



Key amendments
to Schedule III of
the Companies
Act, 2013

On 24 March, 2021, the Ministry of Corporate Affairs (MCA) revised or amended the requirements of Schedule III. The latest amendment is made with an objective of enhancing the existing disclosure requirements while preparing the financial statements of a Company. Though there are amendments in all three segments or divisions, this article focuses on key developments in Division II to Schedule III of the Companies Act, 2013.

The amendments in Division II have been further classified into three categories:

A) DISCLOSURES ON THE FACE OF BALANCE SHEET

There are three changes on the face of Balance sheet. These are:

a. Current maturities of long-term borrowings [Regrouping from Other Financial Liabilities to Borrowings] - Prior to amendments, 'Current maturities of long-term borrowings' were part of 'Other Financial Liabilities'. Pursuant to amendments, these are to be shown as part of 'Current Borrowings'.

b. Security Deposit [Regrouping from Loan to Other Financial Assets, both current and non-current] - Pursuant to amendments, 'Security deposits' are required to be disclosed under 'Other Financial Assets' as against 'Loans' prior to amendments.

c. Lease Liabilities [Regrouping from Other Financial Liabilities to Lease Liabilities, both current and non-current] - 'Lease Liabilities', which were a part of 'Other Financial Liabilities' prior to the amendments, will be shown separately on the face of the Balance sheet under 'Financial Liabilities' both under current and non-current liabilities.

B) DISCLOSURES IN ALIGNMENT WITH CARO REQUIREMENTS

Few amendments in Schedule III is made to align with the disclosures requirements of Companies (Auditor's Report) Order, 2020 (CARO 2020). This will facilitate the auditors in reporting CARO 2020, as they are also required to report similar matter in their Audit Report.

Disclosures in Notes in alignment with CARO	Relevant Clauses in CARO 2020
Details of immovable property (other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee) where title deeds are not held in the name of the Company in a specified format.	Reporting on Property, Plant & Equipment [Clause – 3(i)(c)]
In case if fair valuation of investment property is carried out, disclosure is required whether the fair value of investment property is based on the valuation by registered valuer as defined under rule 2 of Companies (Registered Valuers and Valuation) Rules, 2017.	Reporting on Property, Plant & Equipment [Clause – 3(i)(c)]
In case if revaluation of Property, plant and equipment & intangible assets is carried out, disclosure is required whether the revaluation is based on the valuation by registered valuer as defined under rule 2 of Companies (Registered Valuers and Valuation) Rules, 2017.	Reporting on Property, Plant & Equipment [Clause – 3(i)(c)]
Where revaluation of property, plant and equipment and intangible assets is carried out, separate disclosure is required in reconciliation of gross carrying amount and net carrying amount if the amount of revaluation exceeds 10% of net carrying amount of such class of asset.	Reporting on Property, Plant & Equipment [Clause – 3(i)(d)]
Loans and advances in nature of loans to promoters, directors, KMPs and related parties: Disclosure is required if loans and advances in nature of loans are repayable on demand or are given without specifying any term or period of repayment in a specified format.	Reporting on Loans given by Company, Loans to Director [Clause – 3(iii) and 3(iv)]

