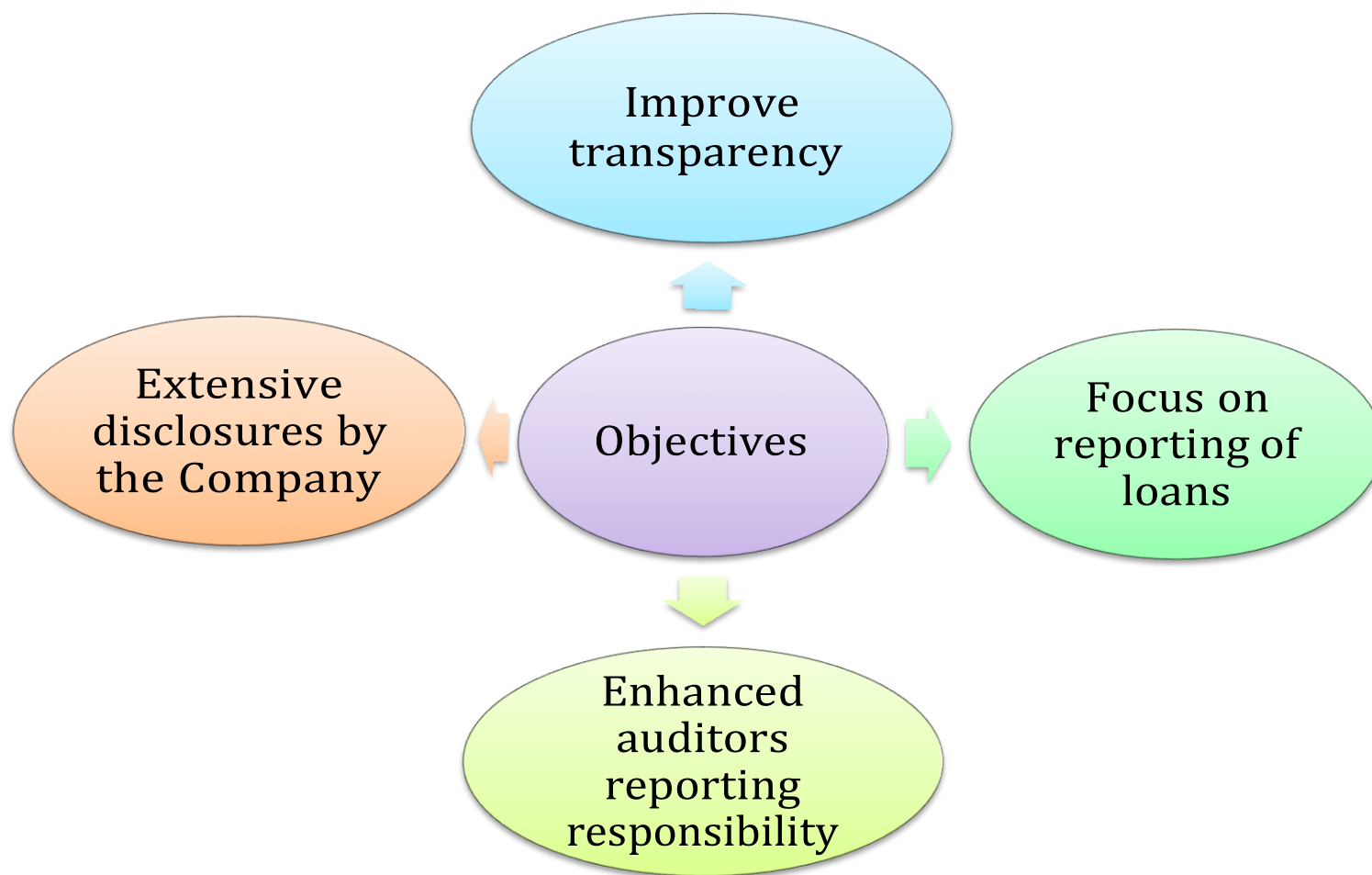


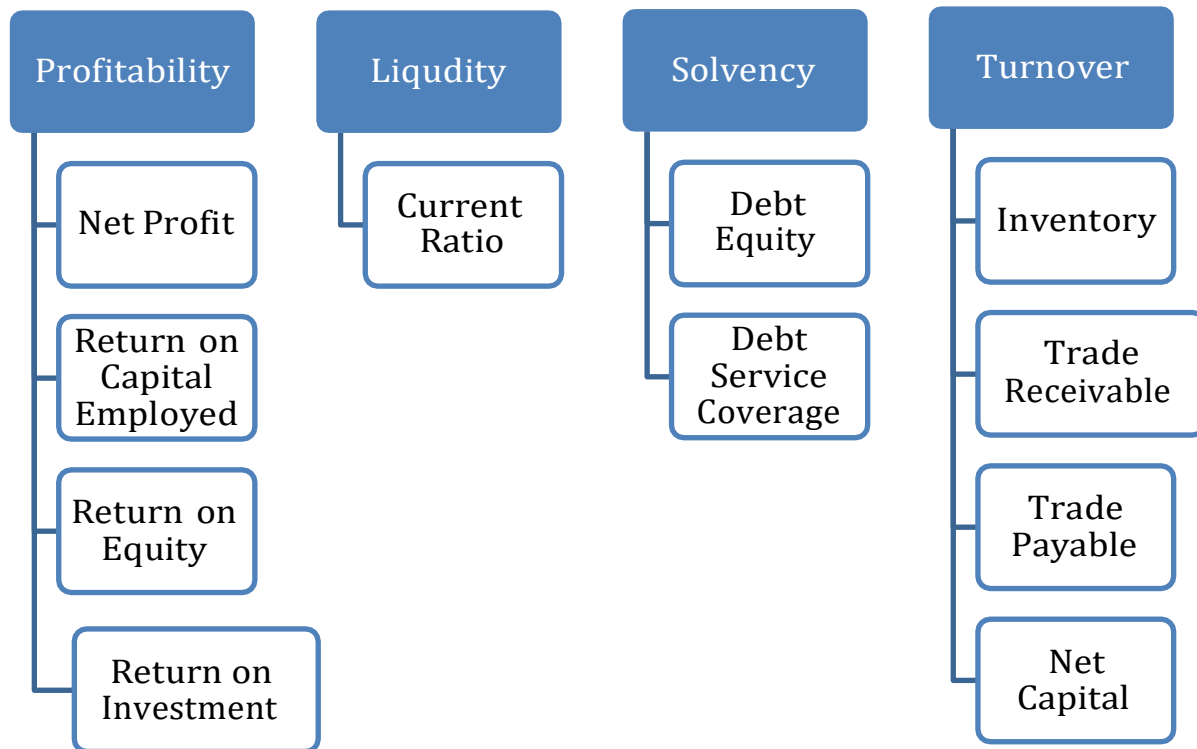
Recent Amendments in Companies Act, 2013 :  
Disclosures in the Financial Statements  
and key provisions of  
(Companies Auditor's Report Order), 2020  
*Prepared by Finance and Accounts Department*

# Key Objectives



# Financial Analysis

# Disclosure of following Ratios in the notes to the financial statements :



- Explanation is to be given for the items included in the numerator and denominator for computing the said ratios.
