

**FINANCIAL STATEMENTS –
A CS PERSPECTIVE
PRESENTATION FOR ANDHERI KNOWLEDGE CENTRE
OF WIRC OF ICSI
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By
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Gone are the days when a CS was authenticating a Balance Sheet because the law (Section 215 of Companies Act, 1956) required the CS to do so.

A CS is not only responsible for authentication of the Balance Sheet under CA 2013, but is also expected to be very well conversant with the reading and interpretation of the financial statements so that he / she can correlate this understanding and interpretation in discharging the responsibility entrusted on the CS for compliance of the provisions of CA 2013.

In this journey, we try to capture some of the important points of compliance relating to and connected with financial statements of a company from a CS perspective.

IMPORTANT DEFINITIONS

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Section 2(12) - "book and paper" and "book or paper" include books of account, deeds, vouchers, writings, documents, minutes and registers maintained on paper or in electronic form;

Section 2(13) "books of account" includes records maintained in respect of—

- (i) all sums of money received and expended by a company and matters in relation to which the receipts and expenditure take place;
- (ii) all sales and purchases of goods and services by the company;
- (iii) the assets and liabilities of the company; and
- (iv) the items of cost as may be prescribed under section 148 in the case of a company which belongs to any class of companies specified under that section

IMPORTANT DEFINITIONS (Contd.)

Section 2(43) "free reserves" means such reserves which, as per the latest audited balance sheet of a company, are available for distribution as dividend:

Provided that—

- (i) any amount representing unrealised gains, notional gains or revaluation of assets, whether shown as a reserve or otherwise, or
 - (ii) any change in carrying amount of an asset or of a liability recognized in equity, including surplus in profit and loss account on measurement of the asset or the liability at fair value,
- shall not be treated as free reserves

IMPORTANT DEFINITIONS (Contd.)

Section 2 (57) "net worth" means the aggregate value of

- the paid-up share capital and all reserves created out of the profits
- securities premium account and
- debit or credit balance of profit and loss account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet

but does not include reserves created out of

- revaluation of assets,
- write-back of depreciation and
- amalgamation

IMPORTANT DEFINITIONS (Contd.)

Section 2 (91) "turnover" means

the gross amount of revenue recognised in the profit and loss account from

- the sale, supply, or distribution of goods or
- on account of services rendered, or
- both,

by a company during a financial year.

UNDERSTANDING FINANCIAL STATEMENTS

FRAMEWORK GOVERNING FINANCIAL STATEMENTS OF A COMPANY

- Chapter IX of the Act read with The Companies (Accounts) Rules, 2014
- Compulsory annual statutory audit by a Chartered Accountant, irrespective of the size and whether or not company had any income from operations
- Financial Statements must comply with the applicable Accounting Standards
- Financial Statements must reflect a true and fair view.
- Financial Statements to be approved by the Board of Directors and adopted by the members at the Annual General Meeting
- Annual General Meeting must be held within a period of 6 months of closure of the financial year, unless extension is obtained from ROC for holding AGM.

Components of Financial Statement (Section 2(40))

- Balance Sheet
- Statement of Profit and Loss
- Cash flow Statement
- Statement of Changes in Equity (if applicable)

A small company means a company whose paid up share capital as at the end of previous FY is Rs. 4 crores and whose turnover did not exceed Rs. 40 crores in the previous year.

Points to be noted :-

- ☐ The financial statements shall give a true and fair view of the state of affairs of the company
- ☐ The financial statements shall comply with the applicable accounting standards
- ☐ A Small company, OPC and a Dormant Company need not furnish cash flow statement
- ☐ Format of financial statements is prescribed in Schedule III
- ☐ Division I of Schedule III is applicable to companies following Indian GAAP and Division II of the said Schedule is applicable to companies other than NBFC's following Ind AS. Division III specifically for NBFC following Ind AS

Applicable Accounting Standards

- Certain companies are mandatorily required to converge to International Financial Reporting Standards. The converged Indian Accounting Standards is referred to IND AS
- All other companies shall follow Indian GAAP (Generally Accepted Accounting Practices)
- IND AS is implemented in phases (As per Rule 4 of Companies (Indian Accounting Standards) Rules, 2015
 - In Phase I, listed companies with Net Worth of Rs. 500 Crores or more and other companies with Net Worth of Rs. 500 Crores or more were covered. The effective date for Phase I was 01.04.2016
 - In Phase II, all remaining listed companies, irrespective of Net Worth and all other companies with Net Worth of Rs. 250 Crores or more were covered w.e.f 01.04.2017
 - Going forward every company getting listed or further unlisted companies meeting Phase II criteria will get covered.
 - Subsidiaries, JV's and associates of the above companies are also required to follow IND AS
 - IND AS not mandatory for Companies listed in SME exchange
 - Other companies may voluntarily elect to follow IND AS – but once IND AS always IND AS

