

Schedule III for Private Limited Companies Small Companies Section 185

Private Limited Company



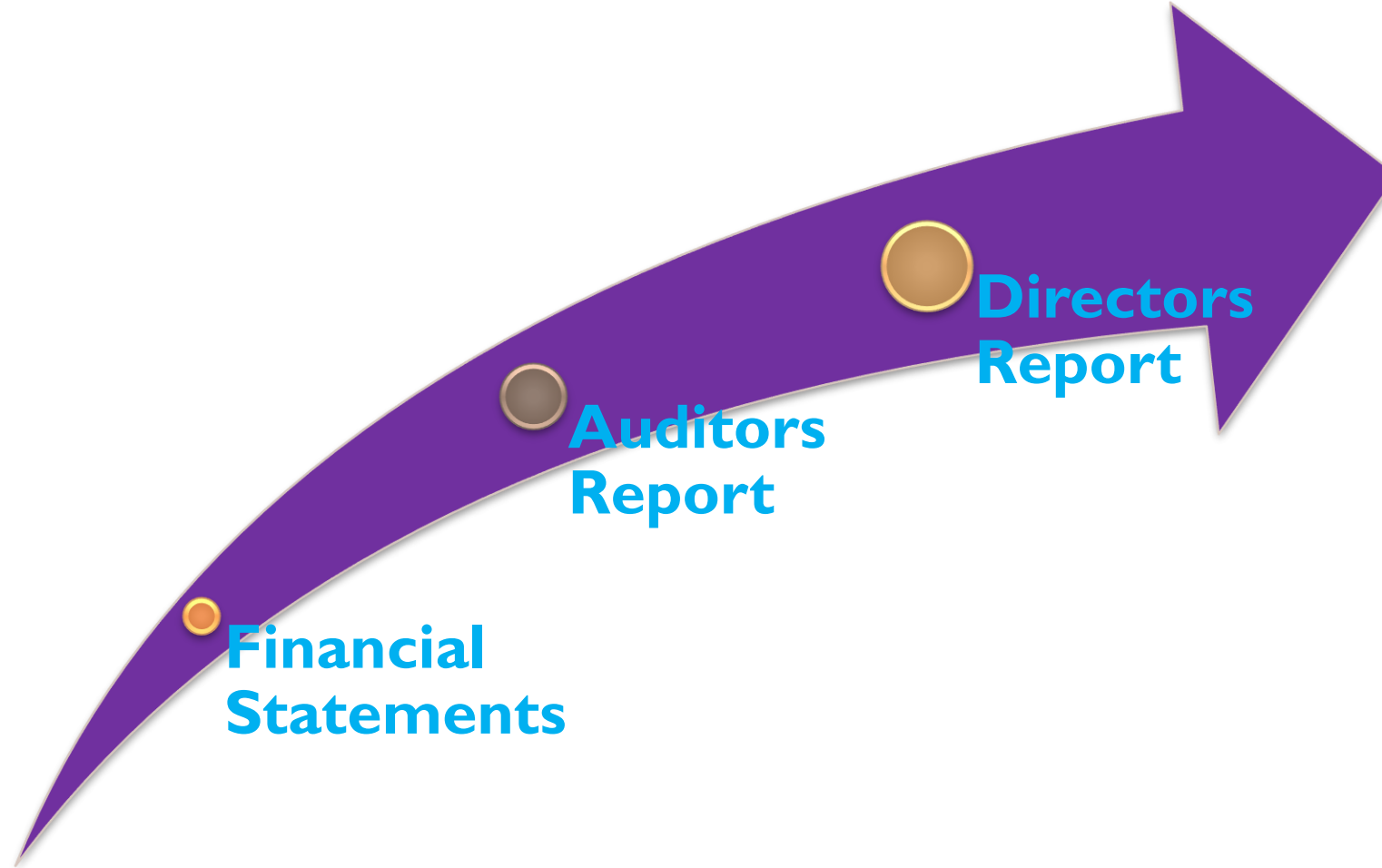
CA. PRAMOD JAIN

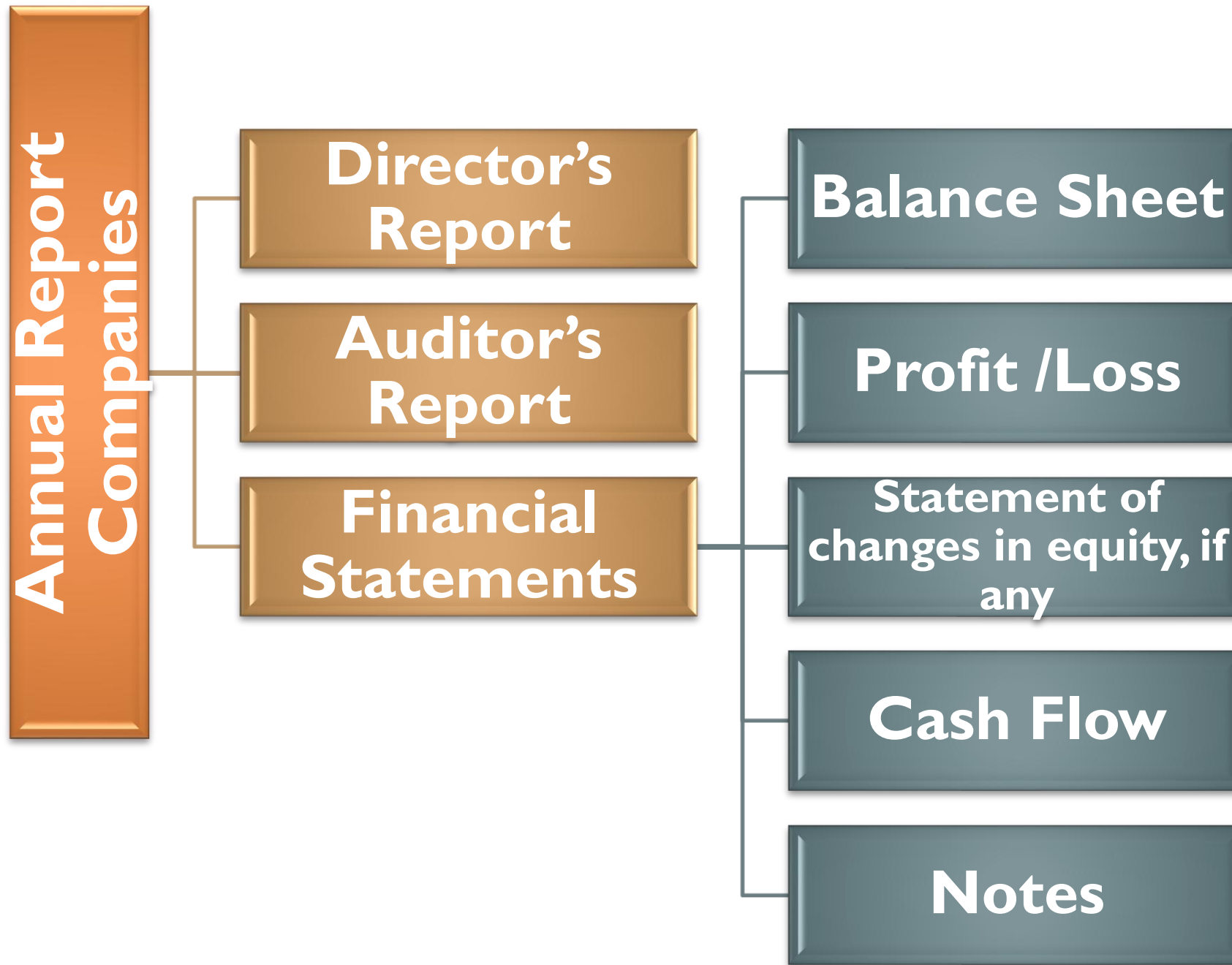
FCA, FCS, FCMA, LL.B, MIMA, DISA, IP

ICAI – Udaipur Branch (CIRC)

21st December 2025

The PROCESS





Financial statements

- **Financial Year – 31st March**
- **Cash Flow for all except:**
 - **OPC**
 - **SC**
 - **DC**
- **Start up Company w.e.f. 13th June 2017**
- **FS to be in Schedule III**

SMALL COMPANY

Period	Both limits to be complied by a Private Co. for being Small Company	
	Paid-up Capital Not exceeding	Turnover Not Exceeding
01.04.2014 to 31.03.2021	Rs. 50 Lacs	Rs. 2 Crores
01.04.2021 to 14.09.22	Rs. 2 Crores	Rs. 20 Crores
15.09.2022 to 30.11.2025	Rs. 4 Crores	Rs. 40 Crores
1.12.2025 Onwards	Rs. 10 Crores	Rs. 100 Crores

➤ **Also, these are not small companies:**

- + **Listed Company**
- + **Public Unlisted company**
- + **Section 8 Company**
- + **Holding Company**
- + **Subsidiary Company**
- + **Company or Body Corporate governed by any special Act.**

SMALL COMPANY - Benefits

- **No Cash Flow Statement**
- **No IFC**
- **No CARO**
- **No Rotation of company auditors**
- **Not to be counted for limit of No. of Audits – limit of 30 as per ICAI.**
- **No Ind AS**
- **No pre-certification by Professionals**
- **Abridged Board's Report**
- **Abridged Annual Return**
- **Relaxation for Remuneration details in Annual Return**
- **Fewer Board Meetings**
- **Fast Track Merger**
- **Lesser Penalties: - Section 446B**
- **Low Filing Fee**

SCHEDULE III

❖ Division I

❖ Companies (Accounting Standard) Rule 202 I

❖ Division II

❖ Ind AS

❖ Division III

❖ NBFC – Ind AS

AS

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

AS APPLICABILITY FOR COMPANIES

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

- **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