- Explanation shall also be provided for any change in the ratio by more than 25 per cent as compared to the preceding year

# Trade Receivables : Disclosure of Ageing Schedule

	<b>Not due</b>	<b>Less than 6 months</b>	<b>6 months - 1 year</b>	<b>1 - 2 years</b>	<b>2-3 years</b>	<b>More than 3 years</b>	<b>Total</b>
Undisputed – Considered good							
Undisputed -Considered doubtful							
Disputed- Considered good							
Disputed- Considered doubtful							

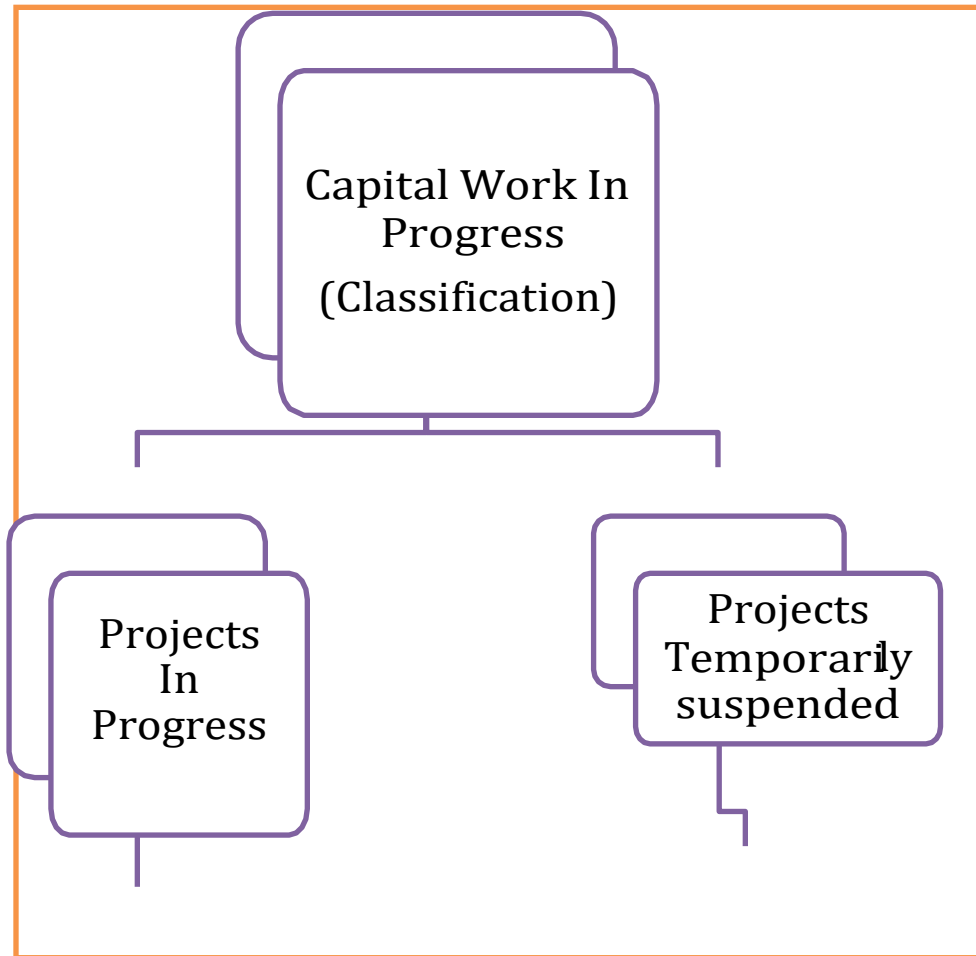
**Note : Ageing has to be from due date of payment and not from bill date.**