Applicability of IND AS to NBFCs, Banks and Insurance Companies – Road Map (Phase III and IV)

Rule 4(iv) (a) of the said Rules – With effect from FY beginning on or after 01.04.2018 and ending on 31.03.2019 or thereafter –

- NBFC's with net worth of Rs. 500 Crores or more and
- their Holding, Subsidiary or Associates Companies, unless they are already covered under Phase I /II

Rule 4(iv) (b) of the said Rules – With effect from FY beginning on or after 01.04.2019 and ending on 31.03.2020 or thereafter –

- Listed NBFC's irrespective of their net worth and
- Unlisted NBFC's with net worth of Rs. 250 Crores or more and
- their Holding, Subsidiary or Associates Companies, unless they are already covered under Phase I /II

Applicability of IND AS to NBFC's

The Companies (Indian Accounting Standards) Rules, 2015

Rule 2(1)(g) provides Definition of “Non-Banking Financial Company” (NBFC) means a Non-Banking Financial Company as defined in clause (f) of section 45-I of the Reserve Bank of India Act, 1934 and includes Housing Finance Companies, Merchant Banking companies, Micro Finance Companies, Mutual Benefit Companies, Venture Capital Fund Companies, Stock Broker or Sub-Broker Companies, Nidhi Companies, Chit Companies, Securitisation and Reconstruction Companies, Mortgage Guarantee Companies, Pension Fund Companies, Asset Management Companies and Core Investment Companies.

Appears to cover all SEBI Intermediaries and other entities regulated by any financial services regulator, in view of inclusive definition

Rules for consolidation (IND-AS or Indian GAAP) - NBFC

Explanation to Rule 4(iv) provides for preparation of consolidated financial statements, the following conditions are to be followed, namely:-

(i) where an NBFC is a parent (at ultimate level or at intermediate level), and prepares consolidated financial statements as per Indian GAAP, and its subsidiaries, associates and joint ventures, if covered by IND-AS has to provide the relevant financial statement data in accordance with the accounting policies followed by the parent company (Indian GAAP) for consolidation purposes (until the NBFC itself is covered under IND-AS on a standalone basis).

(ii) where a parent is a company covered by IND-AS and has an NBFC subsidiary, associate or a joint venture, the parent has to prepare Ind AS-compliant consolidated financial statements and the NBFC subsidiary, associate and a joint venture has to provide the relevant financial statement data in accordance with the accounting policies followed by the parent company for consolidation purposes (until IND-AS becomes applicable to the company on a standalone basis)

Rules for consolidation (IND-AS or Indian GAAP)- Explanation to Rule 4(iv)

Parent	Nature of Standalone FS of Parent	Subsidiary/Associate/JV whether NBFC or Not	Nature of Standalone FS of Subsidiary/JV/ Associate	Consolidation Rules
NBFC	Indian GAAP	NBFC	Indian GAAP	Indian GAAP
NBFC	Indian GAAP	Not NBFC	Indian GAAP	Indian GAAP
NBFC	Indian GAAP	Not NBFC	IND AS	Has to furnish Indian GAAP FS to Parent
NBFC	IND AS	NBFC	IND AS	IND AS
NBFC	IND AS	Not NBFC	IND AS	IND AS
NBFC	IND AS	Not NBFC	Indian GAAP	Has to furnish IND AS FS to parent
Non NBFC	IND AS	NBFC	Indian GAAP	Has to furnish IND AS FS to parent
Non NBFC	IND AS	NBFC	IND AS	IND AS
Non NBFC	IND AS	Not NBFC	IND AS	IND AS

FIRST TIME ADOPTION OF IND-AS

Certain points are important to understand

- Date of First Time Adoption
- Date of Transition (Start date of Previous Year)
- Reconciliation of Equity as per IND-AS with Equity as per Indian GAAP
- Reconciliation of Profits as per IND-AS with Profits as per Indian GAAP for the previous year
- First Year Balance Sheet as per IND-AS to contain figures as at end of Current Year, Previous Year and Start date of Previous Year
- P&L should show previous year comparatives as per IND-AS only

Financial Statements Indian GAAP v IND AS

Indian GAAP	IND AS
Governed by Companies (Accounting Standards) Rules, 2006	Governed by Companies (Indian Accounting Standards) Rules, 2015
General instructions and format as per Division I of Schedule III	General Instructions and format as per Division III of Schedule III for NBFC's and Division II for other companies.
In Balance Sheet format, first Liabilities are shown then Assets are shown	In Balance Sheet format, first Assets are shown, then Liabilities are shown
General approach of Indian GAAP in preparation of financial statement is of a Profit and Loss approach	General approach of IND AS in preparation of financial statement is of a Balance Sheet approach
There is no Statement of Changes in Equity to be presented	Statement of Changes in Equity is an integral part of the financial statement under IND AS