???

- **Are Financial Statements Audited during Tax audit of Prop. Partnership?**
- **Are Notes to accounts prepared for Non-Corporates?**
- **Are Accounting Standards applicable to Non-corporates?**
- **What if there is non-compliance?**
- **Where to Report such non-compliance?**

Accounting Standards



**Entities that
are to follow
AS**

Companies

**Other than
Companies**

**Companies
(Accounting
Standards)
Rules, 2021
(27 Standards)**

**Ind AS
(40 Standards)**

**AS issued by
ICAI
(27 Standards)**

AS Applicability for Non-Companies

- Effective for Accounting Periods **from 1.4.2024**. Instead of 4 levels.. Now 2 levels :
 - Large
 - Micro, Small and Medium Sized Entity (MSME)

LEVEL	TURNOVER (in immediately Preceding FY)			BORROWING (in immediately Preceding FY)	
	Existing	Revised		Existing	Revised
I Large	> 250 Cr	> 250 Cr		> 50 Cr	> 50 Cr
II MSME	50-250 Cr	≤ 250 Cr		10-50 Cr	≤ 50 Cr
III	10-50Cr	NA		2-10Cr	NA
IV	< 10 Cr	NA		< 2 Cr	NA

MSME Disclosure

Non-Corporate

- **“The Entity is a Micro Small and Medium Sized Entity (MSME) as per the announcement made by ICAI and has complied with the Accounting Standards insofar as they are applicable to an MSME.”**
- **Two year wait period if change from Large to MSME.**

AS Applicability

AS No.	Short Title	Companies		Non - Companies	
		Non-SMC	SMC	Large	MSME
1	Disclosure of Accounting Policies	Y	Y	Y	Y
2	Valuation of Inventories	Y	Y	Y	Y
3	Cash Flow Statements	Y	N/Y	Y	N
4	Events after Balance Sheet date	Y	Y	Y	Y
5	Prior Period Items & Changes in Policies	Y	Y	Y	Y
6	Depreciation (Omitted 30.3.16)	NA	NA	NA	NA
7	Construction Contracts	Y	Y	Y	Y
9	Revenue Recognition	Y	Y	Y	Y
10	Property, Plant & Equipment	Y	Y	Y	Partly
11	Changes in Foreign Exchange Rates	Y	Y	Y	Partly
12	Accounting for Government Grants	Y	Y	Y	Y
13	Accounting for Investments	Y	Y	Y	Y
14	Accounting for Amalgamations	Y	Y	Y	N
15	Employee Benefits	Y	Partly	Y	Partly

