

CARO, 2020

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Changes in Schedule III to the Companies Act, 2013

- Ministry of Corporate Affairs (MCA) vide order dated 25.02.2020 introduced The Companies (Auditors' Report) Order, 2020 (CARO - 2020).
- MCA vide its further order dated 17.12.2020 made the same (CARO – 2020) applicable for the financial years commencing on or after the 1st April, 2021 and accordingly, CARO - 2020 has become applicable from FY 2021-22 and onwards.
- CARO-2020 is applicable to all the companies, except the following :
 - One person company;
 - Insurance companies;
 - Banking companies;
 - Small Companies, i.e., companies with a paid-up capital of less than or equal to Rs 4 Crore and a latest reported turnover of less than or equal to Rs 40 crore.
 - Companies that are registered as charitable organisations.
- The following private companies are also exempted from the requirements of CARO-2020 :
 - Whose gross receipts or revenue (including revenue from discontinued operations) in the financial year is less than or equivalent to Rs 10 crore;
 - Whose paid-up share capital plus reserves as of the balance sheet date is less than or equal to Rs 1 crore (i.e., usually at the end of the FY);
 - Not a public company's holding or subsidiary; and
 - At any point during the fiscal year, whose borrowings are less than or equivalent to Rs 1 crore.

- CARO-2020 may be applicable to consolidated financial statements in the situation where any adverse remarks or qualifications are highlighted by the auditors in their respective standalone companies' CARO reports, then the details of such remarks should be mentioned by the auditors of the companies in their CARO-2020 reports of consolidated financial statements.

- The auditor's report (CARO - 2020) shall include a statement (*with the basis for qualification or no opinion, if any*) on the following matters, namely:
 1. Details of tangible and intangible assets.
 2. Details of inventory and working capital.
 3. Details of investments, any guarantee or security or advances or loans given.
 4. Compliance in respect of a loan to directors.
 5. Compliance in respect of deposits accepted.
 6. Maintenance of costing records.
 7. Deposit of statutory liabilities.
 8. Unrecorded income.
 9. Default in repayment of borrowings.
 10. Funds raised and utilisation.
 11. Fraud and whistle-blower complaints.
 12. Compliance by a Nidhi.
 13. Compliance on transactions with related parties.
 14. Internal audit system.
 15. Non-cash dealings with directors.
 16. Registration under section 45-IA of RBI Act, 1934.
 17. Cash losses.
 18. Resignation of statutory auditors.
 19. Material uncertainty on meeting liabilities.
 20. Transfer to fund specified under Schedule VII of Companies Act, 2013.
 21. Qualifications or adverse auditor remarks in other group companies.

Changes in Schedule III to the Companies Act, 2013 to be incorporated in the financial statements of the Company from FY 2021-2022 and onwards :

1) Disclosure of Shareholding of Promoters:

Every company is required to make a separate disclosure of shareholding of its promoters as below:

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

2) Trade Payables ageing schedule

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					

3) Trade Payables ageing schedule

Particulars	Outstanding for following periods from due date of payment					
	Less than 6 months	6 months to 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						
(i) Disputed Trade Receivables – considered good						
(iv) Disputed Trade Receivables – considered doubtful						

4) Title deeds of Immovable Property not held in the name of the Company

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 in the name of the company in format given below and where such immovable property is jointly held with others, details are required to be given to the extent of the company's share.

Relevant line item	Description of item	Gross carrying value	Title deeds held in	Whether title deed holder is a promoter, director or relative# of	Property held since which date	Reason for not being held in the name of the company**

in the Bala nce Sheet	of prope rty		the name of	promoter* / director or employee of promoter / director		
PPE	Land					
Inves tment	Land					

5) Loans or Advances - additional disclosures

where Loans or Advances in the nature of 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		

6) 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 (Prohibitions) Act, 1988 (45 of 1988) and the Rules made thereunder

If Yes , the following Details

- (a) Details of such property, including year of acquisition;
- (b) Amount thereof;
- (c) Details of Beneficiaries;

- (d) If property is in the books, then reference to the item in the Balance Sheet;
- (e) If property is not in the books, then the fact shall be stated with reasons;
- (f) Where there are proceedings against the company under this law as an a better of the transaction or as the transferor then the details shall be provided;
- (g) Nature of proceedings, status of same and company's view on the same.

7) Security of current assets against borrowings

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.

<i>Qtr</i>	<i>Name of bank</i>	<i>Particulars of Securities Provided</i>	<i>Amount as per books of account</i>	<i>Amount as reported in the quarterly return/ statement</i>	<i>Amount of difference</i>	<i>Reason for material discrepancies</i>
June	Bank	Finished Goods				
Sep						
Dec						
Mar						

8) 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 the Companies Act, 1956, the company 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, if any, to be disclosed
	Investment in securities		
	Receivables		
	Payables		
	Shares held by struck off company		
	Other outstanding balances (to be specified)		

9) Wilful Defaulter

Where a company is 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)

A '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 Reserve Bank of India.

10) Registration of charges or satisfaction with Registrar of Companies

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

11) Compliance with number of layers of companies

Where the company has not complied with the number of layers 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.

12) Analytical Ratios

The company shall explain the financial statement line items included in numerator and denominator for computing the following ratios:

Further explanation shall be provided for any change in the ratio by more than 25% as compared to the ratio of preceding year.

Ratio	Numera tor	Denom inator	Current Period 31/03/2 2	Previous Period 31/03/21	% Varia nce	Reason for variance
Current Ratio						
Debt-equity ratio						
Debt 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						

13) 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.

14) Utilisation of Borrowed funds and share premium

(A) Where a company has advanced or loaned or invested funds (either borrowed funds or share premium or any other source or kind of funds) 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:

- (i) 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
- (ii) provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries,

the company shall disclose the following:

(I) date and amount of fund advanced or loaned or invested in Intermediaries with complete details of each Intermediary.

(II) 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.

(III) date and amount of guarantee, security or the like provided to or on behalf of the Ultimate Beneficiaries.

(IV) declaration that relevant provisions of the Foreign Exchange Management Act, 1999 (42 of 1999) and the 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).

(B) Where a company has received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the company shall:

- (i) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or
- (ii) provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries,

the company shall disclose the following:

(I) date and amount of fund received from Funding parties with complete details of each Funding party.

(II) date and amount of fund further advanced or loaned or invested in other intermediaries or Ultimate Beneficiaries along with complete details of the other intermediaries' or ultimate beneficiaries.

(III) date and amount of guarantee, security or the like provided to or on behalf of the Ultimate Beneficiaries.

(IV) 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).

15) Disclosure pertaining to ‘undisclosed income’.

It requires that 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

16) Disclosure pertaining to ‘details of crypto currency or virtual currency’.

The company shall give details of 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.

17) Disclosure pertaining to ‘corporate social responsibility activities

The additional disclosures with regard to CSR activities are summarized below:-

- (i) The amount of shortfall at the end of the year out of the amount required to be spent by the Company during the year;

- (ii) The total of previous years' shortfall amounts;
- (iii) The reason for above shortfalls by way of a note;
- (iv) The nature of CSR activities undertaken by the Company.

Disclaimer : *The above note/analysis has been prepared for guidance purpose only. For authentication of data/information provided, please refer the respective acts, rules and laws. For any further query in the matter, the author may be contacted at aklabhcs@gmail.com or aklabh@aklabh.com Please visit at www.aklabh.com to know more about us and our services.*