Components of Assets – Balance Sheet

INDIAN GAAP	IND AS
Non Current Assets (a) <u>Property Plant and Equipment</u> Tangible Assets Intangible Assets Capital Work in Progress Intangible Assets under development (b) Non Current Investments (c) Deferred Tax Assets (d) Long Term Loans and Advances (e) Other Non Current Assets	Non Current Assets (a) Property, Plant and Equipment (b) Capital work-in-progress (c) Investment Property (d) Goodwill (e) Other Intangible assets (f) Intangible assets under development (g) Biological Assets other than bearer plants (h) Financial Assets (i) Investments (ii) Trade receivables (iii) Loans (i) Deferred tax assets (net) (j) Other non-current assets

Components of Assets – Balance Sheet (Contd)

INDIAN GAAP (DIVISION I)	IND AS (DIVISION II)
Current Assets Inventories Trade Receivables Cash and Cash Equivalents Short Term Loans and Advances Other Current Assets	Current assets (a) Inventories (b) Financial Assets (i) Investments (ii) Trade receivables (iii) Cash and cash equivalents (iv) Bank balances other than(iii) above (v) Loans (vi) Others (to be specified) (c) Current Tax Assets (Net) (d) Other current assets

Components of Liabilities – Balance Sheet

INDIAN GAAP	IND AS
<p>1. <u>Equity and Liabilities</u></p> <p>(1) Shareholders' Funds</p> <p>Share Capital</p> <p>Reserves and Surplus</p> <p>Money received against share warrants</p> <p>(2) Share Application money pending allotment</p> <p>(3) <u>Non Current Liabilities</u></p> <p>a) Long Term Borrowings</p> <p>b) Deferred Tax Liabilities (Net)</p> <p>c) Other Long Term Liabilities</p> <p>d) Long Term Provisions</p>	<p>1. <u>Equity and Liabilities</u></p> <p>(a) Equity Share Capital</p> <p>(b) Other Equity</p> <p>2. <u>Non Current Liabilities</u></p> <p>(a) Financial Liabilities</p> <p>(i) Borrowings</p> <p>(ii) Trade payables</p> <p>(iii) Other financial liabilities (other than those specified in item (b), to be specified)</p> <p>(b) Provisions</p> <p>(c) Deferred tax liabilities (Net)</p> <p>(d) Other non-current liabilities</p>

Components of Liabilities – Balance Sheet

INDIAN GAAP	IND AS
<u>Current Liabilities</u> Short Term Borrowings Trade Payables Other Current Liabilities Short Term Provisions	(a) <u>Financial Liabilities</u> (i) Borrowings (ii) Trade payables (iii) Other financial liabilities (other than those specified in item (c)) (b) Other current liabilities (c) Provisions (d) Current Tax Liabilities (Net)

Statement of Profit and Loss – Indian GAAP v IND AS

Significant difference is with respect to “Other Comprehensive Income” (OCI), which is shown separately in IND-AS

This is further analysed into :-

- A. (i) Items that will not be reclassified to profit or loss
- (ii) Income tax relating to items that will not be reclassified to profit or loss
- B. (i) Items that will be reclassified to profit or loss
- (ii) Income-tax relating to items that will be reclassified to profit or loss

Total income in IND-AS is presented as under :-

Profit / (Loss) for the period + Other Comprehensive Income = Total Income

Examples of OCI

Items that will not be reclassified to P&L	Items that will be reclassified to P&L
Changes in revaluation surplus	Exchange differences in translating the financial statements of a foreign operation
Remeasurement of the defined benefit plans	Debt Instruments through Other Comprehensive Income
Equity Instruments through OCI	The effective portion of gains and loss on hedging instruments in a cash flow hedge
Fair value changes relating to own credit risk of financial liabilities designated at fair value through profit or loss	Share of other comprehensive Income in Associates and Joint Ventures, to the extent to be classified into profit or loss
Share of Other Comprehensive Income in Associates and Joint Ventures, to the extent not to be classified into profit or loss	

EARNINGS PER SHARE (EPS)

- In Ind-AS, EPS disclosure has following components :-
 - EPS (Basic) and EPS (Diluted) for continuing operations
 - EPS (Basic) and EPS (Diluted) for discontinued operations
 - EPS (Basic) and EPS (Diluted) for continuing and discontinued operations (combined)
- In Indian GAAP, only combined EPS(Basic) and EPS (Diluted) is given
- In Form AOC 4, bifurcation of EPS (both Basic and Diluted) is required to be given
 - Before extra-ordinary items
 - After extra-ordinary items

Consolidated Financial Statements (Sec 129(3))