AS Applicability

CA. Pramod Jain

AS No.	Short Title	Companies		Non - Companies	
		Non-SMC	SMC	Large	MSME
16	Borrowing Cost	Y	Y	Y	Y
17	Segment Reporting	Y	N	Y	N
18	Related Party Disclosures*	Y	Y	Y	N*
19	Leases	Y	Partly	Y	Partly
20	Earning Per Share	Y	Partly	N	N
21	Consolidated Financial Statements	N/Y	N/Y	(listed)	N
22	Accounting for Taxes on Income	Y	Y	Y	Partly
23	Accounting for Associates in CFS	N/Y	N/Y	(listed)	N
24	Discontinuing Operations	Y	Y	Y	N
25	Interim Financial Reporting	Y (listed)	N**	N**	N
26	Intangible Assets	Y	Y	Y	Partly
27	Interest in Joint Ventures	N/Y	N/Y	(listed)	N
28	Impairment of Assets*	Y	Partly	Y	N*
29	Provisions, Contingent Liab. & Assets	Y	Partly	Y	Partly

AS Relaxations for MSME

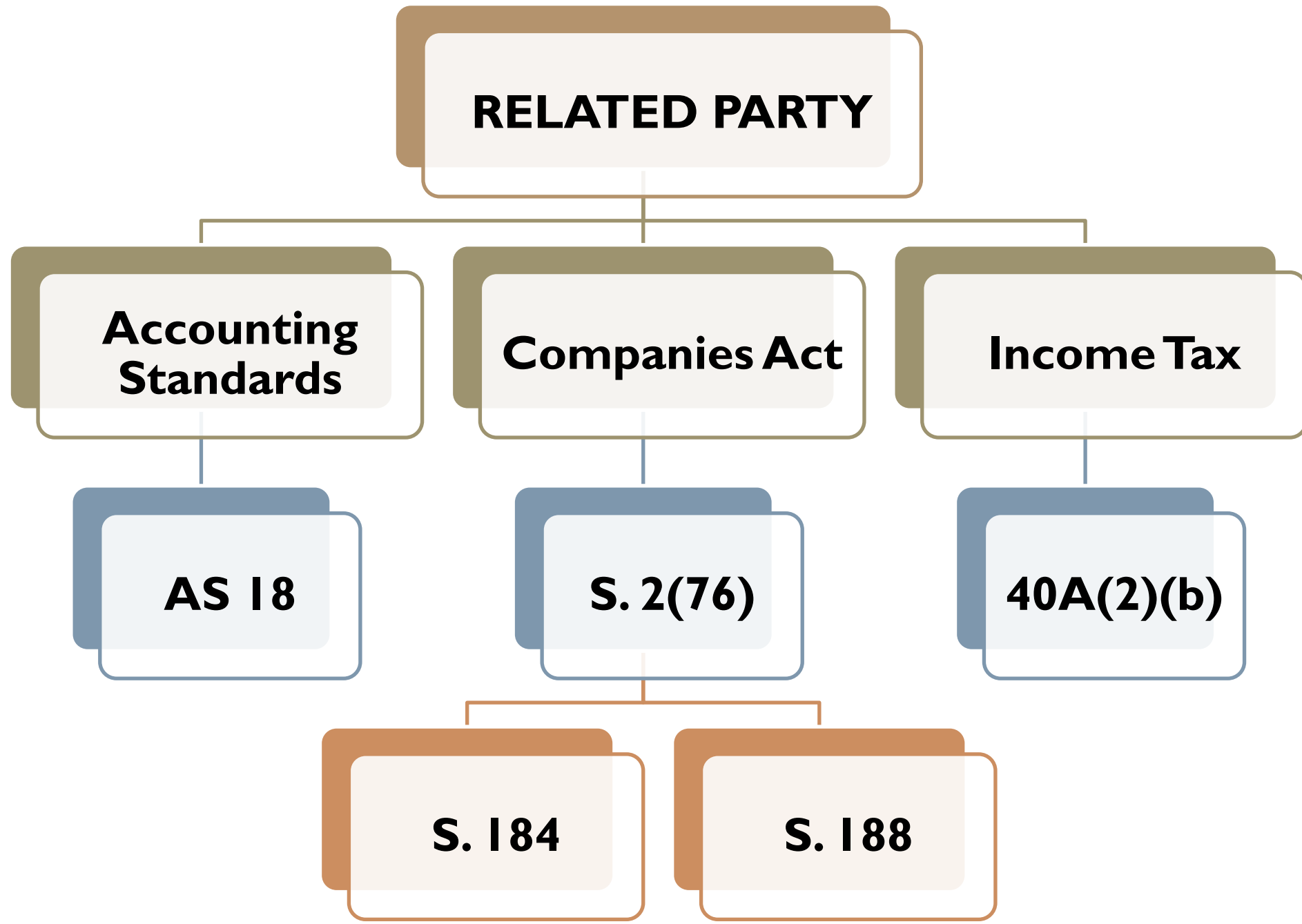
AS 10	<i>Property, Plant and Equipment</i>	May not comply with paragraph 87 relating to encouraged disclosures.
AS 11	<i>The Effects of Changes in Foreign Exchange Rates</i>	May not comply with paragraph 44 relating to encouraged disclosures.
AS 15	<i>Employee Benefits</i>	Paragraph 11 to 16, paragraphs 46 and 139, paragraphs 50 to 116, paragraphs 117 to 123, paragraphs 129 to 131. Discounting not required. Actuarial valuation not mandatory. Instead of following PUCM these entities can follow any other rational method to calculate and account for accrued liability - on assumption that such benefits are payable to all employees at the end of accounting year
AS 19	<i>Leases</i>	May not comply with paragraph 22 (c), (e) and (f); 25 (a), (b) and (e); 37 (a), (f) and (g); 38; and 46 (b), (d) and (e).

AS Relaxations for MSME

AS 22	<i>Accounting for Taxes on Income</i>	To comply with current tax related provisions only. Transitional - the accumulated deferred tax asset/liability appearing in FS of immediate previous accounting period, shall be adjusted against the opening revenue reserves / owner's funds
AS 26	<i>Intangible Assets</i>	May not comply with paragraphs 90(d)(iii), 90(d)(iv) and 98
AS 28	<i>Impairment of Assets</i>	Allowed to measure value in use on basis of reasonable estimate instead of PV technique and hence, may not comply with paragraph 121 (g). May not comply with paragraphs 121(c)(ii); 121(d)(i); 121(d)(ii) and 123.
AS 29	<i>Provisions, Contingent Liabilities and Contingent Assets</i>	May not comply with paragraphs 66 and 67

AS 18 & AS 28

- **AS 18 (Related Party)**
- **AS 28 (Impairment)**
- **Applicable if :**
 - **Turnover (excluding other income) exceeds Rs. 50 crore in the immediately preceding accounting year; or**
 - **Have borrowings in excess of Rs. 10 crore at any time during the immediately preceding accounting year**



