into any other financial asset categories, such as, Security Deposits.”
18. Under Borrowing Schedule in Non-Current Liabilities, Long term maturities of finance lease obligations is to be omitted and the same is inserted under borrowing Schedule in Current Liabilities
19. All changes relevant to Division III are similar with the changes in Division II.

SCV's TAKE AWAY

This is a welcome step as the new amendments in Schedule III have been undertaken in response to the amendments made in the Companies (Auditors and Report Order), 2020 and the Companies (India Accounting Standards) Amendment Rules, 2020 and will be effective from financial year 2021-22.

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