Disclosures in Notes in alignment with CARO	Relevant Clauses in CARO 2020
Where the company has not complied with the number of layers of investment prescribed under clause (87) of section 2 of the Act read with the Companies (Restriction on number of Layers) Rules, 2017, the name and CIN of the companies beyond the specified layers and the relationship or extent of holding of the company in such downstream companies shall be disclosed.	Reporting on Investments, loans and advances given [Clause – 3(iv)]
Any income which the Company has not been recorded but which arises during the course of Income Tax assessment or other tax assessments, shall be disclosed unless any scheme exempts this disclosure. Also, any previously unrecorded income or assets have been properly recorded in the books of accounts.	Reporting on Transactions not recorded [Clause – 3(viii)]
The amendment requires a disclosure if the Company has been declared as a “willful defaulter” by any bank, financial institution or other lender about date of declaration and details of defaults.	Reporting on Repayment of Loan [Clause – 3(ix)(b)]
Utilisation of borrowed funds: Where funds are given/received by a Company which are to be given as loan, investment, security or guarantee to a third company via an intermediary company to the ultimate beneficiary, the Company & the intermediary company shall make a disclosure of details of funds exchange, details of ultimate beneficiaries & compliance with FEMA & PMLA.	Reporting on Repayment of Loan [Clause – 3(ix)(c)]
If any proceedings has been initiated or pending against the Company under the Benami Transactions (Prohibition) Act, 1988, the Company shall disclose the details of property, amount, beneficiary details, whether it is recorded in the books of accounts or not, nature of proceedings and company's view on the same.	Reporting on Property, Plant & Equipment [Clause – 3(i)(e)]
If funds borrowed from banks and financial institutions are not used for the specified purpose for which they are raised, disclosure of where the funds have been used is required to be made.	Reporting on Repayment of Loan [Clause – 3(ix)(c)]
For CSR expenditure, in case of shortfall, details of shortfall for current year and cumulative shortfall amount are to be given along with reasons thereof.	Reporting on CSR [Clause – 3(xx)]

C) OTHER NEW DISCLOSURES

a. **Share Capital:** To provide details of promoters' shareholding as per the following format –

Sr. No.	Shares held by promoters at the end of the year			% Change during the year
	Promoter name	No. of shares**	% of total shares**	

Notes:

- Promoter here means promoter as defined in the Companies Act, 2013.
- 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.

b. Trade Payables:

To provide ageing schedule as per the following format (only overdue cases, including where no due date of payment is specified):

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

Notes: Unbilled dues to be disclosed separately.

c. Trade Receivables:

To provide ageing schedule as per the following format (only overdue cases, including where no date of payment is specified):

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 – 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 – considered impaired						

Notes: Unbilled dues to be disclosed separately.

d. Statement of current assets filed with banks and financial institutions for borrowing facilities:

The Company is required to disclose whether the statements of current assets filed with bank and financial institutions for borrowings are in agreement with books of accounts. If they are not in agreement with books of accounts, the reconciliation and description of material discrepancies are required to be given.

e. Capital work in progress (CWIP) and Intangible assets under development (IAUD):

To provide ageing disclosure for CWIP and IAUD as per following format:

CWIP / IAUD	Amount in CWIP for a period of				
	Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
Projects in progress					
Projects temporarily suspended					

For CWIP and IAUD, whose completion is overdue or has exceeded its cost compared to its original plan, following details shall be given:

CWIP / IAUD	To be completed in			
	Less than 1 year	1-2 years	2-3 years	More than 3 years
Project 1				
Project 2				

Note: Separate disclosure is required for projects which are suspended.

f. Accounting for Scheme of Arrangements

Where the 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 any deviation in this regard shall be explained.

g. Disclosure of Ratios: Following ratios will be required to be disclosed -

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

h. Relationship with Struck-off companies: If Company has any transaction with struck off companies under section 248 of the Companies Act, 2013 or section 560 of the Companies Act, 1956, it shall disclose the following details:

Name of the Struck off Company	Nature of transactions with struck-off Company	Balance outstanding	Relationship with the Struck off company
	Investments in securities		
	Receivables		
	Payables		
	Shares held by struck off company		
	Other outstanding balances (to be specified)		

i. Registration of charges or satisfaction with Registrar of Companies:

The Company shall disclose whether any charge or satisfaction of charge is pending to be registered with ROC beyond the statutory period, details, and reasons thereof.

j. Inclusion of prior period errors:

Format of statement of changes in equity changed, to include prior period errors column in equity share capital reconciliation.

k. Details of Crypto Currency or Virtual Currency:

For entities investing and trading in crypto and virtual currencies during the year, details of amount of gain/loss, amount of currency held at the reporting date, and deposits or advances taken for trading/investing in crypto currencies need to be given.

Source: MCA notification dated 24 March 2021