Financial Statements Formats by ICAI

Non-Corporates

LLPs

NPOs

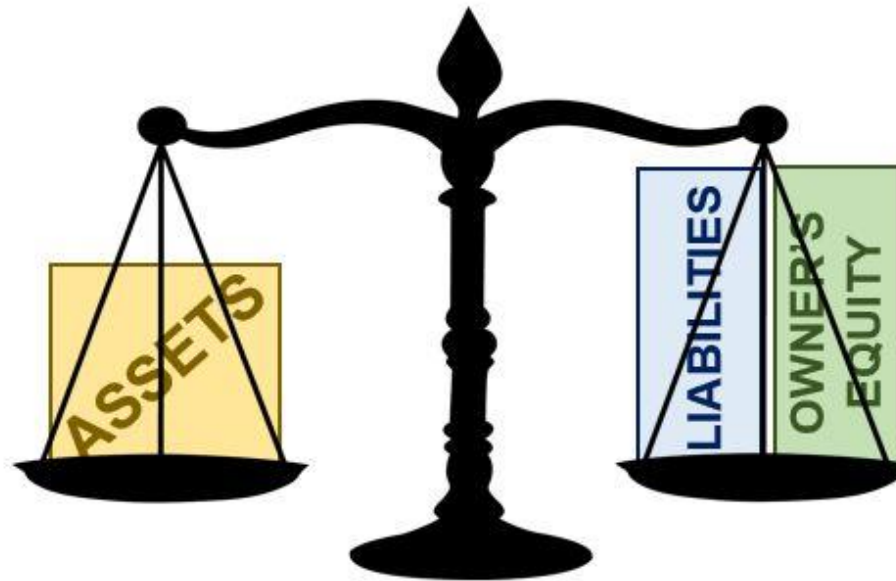
Formats of Financial Statements for Non-corporate Entities

Proprietorship

Partnership

LLP

Balance Sheet



It has to balance

Name of the Non-Corporate Entity

Balance Sheet as at

	Particulars	Note No	Figures as at the end of (Current reporting period) (in Rs.) _____ (DD/MM/YYYY)	Figures as at the end of (Previous reporting period) (in Rs.) _____ (DD/MM/YYYY)
	1	2	3	4
I.	OWNERS' FUND AND LIABILITIES			
	(1) Owners' Fund			
	(a) Owners Capital Account			
	(b) Reserves and surplus			
(2)	Non-current liabilities			
	(a) Long-term borrowings			
	(b) Deferred tax liabilities (Net)			

Balance Sheet Items

Owner's Fund

(Amount in Rs. XX)				
	Particulars	Note No	31 March 20XX	31 March 20XX
I 1. (a)	OWNERS' FUNDS AND LIABILITIES			
	Owners' Funds			
	Owners' Capital Account		-	-
	(i) Owners'/Partners' Capital Account ⁴	3a		
	(ii) Owners'/Partners' Current Account ⁴	3b		

Owner's Capital Account A/c

Note - 3 Owners' Capital Account

(Amount in Rs.)									
Sr. No.	Name of Partner/ Proprietor/ Owner	Share of profit/ (loss) (%)	As at 1st April 20XX (Opening Balance)	Capital Introduced/cont ributed during the year	Remuneration for the year	Interest for the year	Withdrawals during the year	Share of Profit / Loss for the year	As at 31st March 20XX (Closing Balance)
1									-
			-	-	-	-	-	-	-
Previous Year (PY)			-	-	-	-	-	-	-

- In case of a prop, it should be sufficient to give the movement as
 - Opening balance
 - Add: Contribution
 - Add/ less : Profit / loss
 - less Withdrawals (No harm if you need to segregate withdrawals like for tax/ insurances etc)

	Particulars	Note No	Figures as at the end of (Current reporting period) (in Rs.) _____ (DD/MM/YYYY)	Figures as at the end of (Previous reporting period) (in Rs.) _____ (DD/MM/YYYY)
	(c) Other Long Term Liabilities			
	Long-term provisions			
(3)	Current liabilities			
	(a) Short-term borrowings			
	(b) Trade payables			
	(c) Other current liabilities			
	(d) Short-term provisions			
	TOTAL			
II.	ASSETS			
(1)	Non-Current Assets			
	(a) Property, Plant and Equipment & Intangible assets			
	(i) Property, Plant and Equipment			
	(ii) Intangible assets			

Current Liabilities

			(Amount in Rs.)	
			31 March 20XX	31 March 20XX
3	Current liabilities			
(a)	Short-term borrowings	5	-	-
(b)	Trade payables			
(i)	Total outstanding dues of micro, small and medium enterprises	9	-	-
(ii)	Total outstanding dues of creditors other than micro, small and medium enterprises	9	-	-
(c)	Other current liabilities	10	-	-
(d)	Short-term provisions	8	-	-
			-	-
	Total		-	-

Other Current Liabilities

		(Amount in Rs.)	
		31 March 20XX	31 March 20XX
10	Other current liabilities		
(a)	Current maturities of finance lease obligations (Refer note XX)	-	-
(b)	Interest accrued but not due on borrowings	-	-
(c)	Interest accrued and due on borrowings	-	-
(d)	Income received in advance	-	-
(e)	Unearned revenue	-	-
(f)	Goods and Service tax payable	-	-
(g)	TDS payable	-	-
(h)	Other payables (specify nature)	-	-
	Total Other current liabilities	-	-

	Particulars	Note No	Figures as at the end of (Current reporting period) (in Rs.) _____ (DD/MM/YYYY)	Figures as at the end of (Previous reporting period) (in Rs.) _____ (DD/MM/YYYY)
	(iii) Capital work-in-progress			
	(iv) Intangible assets under development			
	(b) Non-current investment			
	(c) Deferred tax assets (net)			
	(d) Long-term loans and advances			
	(e) Other non-current assets			
(2)	Current assets			
	(a) Current investments			
	(b) Inventories			
	(c) Trade receivables			
	(d) Cash and bank balances			
	(e) Short-term loans and advances			
	(f) Other current assets			
	TOTAL			

STATEMENT OF PROFIT AND LOSS



Name of the Non-Corporate Entity.....
Statement of Profit and loss for the year ended
(Rupees in.....)

