

Important 20 points before finalizing the financials for companies for the financial year ended 31.3.2022

Schedule III of the Companies Act 2013 contains the general instructions for preparation of Balance Sheet and Statement of Profit and Loss of a Company.

Following are the changes made in the financials/ notes to accounts on account of amendments in Schedule III brought about by MCA:

1. Now companies have to round off the figures appearing in the financial statements, hitherto it was optional. Further, the criteria for rounding off shall be based on “total income” in place of “turnover”.
2. Company shall disclose Shareholding of Promoters.
3. Current maturities of Long term borrowings shall be disclosed separately.
4. Trade Payables ageing schedule to be given.
5. Trade Receivables ageing schedule to be given.
6. Security deposits shall not be disclosed under ‘Long term loans and advances’ but disclosed under ‘Other non current assets’.
7. The company shall disclose the reason of utilization of funds for the purposes other than for which they were borrowed and shall also disclose the purposes for which the funds were utilised.
8. Company needs to disclose if the books of accounts are tallied with the quarterly or monthly returns filed with banker in cases where company has borrowed funds from banks on the basis securities of current assets, or else a separate reco statement needs to be provided.
9. The company shall provide the details of all the immovable property (other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee) whose title deeds are not held and where such immovable property is jointly held with others, details are required to be given to the extent of the company’s share.

10. In cases where revaluation has been done in case of Property Plant and Equipment, the company shall disclose if the valuation was done by registered valuer.

11. Disclosures to be made where Loans or Advances in the nature of loans are granted to promoters, directors, KMPs and related parties (loans given to promoters as a % of total loans)

12. For Capital-work-in progress, ageing schedule shall be given

13. For Intangible assets under development, aging schedule to be given.

14. Disclosure of any proceedings initiated or pending against the company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 to be made.

15. Where a company is a declared wilful defaulter by any bank or financial Institution or other lender, details to be given.

16. Disclosure of any transactions with companies struck off

17. Where any charges or satisfaction yet to be registered with Registrar of Companies beyond the statutory period, details and reasons thereof shall be disclosed.

18. Following Ratios to be disclosed:

(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

(xv) Disclosure of Utilisation of Borrowed funds and share premium to be given

Explanation is required if there's change of more than 25% as compare to preceding financial year.

19. Further disclosures shall be made where the company has received funds from any persons or entities including foreign entities to further lend or invest or provide any guarantee, security to third parties.

20. Where a scheme of arrangement has been approved, disclosure shall be made of the effect of the same on the books of accounts and any deviation from the accounting standards for the same.