# Trade Payables : Disclosure of Ageing Schedule

	<b>Less than 1 year</b>	<b>1 - 2 years</b>	<b>2-3 years</b>	<b>More than 3 years</b>	<b>Total</b>
MSME					
Others					
Disputed Dues – MSME					
Disputed dues- others					

**Note : Ageing has to be from due date of payment and not from bill date.**

# Capital Work In Progress



- Ageing Schedule of CWIP is to be given :

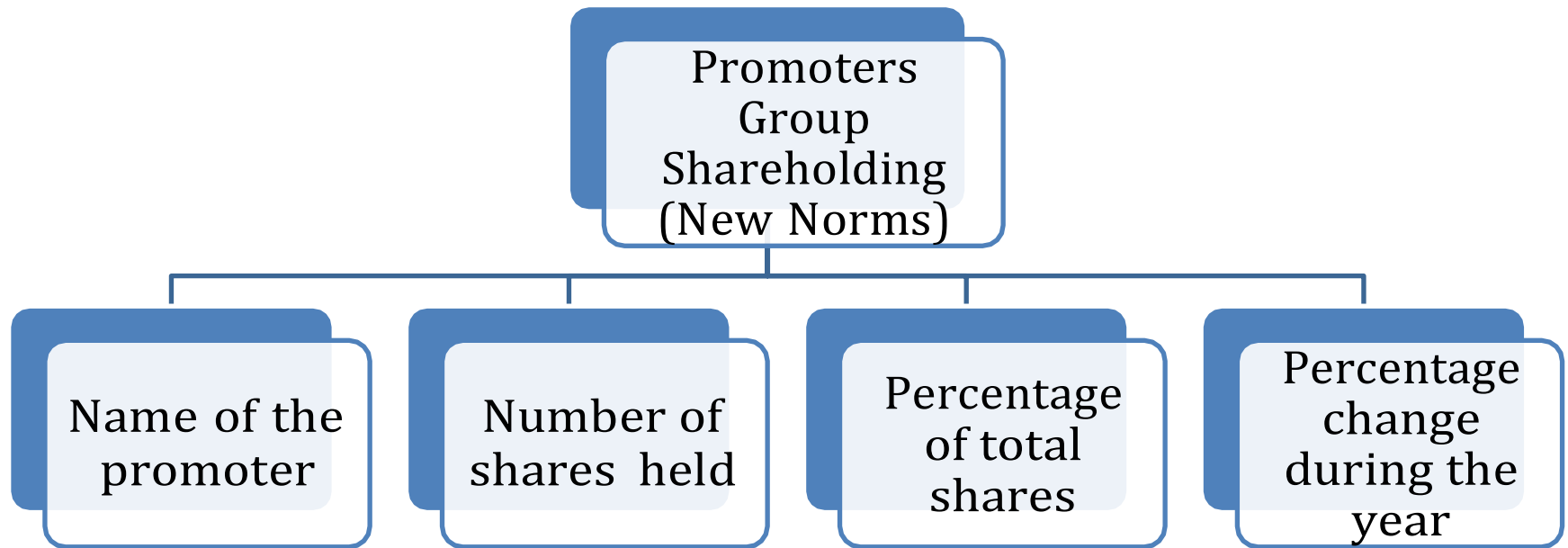
Less than 1 year  
1 year to 2 years  
2 years to 3 years  
More than 3 years

- Completion Schedule shall be given for overdue /cost over run projects
- Details of projects suspended separately to be given

# Close Group Transactions



**Promoters shareholding**  
**Currently only promoters shareholding of more than 5% needs to be disclosed :**  
**New requirement is for disclosure of entire promoters group holding**



**Loans or advances granted to Promoters, Directors, KMPS and related parties : Loans or advances repayable on demand; or without specifying any terms or period of repayment.**

<b>Category</b>	<b>Outstanding amount of Loans or advance in the nature of loans</b>	<b>Percentage to the total Loans and advances in the nature of loans</b>
Promoters		
Directors		
KMPs		
Related parties		