	Particulars	Note	Figures for the current reporting period From ____ To _____	Figures for the previous reporting period From____ To_____
	1	2	3	4
I.	Revenue from operations		xxx	Xxx
II.	Other income		xxx	Xxx
III.	Total Income (I + II)		xxx	Xxx
IV.	Expenses			
(a)	Cost of Material Consumed		xxx	xxx
(b)	Purchases of Stock-in trade		xxx	xxx
(c)	Changes in Inventories of Finished goods, WIP & Stock in trade		xxx	xxx
(d)	Employee benefits expense		xxx	Xxx
(e)	Depreciation and amortization expense		xxx	Xxx
(f)	Finance Cost		xxx	Xxx
(g)	Other expenses		xxx	xxx

	Particulars	Note	Figures for the current reporting period (in Rs.) From ____ To ____	Figures for the previous reporting period (in rs.) From ____ To ____
	Total expenses		xxx	xxx
V	Profit before exceptional and extraordinary items, partner's remuneration & tax (III-IV)		xxx	xxx
VI	Exceptional items		xxx	xxx
VII	Profit before extraordinary items, partner's remuneration and tax (V - VI)		xxx	xxx
VIII	Extraordinary Items		xxx	xxx
IX	Profit before partner's remuneration & tax (VII- VIII)		xxx	xxx
X	Partner's Remuneration			
XI	Profit before Tax (IX-X)			
XII	Tax expense:			
(i)	Current tax		xxx	xxx
(ii)	Excess / Short provision of tax related to earlier years			
(iii)	Deferred tax		xxx	xxx
XIII	Profit (Loss) for the period from continuing operations (XI-XII)		xxx	xxx
XIV	Profit/(loss) from discontinuing operations		xxx	xxx
XV	Tax expense of discontinuing operations		xxx	xxx
XVI	Profit/(loss) from Discontinuing operations (after tax) (XII-XIII)		xxx	xxx
XVII	Profit/ (Loss) (XI + XIV)		xxx	xxx

Previous Year Figures

- Framework for preparation and presentation of financial statements
- SA 710 – Comparative Information – Corresponding Figures and Comparative Financial Statements
- To state in Other matter:
 - Para 17 - If the financial statements of the prior period were audited by a predecessor auditor.
 - Para 19 - If the prior period financial statements were not audited.

Matters for FS of Non-Corporates

- **Rounding off not mandatory**
- **Offset of income / Expenses or Assets / liability**
NOT allowed
- **Disclose Contingent liabilities**
- **Disclose PPE instead of Fixed assets or Tangible assets**
- **Can Penalties / other than business Incomes be credited to capital A/c?**
- **Are list of Trade Receivables / Payables / Unsecured Loans mandatory?**

Derecognition / Cessation of Liability

- **Settlement of a present obligation may occur by:**
 - **payment of cash;**
 - **transfer of other assets;**
 - **provision of services;**
 - **replacement of that obligation with another obligation; or**
 - **conversion of the obligation to equity.**
- **Creditor waiving or forfeiting its rights.**

BASICS – Current vs. Non-Current

- **Current Asset - satisfies any of following criteria;**
 - **In the company's normal operating cycle it is;**
 - **Intended for sale; or**
 - **Intended to be consumed; or**
 - **Expected to be realized.**
 - **Held primarily for the purpose of being traded; or**
 - **Expected to be realized within 12 months after reporting date; or**
 - **Cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after reporting date.**

BASICS - Current Liability

- **Current liability if it satisfies any of the following criteria; if it is :**
 - **Expected to be settled in the company's normal operating cycle; or**
 - **Held primarily for the purpose of being traded; or**
 - **Due to be settled within 12 months after reporting date; or**
 - **The company does not have an unconditional right to defer settlement of liability for at least 12 months after reporting date. Terms of a liability that could, at option of counterparty, result in its settlement by issue of equity do not affect its classification.**

General

- **Balance Sheet Title – ‘as at’ or ‘as on’ 31st March**
- **PL Title - Statement of Profit & Loss / I & E**
- **Rounding off based on total income (earlier turnover) – Companies - Mandatory.**
 - **< Rs. 100 Crores - nearest hundreds, thousands, lakhs or millions or decimal thereof**
 - **Rs. 100 Crores or more - To the nearest lakhs or millions or crores or decimal thereof**

General

- **Comparative figures required to be disclosed for the last reporting period**
- **Linking of notes with B/S & PL**
- **B/s & PL on letterhead of Auditors ??**
- **Date of signing**
- **Payment to shareholders for 2(22)(e)**
- ❖ **Promoters' shareholding & changes during the year**

Companies - Share Capital & Reserves

- **Authorized / Paid up Capital – Check with Master Data**
- **Reconciliation of no of shares outstanding at beginning and at end of reporting period.**
- **Rights, preference & restrictions attaching to each class of shares etc.**
- **Is conversion of loans into shares in event of default in repayment – Non-cash?**
- **Share Premium A/c??**

Borrowings

- **Long Term vs. Short Term**
 - **Directors??**
 - **CC Limits?? Demand Loans??**
- **Secured /unsecured – nature of security to be stated & guaranteed by directors to be shown separately.**
- **Term of repayment of term loans to be given**
 - **Period of maturity with respect to B/S date**
 - **Number of installments due; Amt of installments due**
 - **Applicable rate of interest**
- **Period & amount of default in payment of principal & interest as on B/S date**

PPE

- **PPE on the face of the Balance Sheet has to be classified as follows:**
 - **Tangible Assets**
 - **Intangible Assets**
 - **Software**
 - **Capital work-in-progress**
 - **Intangible assets under development**
- **Capital advances to be grouped as Capital Work-in-Progress or loans and advances?**
Long term or short term?