- Every company which has a subsidiary or an associate shall present a consolidated financial statement in accordance with the applicable Accounting Standards in addition to its standalone financial statements
- Limited exemption is available to an unlisted intermediate holding company pursuant to First Proviso to Rule 6 of Companies (Accounts) Rules, 2014 provided that its ultimate holding or intermediate holding company presents and files Consolidated Financial Statements on the condition that no objection is received from any member.
- Applicable Accounting Standard

AS 21 – Indian GAAP

IND AS 110

Consolidation (Control Perspective) – AS 21 v IND AS 110

AS 21	IND AS 110
Control is said to be established through Ownership and / or through power to change / control composition of Board	Control is said to be established – with power / exposure to variable returns / use of power to affect returns. Ownership may or may not be the clinching factor to determine control
No consolidation is required if temporary control is established or if the subsidiary operates under severe long term restrictions	No such exemption under IND AS 110
Definition of control is objective	Definition is subjective. Substance preferred over form
Term used for group or persons not in control is “Minority Interest”	Term used is “Non Controlling Interest”

CASH FLOW STATEMENT

- AS 3 – Indian GAAP
- IND AS 17 – converged IFRS (IND AS)
- Two Methods of presentation – Direct Method & Indirect Method
 - In Direct Method all major items of cash receipts and payments are shown
 - In Indirect Method, items are reported on Net Basis mainly with reference to Balance sheet
- AS 3 requires classification of extra-ordinary items of cash flow also into Operating, Financing and Investing activities. There is no such requirement in IND-AS 17
- IND AS 17 explicitly includes Bank Overdraft as part of cash and cash equivalents, but AS 3 does not have such requirement
- Ind AS 7 requires the use of Cost or Equity method (as per IND-AS 28) when accounting for investments in a subsidiary or an associate, while AS 3 does not have such requirement.

THRESHOLD & LIMITS TRIGGERING COMPLIANCES

THRESHOLDS AND LIMITS CONNECTED WITH FINANCIAL STATEMENTS FOR ONGOING / EVENT BASED COMPLIANCES

EVENT / ACTION	THRESHOLD / LIMITS
ISSUE OF SWEAT EQUITY	<p>a) Not > 15% of existing paid up Equity Share Capital or Shares of issue value of Rs. 5 Crores, whichever is higher and</p> <p>b) At any time, issuance of Sweat Equity shall not exceed 25% of Paid Up Equity Share Capital Provided that a Start Up may issue sweat equity Not > 50% of its Paid Up Capital up to five years of its incorporation or registration</p>
BUY BACK	<p>a) On the basis of Board Resolution - up to 10% of <u>total</u> paid up equity share capital and free reserves</p> <p>b) On the basis of Special Resolution – 25% of <u>total</u> paid up equity capital and free reserves</p> <p>Ratio of Secured & Unsecured debts to paid up capital and free reserves after buy back is ≤ 2</p>

THRESHOLDS AND LIMITS CONNECTED WITH FINANCIAL STATEMENTS FOR ONGOING / EVENT BASED COMPLIANCES (CONTD)

EVENT / ACTION	THRESHOLD / LIMITS
ACCEPTANCE OF DEPOSITS	<p>Exemption from Section 73 to certain Private Companies: -</p> <ul style="list-style-type: none"> a) Accepting deposits up to 100% of paid up capital, free reserves and Securities Premium or b) Start-Up for five years from the date of its incorporation or c) Which fulfils certain conditions namely :- <ul style="list-style-type: none"> - It is not an associate or subsidiary company - Its borrowings from banks & financial institutions or any body corporate is < twice its paid up share capital or Rs. 50 Crores, whichever is lower. <p>(Notification dated 13th June, 2017)</p> <p>Eligible Company (referred to in Section 76) , which can accept deposits in accordance with the Act and rules made thereunder –</p> <p>Net Worth not less than Rs. 100 Crores or</p> <p>Turnover not less than Rs. 500 Crores AND</p> <p>Which has obtained prior consent by way of special resolution from its members and filed with ROC before accepting deposits</p>
26 June 2023	<div>CS A Sekar</div> <div>30</div>

THRESHOLDS AND LIMITS CONNECTED WITH FINANCIAL STATEMENTS FOR ONGOING / EVENT BASED COMPLIANCES (CONTD)