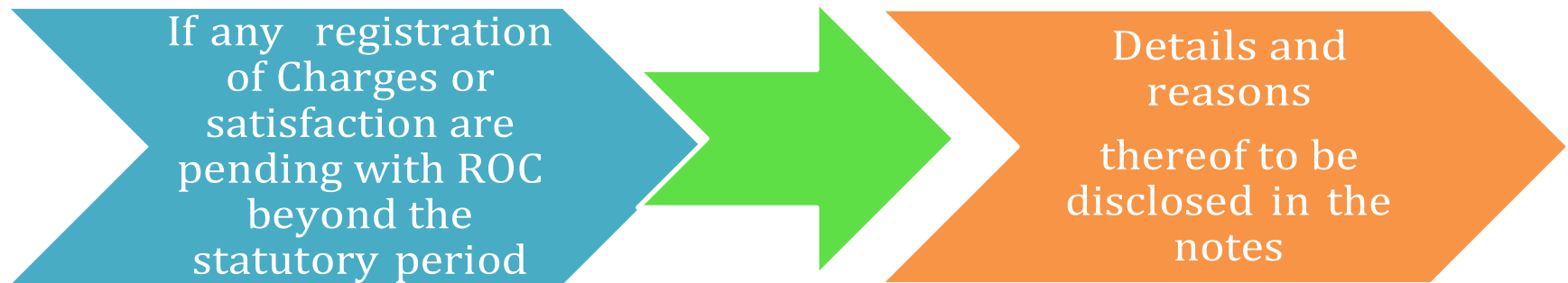
# Additional Disclosures

**Relationship with struck off companies :**

**If a company has any transactions with other companies whose names are struck off from MCA website, then the following details are to be furnished :-**

<b>Name of struck off company</b>	<b>Nature of transactions with struck-off company</b>	<b>Balance outstanding</b>	<b>Relationship with the struck off company, if any, to be disclosed</b>
	Investments in securities		
	Receivables		
	Payables		
	Shares held by struck off company		
	Other outstanding balances (to be specified)		

Registration or satisfaction of charges with  
Registrar of Companies (ROC) :  
This is a new requirement to ensure timely  
compliance with ROC



# Disclosure of Corporate Social Responsibility (CSR)

- Amount required to be spent by the company during the year;
- Amount of expenditure incurred;
- Shortfall at the end of the year;
- Total of previous years shortfall;
- Reason for shortfall;
- Nature of CSR activities;
- Details of related party transactions

# Presentation in financial statements

<b>Heads</b>	<b>Existing presentation</b>	<b>Revised presentation</b>
➤ Current maturities of long term Borrowings	Under Other Financial liabilities	Under Short term borrowings

# Rounding off of figures in Financial Statements

Total income	Rounding off
If total income is less than one hundred crore rupees	To the nearest hundreds, thousands, lakhs or millions, or decimals thereof
If total income is one hundred crore rupees or more	To the nearest lakhs, millions or crores, or decimals thereof.
<b>Earlier, the criteria for rounding off was based on the turnover of the Company whereas now the criteria is based on Total Income of the Company.</b>	



# Key changes in Auditor's Report (CARO 2020)

# Physical verification of inventory

## Existing Regulation :

Only material discrepancies were required to be reported under CARO 2016

## Amended Regulation :

- Under CARO 2020, whether any discrepancies of 10 per cent or more in the aggregate for each class of inventory have been noticed and if so, whether they have been properly dealt with in the books of account.

# Acceptance of Deposits : Auditors Reporting

Existing CARO report mentions only about deposits accepted by the Company.

New CARO report mentions deposits accepted by the Company or amounts which are **deemed to be deposits.**

## **Examples of deemed deposits :**

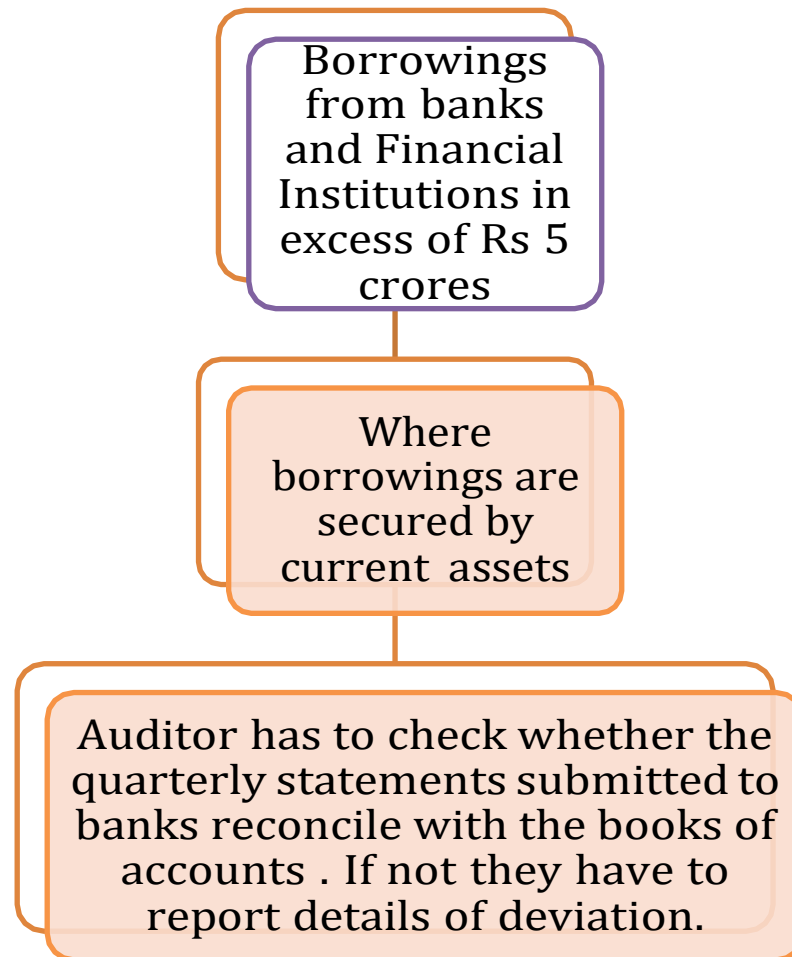
- a) Advance from customers which are outstanding for more than 365 days
- b) Shares not allotted within 60 days and share application money not refunded within 15 days