Inventories

- **Classification into:**
 - **Raw Materials**
 - **Work-in-progress**
 - **Finished goods**
 - **Stock-in-trade (trading goods)**
 - **Stores and spares**
 - **Loose tools**
 - **Others (specifying nature)**
- **Finished goods should include all goods except acquired for trading purposes**
- **Goods-in-transit -disclose under relevant sub-head**

Revenue from operations

- **For companies other than finance company:**
 - **Sale of Products**
 - **Sale of Services**
 - **Other Operating Revenues**
- **For Finance company:**
 - **Interest**
 - **Other Financial services**
- **Recognition of Revenue as per AS 9 / 7 for Service Contracts / Construction Contracts**

Other income

- **To be classified as:**
 - **Interest income (other than for finance company)**
 - **Dividend**
 - **Dividend from subsidiary company**
 - **Net gain / loss on sale of investments**
 - **Other non-operating income**
- **Interest, dividend, etc. to be disclosed separately for Current as well as Non Current Investments**

Expenses

Disclosure on face of the PL:

- **Cost of material consumed**
- **Purchase of stock-in-trade**
- **Changes in inventories of finished goods Work-in-progress and stock in trade**
- **Employee benefit expenses**
- **Finance cost**
- **Depreciation and amortization expenses**
- **Other expenses.**

Finance Cost

- **Interest expense**
 - Interest on borrowings, debentures, bonds, etc.
 - Finance charges on finance lease are in nature of interest
- **Other borrowing costs**
 - Commitment charges
 - Loan processing charges
 - Guarantee charges
 - Loan facilitation charges
 - Discounts/ premium on borrowings
 - Other ancillary costs
- **Applicable net loss on foreign currency transactions to the extent they are regarded as adjust to interest cost**
- **Interest on Tax???**

Other expenses

- **All other expenses will be grouped here. Following to be disclosed separately:**
 - ✓ **Consumption of stores and spares**
 - ✓ **Power and fuel**
 - ✓ **Rent**
 - ✓ **Repairs to buildings**
 - ✓ **Repairs to machinery**
 - ✓ **Insurance**
 - ✓ **Rates and taxes, excluding taxes on income**
 - ✓ **Miscellaneous expenses**
- **Any expenditure which exceeds 1% of revenue from operations or Rs.1 L whichever is higher - separate**

Notes to the Accounts



NOTES TO THE ACCOUNTS

- **Notes to the accounts classified into**
 - **Significant Accounting Policies; and**
 - **Explanatory information on P&L a/c and Balance Sheet; and**
 - **Regulatory information**
- **Accounting, reporting and disclosure norms as per Accounting Standards**

Companies - Important Notes

- **Contingent Liabilities / Commitments (to the extent not provided for)**
- **Broad Heads – Raw Material, Income, Purchases**
- **Value of imports made during the year on CIF basis:-**
 - **Raw Materials**
 - **Components (intermediaries & components) & Spare Parts (for capital equipment)**
 - **Capital Goods**

Companies - Important notes

- **Expenditure in foreign currency (accrual basis) on:**
 - **Royalty**
 - **Know-how**
 - **Professional & consultation fee**
 - **Interest**
 - **Others**
- **Dividend if paid in FC (cash Basis):**
 - **Total amount remitted during the year in FC**
 - **Total no. of non-resident shareholders**
 - **No. of shares held by them on which dividend due**
 - **Year to which dividend relates**

Companies - Important notes

- **Foreign Exchange Earnings (Accrual basis):**
 - **Export of goods (calculated on F.O.B. basis)**
 - **Royalty, know how, professional and consultation fees**
 - **Interest and dividends**
 - **Other income (indicating the nature thereof)**

Companies - Other Disclosures in Notes

- **To disclose in FS full particulars of:**
 - **Loan given;**
 - **Investment made;**
 - **Guarantee given; or**
 - **Security Provided.**
 - **Purpose for which loan or guarantee or security is proposed to be utilised by recipient of loan or guarantee or security [186(4)]**
- **Contribution during year to National Defence Fund**

Companies - Other Disclosures in Notes

- **Public Companies:**
 - **Money received from director**
- **Private companies**
 - **Money received from director**
 - **Money received from relative of director**

COMPANIES - NOTES

❖ Ageing:

- ❖ Trade Payables – MSME / Disputed / Unbilled dues
- ❖ Trade Receivable – Disputed / Doubtful / Unbilled Dues
- ❖ CWIP / Intangible Asset under Development – In Progress / temporarily suspended - overdue or has exceeded its cost compared to its original plan CWIP separately (ageing of to be completed)
- ❖ 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

COMPANIES - NOTES

- ❖ 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. – I(c)**
- ❖ PPE
- ❖ Investment Property
- ❖ PPE held for sale
- ❖ Stock in trade not covered

COMPANIES - NOTES

- ❖ Where Company has borrowings from banks or FIs against current assets- **CARO – Cl. 2(b) – 5 Cr sanctioned WC**
- ❖ Quarterly returns filed are in agreement with books of accounts
- ❖ If not, summary of reconciliation & reasons of material discrepancies –
 - ❖ Sanctioned but not utilized.. Still to be given
 - ❖ To be given ..even if security of Current asset is of other entity

COMPANIES - NOTES

- ❖ **Loans or Advances in nature of loans granted to promoters, directors, KMPs & related parties (Companies Act) either severally or jointly– CARO – Cl. – 3(f):**
 - ❖ Repayable on demand or
 - ❖ Without specifying any terms / period of repayment...
 - ❖ Along with % to total advances – AS 18, S. 186(4)
 - ❖ Consider relationship on date of loan – show in aggregate
 - ❖ Outstanding amount on date of B/s

COMPANIES - NOTES

- ❖ Details where a company is a declared wilful defaulter by any bank / FI / other – **CARO – Cl.- 9(b)**
- ❖ 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**
 - ❖ To disclose when such borrowings are outstanding at B/s date
 - ❖ One to one relationship not to be established

COMPANIES - NOTES

- ❖ **Details of utilisation of Borrowed funds & share premium – CARO – Cl. 9(e) + Rule 11(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....**

COMPANIES - NOTES

❖ Ratios along with line items included in numerator & denominator - explanation variation > 25% - CARO (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.

COMPANIES - NOTES

- ❖ **Relationship with struck-off Company – Investment, Drs, Crs, Shareholders, Others**
 - ❖ If restored before approval of FS – not to be given
- ❖ **Any charges or satisfaction yet to be registered with Registrar of Companies beyond the statutory period, details and reasons thereof.**
- ❖ **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**

COMPANIES - NOTES

- ❖ **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**

COMPANIES - NOTES

❖ **Corporate Social Responsibility (CSR)**

- 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.**



Auditor's Duty – Loans – CARO 2020

4 - In respect of loans, investments, guarantees, and security whether provisions of **section 185 and 186 of the Companies Act, 2013 have been complied with? If not, provide the details thereof.**

Loan to Director (185)

- **Co. not allowed directly or indirectly to advance any loan or any loan represented by book debt or give guarantee or provide security in connection with loan taken by:**
 - **Director of lending Co or his/her partner or relative**
 - **Director of its holding Co or its partner or relative**
 - **Firm in which such director or relative is partner**

Loan to Director (185)

- **Co. allowed to advance any loan or any loan represented by book debt or give guarantee or provide security in connection with loan taken by:**
 - **Pvt. Co. in which such director is Director or member**
 - **Co in which all directors hold >25% voting power**
 - **Co. or BOD or MD or Manager acts in direction or instruction of such director or BOD of lending co.**
- **If SR is passed and the loans are utilised by the borrowing company for its principal business activities**

Loan to Director – Exceptions

- **MD or WTD if condition of service - all employees**
- **Any scheme approved by members by spl resolution**
- **Co in business of providing loans - Intt rate - 1,3, 5 or 10 year govt. securities prevailing yield**
- **Loan, Guarantee, etc by holding co. to its WOSC**
- **Guarantee given or security provided by a holding in respect of loan made by bank or FI to its subsidiary**
- **However, it should utilised by Subs. Co. for principle business activities**

Exceptions – Pvt. Co.