EVENT / ACTION	THRESHOLD / LIMITS
<p>SIGNING OF MGT 7 BY CS/PCS AND CERTIFICATION OF MGT 8 BY PCS</p> <p>[Section 92 read with Companies (Management & Administration) Rules, 2014]</p>	<p>Signing of Annual Return (MGT 7) of a company other than a Small Company or OPC by Secretary of the Company and where there is no CS, then by a PCS.</p> <p>Certification of Annual Return (in MGT 8) by a PCS in respect of the following companies: -</p> <ul style="list-style-type: none"> a) All listed companies and b) Companies having paid up share capital of Rs. 10 Crores or more OR Turnover of Rs. 50 Crores
<p>CORPORATE SOCIAL RESPONSIBILITY (Section 135 read with CSR Rules)</p>	<p>Trigger is any one of the following as per the audited financial statement (FS):-</p> <ul style="list-style-type: none"> • Profits of Rs. 5 Crores • Net Worth of Rs. 500 Crores • Turnover of Rs. 1000 Crores <p>CSR spend every year is 2% of average profits of last 3 financial years.</p>

THRESHOLDS AND LIMITS CONNECTED WITH FINANCIAL STATEMENTS FOR ONGOING / EVENT BASED COMPLIANCES (CONTD)

EVENT / ACTION	THRESHOLD / LIMITS
ROTATION OF AUDITORS	<p>Rules regarding mandatory rotation of auditors applicable to the following companies: -</p> <ul style="list-style-type: none">a) Every listed company;b) Every unlisted public company having paid-up share capital of Rs. 10 Crores or more;c) Every Private company having paid-up share capital of Rs. 50 Crores or more;d) Every company, irrespective of paid-up share capital, but having public borrowings of Rs. 50 Crores or more <p>Individual / Proprietary firm: One term Partnership firm / LLP: Maximum two terms</p> <p>Cooling Period: 5 years</p>

THRESHOLDS AND LIMITS CONNECTED WITH FINANCIAL STATEMENTS FOR ONGOING / EVENT BASED COMPLIANCES (CONTD)

EVENT / ACTION	THRESHOLD / LIMITS
EXEMPTION FROM CARO 2020	<p>CARO Not applicable to:</p> <ul style="list-style-type: none">• One Person Company• Small Company• Banking Companies• Insurance Companies• Companies registered for Charitable purpose• Following Private Companies:<ul style="list-style-type: none">✓ Gross receipts (incl discontinued operations) \leq Rs. 10 Crores✓ Paid Up Capital + Reserves \leq Rs. 1 Crore✓ Borrowings less than or equal to Rs. 1 Crore at any time

THRESHOLDS AND LIMITS CONNECTED WITH FINANCIAL STATEMENTS FOR ONGOING / EVENT BASED COMPLIANCES (CONTD)

EVENT / ACTION	THRESHOLD / LIMITS
INTERNAL AUDIT (Section 138) read with Rule 13 of Companies (Accounts) Rules	<ul style="list-style-type: none"> a) Every listed company b) Every public company fulfilling one of the following conditions: - <ul style="list-style-type: none"> - Paid Up Capital of Rs. 50 Crores or more in preceding FY (PFY) - Turnover of Rs. 200 Crores or more in PFY - O/s Borrowings \geq Rs. 100 Crores from Banks / FI at any time in PFY - O/s Deposits \geq Rs. 25 Crores at any time in PFY c) Every Private company fulfilling one of the following conditions: - <ul style="list-style-type: none"> - Turnover of Rs. 200 Crores or more in PFY - O/s Borrowings \geq Rs. 100 Crores from Banks / FI at any time in PFY

THRESHOLDS AND LIMITS CONNECTED WITH FINANCIAL STATEMENTS FOR ONGOING / EVENT BASED COMPLIANCES (CONTD)

EVENT / ACTION	THRESHOLD / LIMITS
LIMIT ON NO. OF COMPANIES FOR STATUTORY AUDITOR	<p data-bbox="797 401 2186 511">Ceiling for number of audits of 20 companies per auditor / audit partner in a CA firm.</p> <p data-bbox="797 591 2023 639">The following companies shall not count for the ceiling: -</p> <ol data-bbox="797 719 1727 958" style="list-style-type: none">1) One Person Company2) Dormant Company3) Small Company4) Private Companies with Paid-Up Share <p data-bbox="797 1038 1302 1086">(As per ICAI guidelines)</p>

THRESHOLDS AND LIMITS CONNECTED WITH FINANCIAL STATEMENTS FOR ONGOING / EVENT BASED COMPLIANCES (CONTD)

EVENT / ACTION	THRESHOLD / LIMITS
FRAUD under Section 143(12) read with Rule 13 of the Companies (Audit and Auditors) Rules, 2014	<ul style="list-style-type: none">a) Applicable to every companyb) Responsibility of auditor (139), cost auditor (148) and secretarial auditor (204)c) Amount involved Rs. 1 Crore or more - report to Central Government in form ADT-4 after following prescribed procedure in the said ruled) Amount involved less than Rs. 1 Crore – report to Audit Committee or the Boarde) Directors Report to contain details of :-<ul style="list-style-type: none">• Nature of fraud with description• Amount of involved• Parties involved• Remedial action taken or not? If taken details