# Statutory Dues

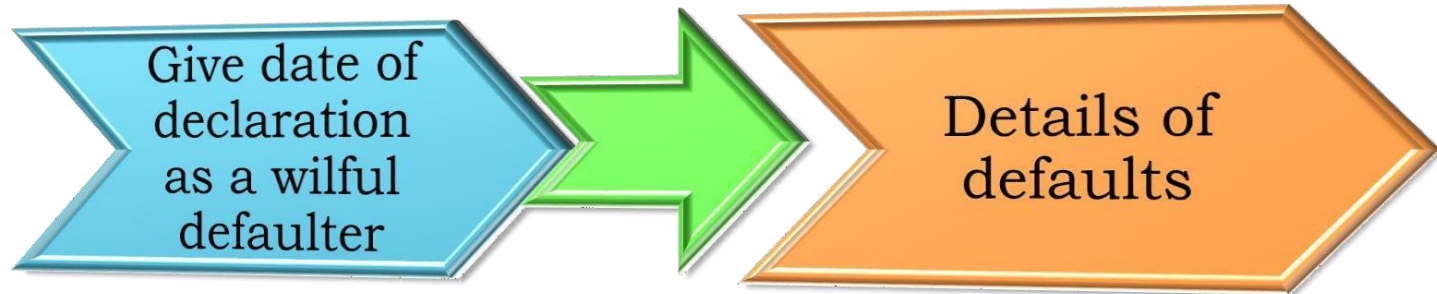
Auditor to report on timely payment of GST dues.

All unpaid statutory dues which are disputed are to be reported. Earlier, in CARO 2016, reporting was restricted to specified dues (i.e. income tax, sales tax, service tax, custom duty, excise, VAT)

# Borrowings from Banks and Financial Institutions in excess of Rs 5 crores



**Wilful defaulter :** The auditor has to report whether the company has been declared as a wilful defaulter by any bank or financial institution or other lender.



# Defaults in Repayment of Loans

The current requirement for auditors is to report defaults of repayment only in case of financial institutions and banks whereas in the amended regulations reporting defaults are extended to include **any lender**.

# Application of Term Loans

- The auditors have to report whether term loans were applied for the purpose for which these loans were obtained.
- If not, then the auditors are also required to report the amount of loan so diverted and the purpose for which it is used.



# Application of short-term funds for long-term purposes

- The auditors have to report whether funds raised on short-term basis have been utilised for long-term purposes.
- If the answer is yes, then the auditors would be required to report the nature and amount so utilised.

# Funds raised to meet obligations of subsidiaries, associates or joint ventures

- Another new reporting requirement relates to whether the company has taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries, associates or joint ventures.
- If yes, then the auditors are required to provide the details along with the nature of such transactions and the amount in each case.
- Under CARO 2020, the auditors are also required to report whether the company has raised loans during the year on the pledge of securities held in its subsidiaries, joint ventures or associate companies.