- **S. 185 shall not apply to a private company:-**
 - **In whose share capital no body corporate has invested any money;**
 - **If the borrowings of such a company from banks or financial institutions or any body corporate is less than twice of its paid up share capital or Rs. 50 Crs, whichever is lower; and**
 - **Such a company has no default in repayment of such borrowings subsisting at the time of making transactions under this section.**
- **Exceptions are applicable if it has not committed a default in filing its financial statements AOC -4 u/s 137 or Annual Return MGT -7 u/s 92 - 19.9.2017**

Loan to Director – Penalty

- **On Giver i.e., Company:**
 - **Minimum Rs. 5 Lacs**
 - **Maximum Rs. 25 Lacs**
- **On Officer-in-default of the company:**
 - **Imprisonment upto 6 months**
 - **Penalty - Minimum Rs. 5 Lacs**
 - **Penalty - Maximum Rs. 25 Lacs**
- **On Taker i.e., Director:**
 - **Imprisonment upto 6 months**
 - **Penalty - Minimum Rs. 5 Lacs**
 - **Penalty - Maximum Rs. 25 Lacs**

AUDIT



True and Fair View



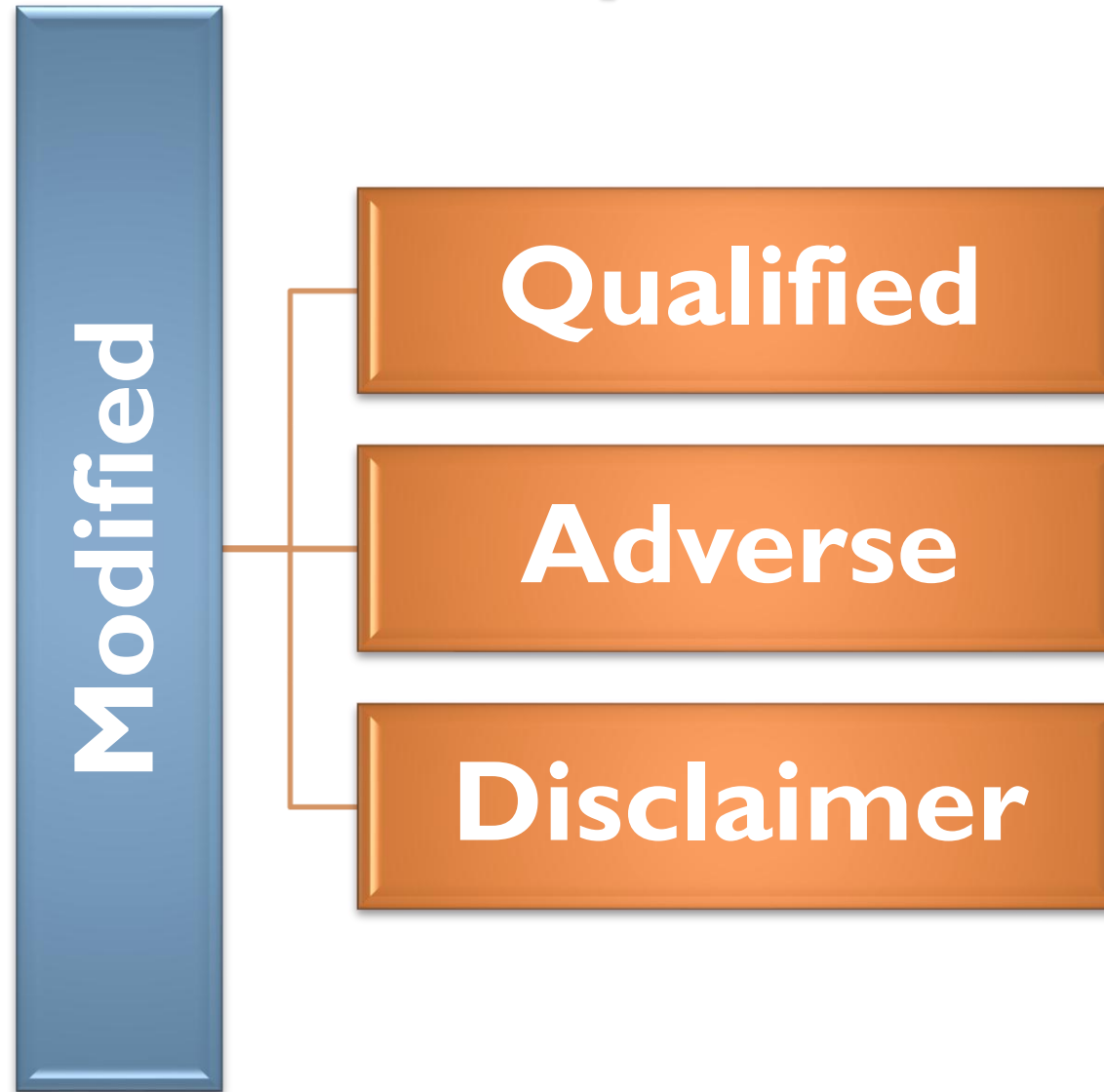
Types of Audit Reports



Unmodified

Modified

Modified Audit Reports



Modified Audit Reports

	Auditor's judgment about Pervasiveness of the matter	
Nature of Matter	Material but NOT Pervasive	Material AND Pervasive
Financial statements are Materially misstated	Qualified Opinion (...except for...)	Adverse Opinion (...do not present true & fair...)
Unable to obtain Sufficient Appropriate Audit Evidence	Qualified Opinion (...except for...)	Disclaimer of Opinion (...we do not express an opinion...)