THRESHOLDS AND LIMITS CONNECTED WITH FINANCIAL STATEMENTS FOR ONGOING / EVENT BASED COMPLIANCES (CONTD)

EVENT / ACTION	THRESHOLD / LIMITS
Maintenance of cost records [Section 148 read with Rule 3 of The Companies (Cost Records and Audit) Rules, 2014]	Every company whose turnover is Rs. 50 Crores or more covered in the said Rule 3, shall maintain cost records
Audit by Cost Accountant [Section 148 read with Rule 4 of The Companies (Cost Records and Audit) Rules, 2014]	<p>a) If the company is in one of the six regulated sectors, then if the overall turnover from all products & services is Rs. 50 Crores or more and its turnover from the specified products & services is Rs. 25 Crores or more</p> <p>b) If the company is not covered in a) above but covered in one of the listed 33 specified industry/products/sectors then if the overall turnover from all products & services is Rs. 100 Crores or more and its turnover from the specified products & services is Rs. 50 Crores or more</p> <p>Company shall appoint a Practising Cost Accountant to audit its cost accounts</p>

Regulated Sectors are: -
 1) Telecommunication 2) Electricity
 3) Petroleum & Gas 4) Drugs & Pharma
 5) Fertilisers and 6) Sugar

THRESHOLDS AND LIMITS CONNECTED WITH FINANCIAL STATEMENTS FOR ONGOING / EVENT BASED COMPLIANCES (CONTD)

EVENT / ACTION	THRESHOLD / LIMITS
APPOINTMENT OF WOMAN DIRECTOR [Section 149 read with Rule 3 of Companies (Appointment and Qualification of Directors) Rules, 2014]	a) Every listed company b) Every other public company having - Paid Up Share Capital of Rs. 100 Crores or more OR - Turnover of Rs. 300 Crores or more
APPOINTMENT OF INDEPENDENT DIRECTORS [Section 149 read with Rule 4 of Companies (Appointment and Qualification of Directors) Rules, 2014]	At least two independent directors in the following cases: - a) Every listed company b) Every other public company having - Paid Up Share Capital of Rs. 10 Crores or more OR - Turnover of Rs. 100 Crores or more OR - Outstanding Loans, Debentures and Deposits > Rs. 50 Crores

THRESHOLDS AND LIMITS CONNECTED WITH FINANCIAL STATEMENTS FOR ONGOING / EVENT BASED COMPLIANCES (CONTD)

EVENT / ACTION	THRESHOLD / LIMITS
<p>Audit Committee (Section 177) and Nomination and Remuneration Committee (Section 178) read with Rule 6 of The Companies (Meetings of Board and its Powers) Rules, 2014</p>	<p>Applicable in the following cases: -</p> <ul style="list-style-type: none"> a) Every listed public company b) Every other public company having <ul style="list-style-type: none"> - Paid Up Share Capital of Rs. 10 Crores or more OR - Turnover of Rs. 100 Crores or more OR - Outstanding Loans, Debentures and Deposits > Rs. 50 Crores
<p>Establishment of Vigil Mechanism Rule 7 of The Companies (Meetings of Board and its Powers) Rules, 2014</p>	<p>Applicable to :-</p> <ul style="list-style-type: none"> a) Every listed company b) Every company which accepts deposits from public c) Every company which has borrowed money from Banks and Public FI in excess of Rs. 50 Crores.

THRESHOLDS AND LIMITS CONNECTED WITH FINANCIAL STATEMENTS FOR ONGOING / EVENT BASED COMPLIANCES (CONTD)

EVENT / ACTION	THRESHOLD / LIMITS
Borrowing Powers of the Board (Section 180(1)(c)	Borrowing in excess of aggregate of its Paid-Up Share Capital, free reserves and securities premium by a public company requires a special resolution.
Contribution to bona fide charitable and other funds (Sec 181)	Prior permission in a general meeting for contribution in excess of 5% of average net profits for the three immediately preceding FY
Inter Corporate Loans, Investments and Guarantees (Sec 186)	Such loans, investments and guarantees in excess of higher of :- a) 60% of paid-up share capital, free reserves and securities premium and b) 100% of its free reserves and securities premium Require prior approval by way of special resolution
Related Party transactions (Sec 188) read with First Proviso to sub section 1 and Rule 15 of Companies (Meetings of Board and its Powers) Rules, 2014	a) sale, purchase or supply of goods $\geq 10\%$ of Turnover b) Selling or otherwise disposing of or buying any property $\geq 10\%$ of Net Worth c) Leasing of property $\geq 10\%$ of Turnover d) Availing of services through agent (a and c) $\geq 10\%$ of Turnover e) Underwriting subscription of securities or derivatives $\geq 1\%$ of Net Worth