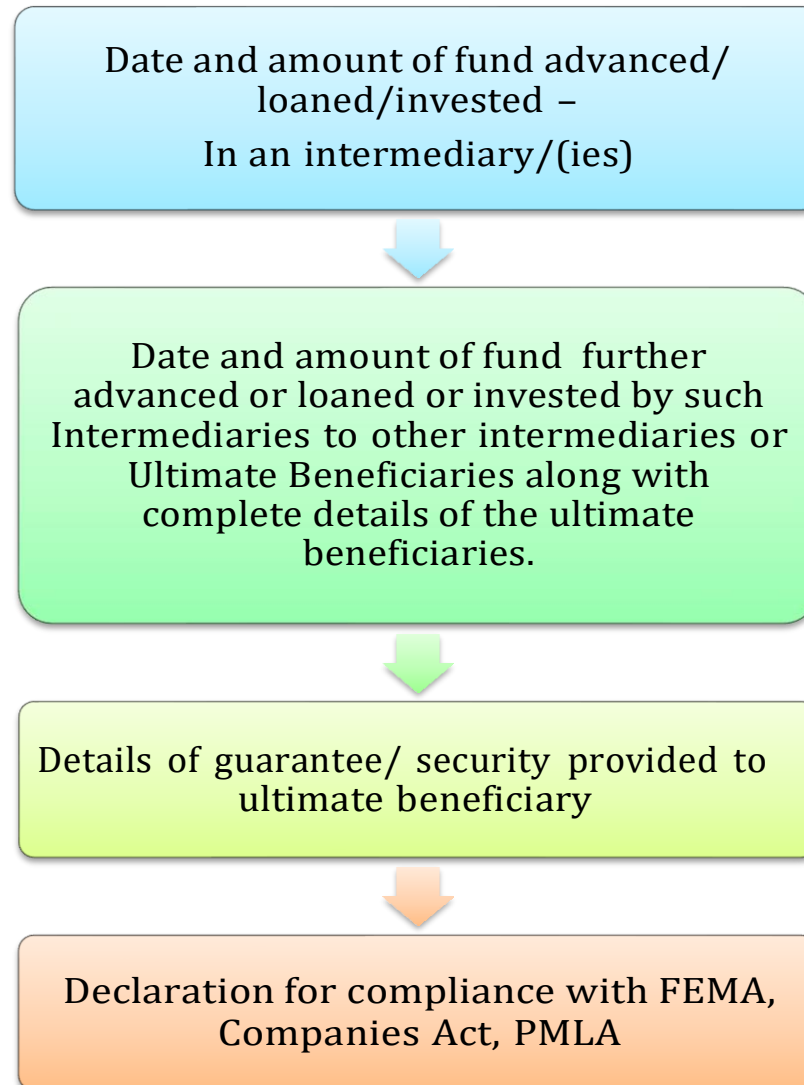
## **Utilisation of money raised through an IPO and private placement of shares and debentures**

- The auditors have to report whether money raised by way of an IPO or FPO (including debt instruments) or preferential allotment / private placements of shares / debentures during the year were applied for the purposes for which those are raised.
- If not, then the auditors should furnish the details together with delays or default and subsequent rectification, if any, as may be applicable.

# Loans or advances in the nature of loans : Evergreening

CARO 2020 introduces a new reporting requirement in respect of a loan or an advance in the nature of loan granted which has fallen due during the year and has been renewed or extended or fresh loans granted to settle the overdues of existing loans given to the same parties i.e., identification of instances of **‘evergreening’** of loans/advances in the nature of loans.

# Company has advanced or loaned or invested funds – Disclosure:



# Reporting of Cash Losses

## CARO 2003

- CARO 2003 contained reporting for the amount of cash losses incurred by the Company in
- a) the current year and
- b) the immediately preceding year.

## CARO 2016

- No such provision for reporting cash losses

## CARO 2020

- CARO 2020 reintroduced reporting of cash losses as mentioned above in CARO 2003
- Term 'cash loss' is not defined.
- Standard Non cash items e.g. depreciation, amortization, fair value changes, exchange fluctuation, deferred tax, etc are to be considered

# Fraud Reporting

## All types of frauds are to be reported

Frauds by the Company or on the Company **by any person** are to be reported

Earlier fraud on the company was restricted to **frauds by employees.**

## Filing of form for reporting of fraud

Prescribed form is to be filed by the Statutory auditor, Company Secretary

## Whistle Blower

Whether the auditor has considered whistle blower complaints, if any, received during the year by the company.