Audit Report - Companies

- **Inquiry u/s 143(1) – 6 points – only to be reported when comments required**
- **Report to include:**
 - **Matters specified u/s 143(3) - 9 points**
 - **Matters specified in Rules - 7 points**
 - **Any order made u/s 143(3) for specified Companies in consultation with NFRA – CARO 2020 – 21 points**
 - **IFCoFR**

IFCoFR Applicability

- **Not applicable to Private company which:**
 - **Is OPC; or**
 - **Is Small Company; or**
 - **Has:**
 - **Turnover less than Rs. 50 crores as per latest audited financial statement ;and**
 - **Aggregate borrowings at any point of time during the FY less than Rs. 25 crore from:**
 - **Banks or**
 - **Financial Institutions or**
 - **Any body corporate**

CARO APPLICABILITY

- **Applicable to all including Foreign Co. for a/cing period after 1.4.21 except:**
 - **Banking Co. / Insurance Co.**
 - **Section 8 Co.**
 - **OPC**
 - **Small Co.**
 - **Not applicable to CFS except clause 21**
 - **Branch auditor also covered, if applicable to co.**

CARO APPLICABILITY

- **Pvt. Co not being sub. or holding of Pub. Co. whose:**
 - **Paid up Capital & Reserves < I Cr as at B/s date; and**
 - **Bonus, Pref. shares to be included**
 - **Share Application money !!**
 - **All reserves to be included including revaluation reserve**

CARO APPLICABILITY

- **Pvt. Co not being sub./holding of Pub. Co.:**
 - **Outstanding Loans - Bank or FIs < 1 Cr during FY;**
and
 - **All borrowings included – ST and LT**
 - **Non fund based – to extent devolved, invoked guarantees & devolved LCs**
 - **TL – interest accrued & due only to be considered**
 - **CC – Max. balance on any day as per books**
 - **OD against FD included**
 - **Outstanding due of Credit card included**
 - **Foreign banks covered - FIs include NBFC**

CARO APPLICABILITY

- **Pvt. Co not being sub. or holding of Pub. Co. whose:**
 - **Total Revenue (including from discontinuing operations) < 10 crores as per Financial Statements as per Schedule III**
 - **Other income included**

APPLICABILITY???

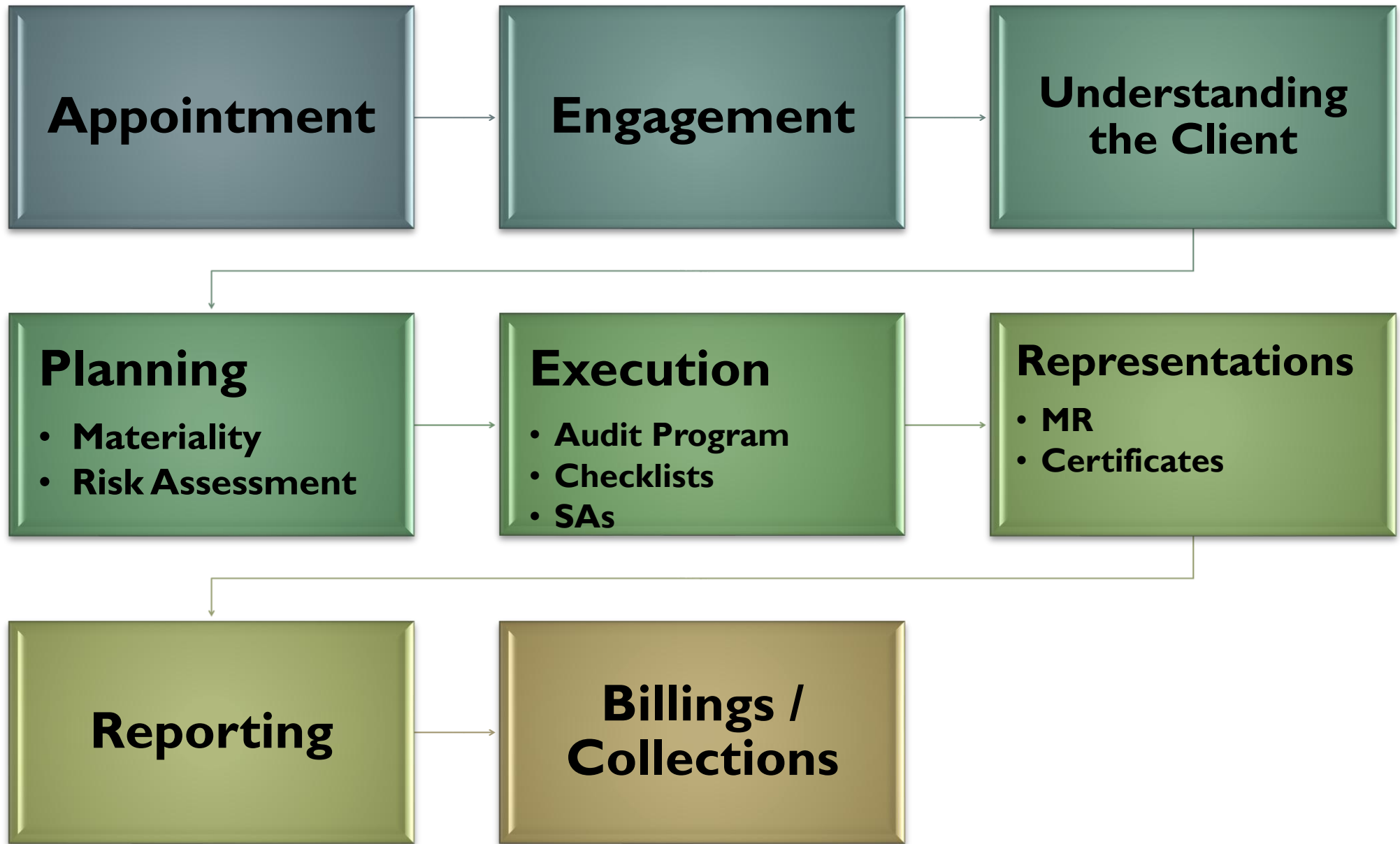
- **A Pvt. Ltd. Co whose details are as under:**

- **Paid up Capital – Rs. 75 Lacs**
- **Reserves & Surplus – Rs 800 Lacs**
- **Turnover Rs. 580 Lacs**
- **Other Income Rs. 900 Lacs**

- **Is CARO Applicable??**

- **No**

Audit Procedure



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