THRESHOLDS AND LIMITS CONNECTED WITH FINANCIAL STATEMENTS FOR ONGOING / EVENT BASED COMPLIANCES (CONTD)

EVENT / ACTION	THRESHOLD / LIMITS
Ceiling on Managerial Remuneration (Section 197 read with Schedule V and Section 198)	<p>Total Managerial Remuneration to all directors and Managerial Personnel – 11% of Net Profits</p> <p>In Excess of 11% of Net Profits (NP), in accordance with Schedule V</p> <p>Remuneration to MD/WTD/Manager individually not >5% of NP</p> <p>Remuneration to MD/WTD/Manager all of them put together not > 10% of NP</p> <p>Remuneration to other directors not >1% of NP, where there is a MD/WTD/Manager</p> <p>Remuneration to other directors not >3% in any other case</p> <p>Net Profits shall be calculated in accordance with the provisions of Section 198</p>

THRESHOLDS AND LIMITS CONNECTED WITH FINANCIAL STATEMENTS FOR ONGOING / EVENT BASED COMPLIANCES (CONTD)

EVENT / ACTION	THRESHOLD / LIMITS
<p>Appointment of Whole Time KMP and Company Secretary (Section 203)</p> <div data-bbox="206 565 749 719"> <p>KMP's – 1) MD/ Mgr /WTD/ CEO 2)CFO and 3) CS</p> </div>	<p>Rule 8 read with Rule 8A of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014</p> <ul style="list-style-type: none"> a) Every listed company and every other public company having paid up share capital of Rs. 10 Crores or more shall have KMPs b) Every private company which has a paid-up share capital of Rs. 10 Crores or more shall have a whole-time company secretary
<p>Secretarial Audit of bigger companies (Section 204)</p>	<p>Rule 9 of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014</p> <ul style="list-style-type: none"> (a) Every public company having a paid-up share capital of Rs. 50 Crores or more; or (b) Every public company having a turnover of Rs. 250 Crores or more; or (c) every company having outstanding loans or borrowings from banks or public financial institutions of Rs. 100 Crores or more

Secretarial Audit for will get triggered for the Current Year on the basis of numbers as per the previous year Audited financial statements

XBRL FILING OF FINANCIAL STATEMENTS

Following Companies are covered by XBRL mode of filing financial statements

- Paid up Share Capital of Rs. 5 Crores or more
- Turnover of Rs. 100 Crores or more
- Company whose equity shares are listed on a Stock Exchange (both Main Board / SME) and their subsidiaries irrespective of their capital
- Once a company is covered by xbrl, it is xbrl forever.

However, companies in Banking, Insurance and Power Sector are exempted from XBRL filing.

If company is presenting consolidated financial statement (CFS), then even the CFS has to be converted into xbrl mode.

Instance document created for standalone FS and CFS (if applicable) are attached to AOC 4 XBRL e form.

SIGNING OF THE FINANCIAL STATEMENTS

The financial statement, including consolidated financial statement, if any, shall be approved by the Board of Directors before they are signed on behalf of the Board

- A) by the chairperson of the company where he is authorised by the Board or
- B) by two directors out of which one shall be managing director, if any, and the Chief Executive Officer, the Chief Financial Officer and the company secretary of the company, wherever they are appointed, or
- C) in the case of One Person Company, only by one director, for submission to the auditor for his report thereon.

REVISION OF FINANCIAL STATEMENTS

Re-Opening of Accounts (Section 130)

- The Company may, if it appears to the directors that the Financial Statements or Board's Report are not in compliance with the provisions of the Act, prepare revised financial statement or a revised Board report with the approval of the Tribunal
- Accounts can be re-opened / recasted
 - If prepared in fraudulent manner (affairs are mismanaged)
 - Application made by CG, IT Authorities, SEBI or other regulatory body or authority to Court or Tribunal
 - An Order has been passed by a Court or Tribunal.

Voluntary Revision of Financial Statements (Sec 131)

Section 131(1)

If it appears to the directors of a company that—

- (a) the financial statement of the company; or
- (b) the report of the Board,

do not comply with the provisions of section 129 or section 134 they may prepare revised financial statement or a revised report in respect of any of the 3 preceding FY's after obtaining approval of the Tribunal on an application made by the company and a copy of the order passed by the Tribunal shall be filed with the Registrar:

Provided that the Tribunal shall give notice to the Central Government and the Income-tax authorities and shall take into consideration the representations, if any, made by that Government or the authorities before passing any order under this section:

Provided further that such revised financial statement or report shall not be prepared or filed more than once in a financial year:

Provided also that the detailed reasons for revision of such financial statement or report shall also be disclosed in the Board's report in the relevant financial year in which such revision is being made.