# Reporting on Internal Audit System

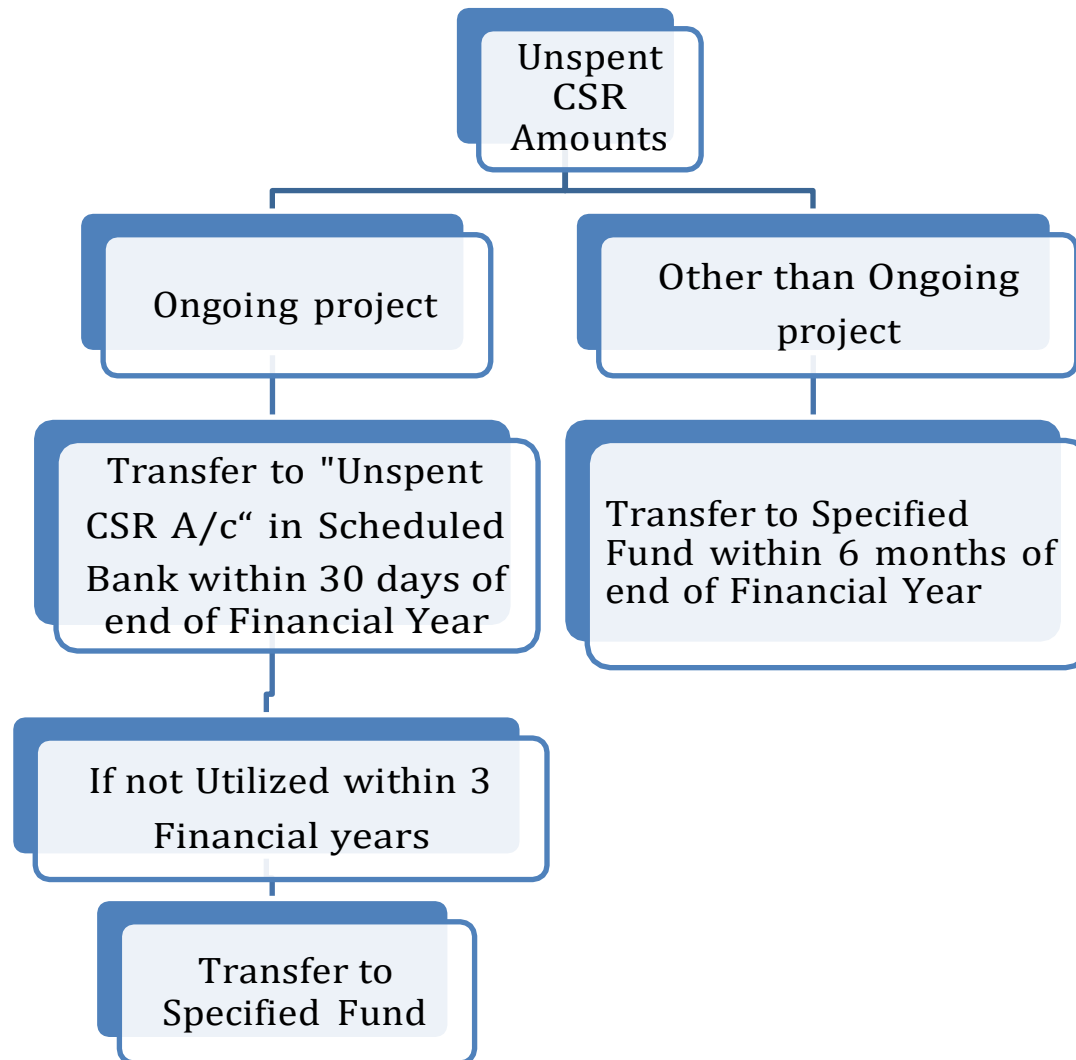
## Auditors Report

whether the company has an internal audit system commensurate with the size and nature of its business

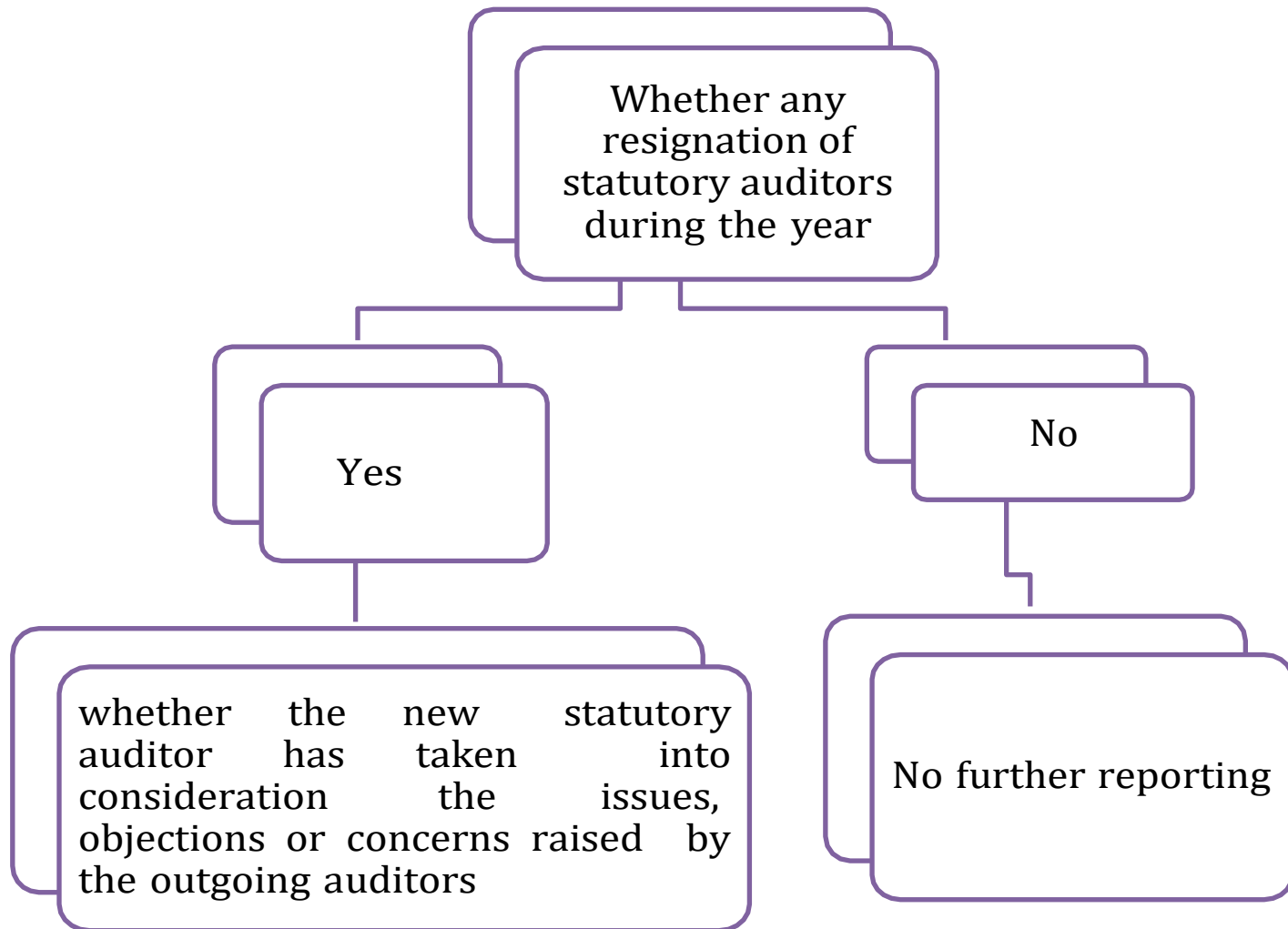
whether the reports of the Internal Auditors for the period under audit were considered by the statutory auditor