Voluntary Revision of Financial Statements (Sec 131) - Continued

Section 131(2)

Where copies of the previous financial statement or report have been sent out to members or delivered to the Registrar or laid before the company in general meeting, the revisions must be confined to—

- (a) the correction in respect of which the previous financial statement or report do not comply with the provisions of section 129 or section 134; and
- (b) the making of any necessary consequential alternation.

(3) The Central Government may make rules as to the application of the provisions of this Act in relation to revised financial statement or a revised director's report and such rules may, in particular—

- (a) make different provisions according to which the previous financial statement or report are replaced or are supplemented by a document indicating the corrections to be made;
- (b) make provisions with respect to the functions of the company's auditor in relation to the revised financial statement or report;
- (c) require the directors to take such steps as may be prescribed

AOC 4 E FORM

E form AOC 4

- Nature of Financial Statements – Adopted, Provisional, Revised
- Whether provisional unadopted financial statement earlier ? If yes, then Enter SRN (Note that unadopted should have been audited)
- Whether adopted in Adjourned AGM ? Yes, No, Not Applicable
- Whether AGM Held – Yes, No, Not Applicable
- Subsidiary / Holding Companies – Section 2(87)(i) and (ii)
- Whether consolidated FS required or Not ?
- Books of Accounts in physical or electronic form ? – If maintaining in electronic form, give postal address
- Also if maintained in cloud, address of service provider

E form AOC 4 (PART A – Balance Sheet)

Financial Parameters as on B/s Date

- Gross Value of Related Party Transactions (RPT)
- Intercompany Deposits
- Intercompany Borrowings – Secured and Unsecured
- Net Worth
- Capital Reserves
- Gross Fixed Assets & Depreciation / Amortization
- Unhedged Foreign Exchange Exposure
- Commercial Paper

E form AOC 4 (SEGMENT II, III and IV)

SEGMENT II

III Financial Parameters – Profit and Loss

- Gross Value of Related Party Transactions (RPT)

(This item also figures under Balance Sheet)

IV Details relating to Principal Products / Services

SEGMENT III

Whether CSR is applicable ? Turnover gets prefilled. Net Worth has to be filled in.

Whether responsibility statement of CSR Committee is enclosed ?

SEGMENT IV

Particulars of RPT (as per AOC-2)

SEGMENT V

Whether auditor's report is qualified ?

Whether CARO is applicable ?

**AMENDMENTS TO
SCHEDULE III
W.E.F. 01.04.2021**

SCHEDULE III – Important Additions / Amendments

1. Disclosure of Promoter's shareholding
2. Current Maturities of Long Term Borrowing to be shown under Short Term Borrowing (instead of other current liabilities)
3. Ageing Analysis of Trade Payables and Bifurcation into MSME and others, as also break up of payables into disputed dues and other dues.
4. Terminology of Tangible Assets changed to Property, Plant and Equipment (Indian GAAP)
5. Security Deposits to be shown under other current assets or other non-current assets as the case may be (instead of short term or long term loans & advances)
6. Ageing Analysis of Trade Receivables
7. Details of title deeds of properties not in company's name
8. Ageing schedule for Capital Work in Progress
9. Ageing schedule of Intangible Assets under Development

SCHEDULE III – Important Additions / Amendments (Contd.)

10. Details of Benami Properties

11. Details of relationship with struck off companies, along with nature of transactions (investment in securities, Receivables, Payables, Shares held by struck off companies and other outstanding balances) – Details company-wise

12. If company is a wilful defaulter, then date and details of default

13. Details of non compliance with requirement of number of layers

14. Details of non registration of satisfaction of charges with ROC

15. Details of compliance with approved scheme of amalgamation and explanation of deviation

16. Details of Undisclosed income (not recorded in books of accounts but surrendered or disclosed as income during the year in income-tax assessments)

17. Details relating to CSR spends, shortfall (for the year and cumulative), reasons for shortfall, nature of CSR activities, details of related party transactions eg. Contribution to trust controlled by company)

18. Details of Crypto Currency or Virtual Currency (traded or invested during the year)

RATIOS TO BE DISCLOSED IN FINANCIAL STATEMENTS

- 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 Funds Invested

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.

A VERY POWERFUL RATIO – GOING CONCERN

CASH FLOW COVERAGE RATIO or FINANCIAL SUSTAINABILITY RATIO

- A) Whether the cash flow from business (Internal Accruals) or (PAT+Depreciation) is sufficient
- B) to meet the following:-
- Pay dividend to shareholders
 - Plough back profits for long term expansion
 - Provides for meeting margin money for working capital
 - Repayment of loan instalments
 - Redemption provision and liabilities, if any
 - Meeting normal capex
- C) Sustainability Ratio A:- B
- A:- $B > 2$, then the position is comfortable, A:- $B > 1$ then it is stable, otherwise, it is a warning signal.

THANK YOU