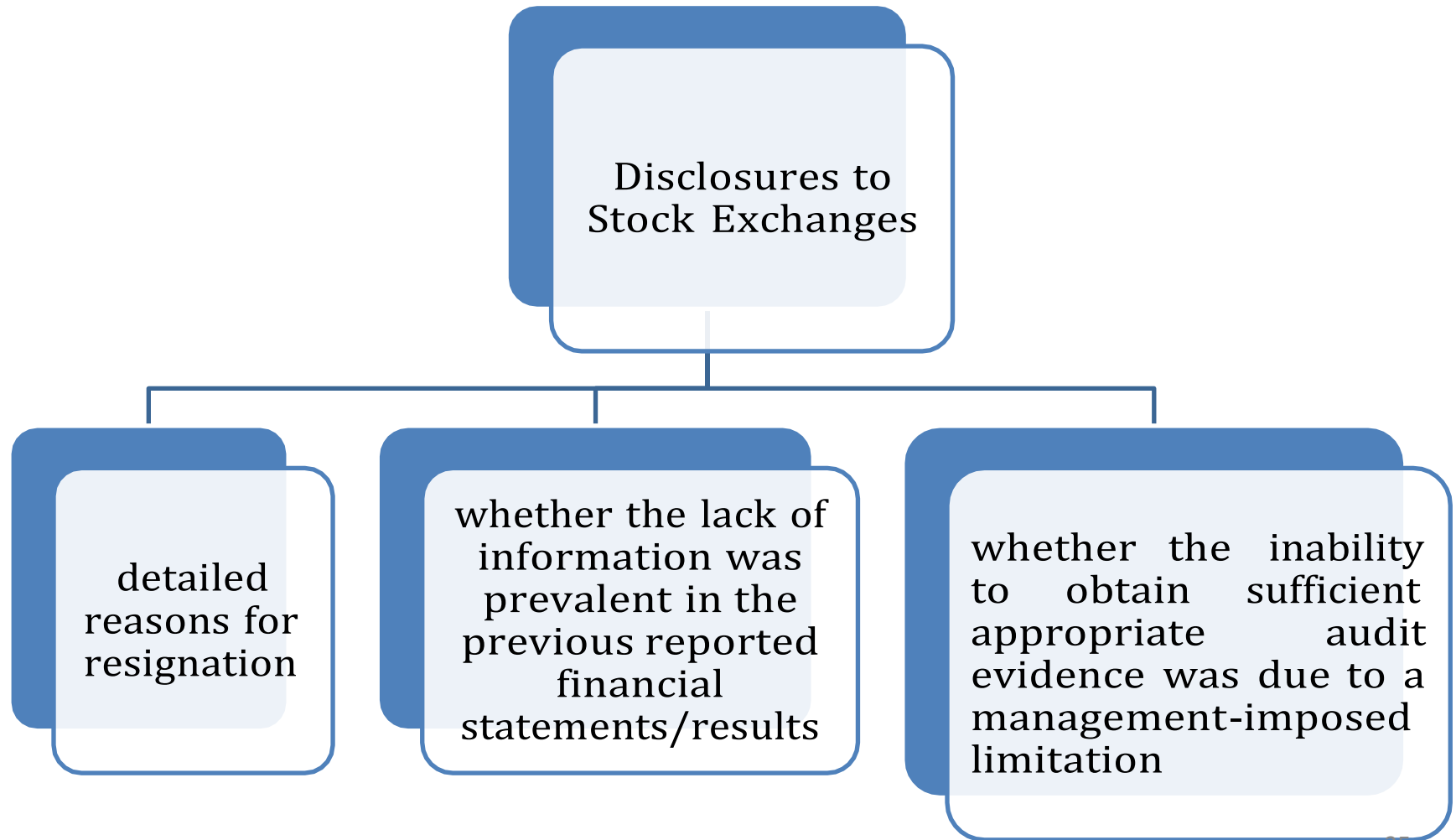
# CSR : Auditors now have to report on unspent CSR



# Resignation of Statutory Auditors



# Resignation of Statutory Auditors ( Additional Requirement for Listed Companies )



# Material Uncertainty

Another newly introduced reporting requirement under CARO 2020 requires an auditor to comment whether there is **any material uncertainty as to the repayment of its current liabilities on the balance sheet date.**

# CARO Report for Consolidated Financial Statements (CFS)

Existing Regulation	Amended Regulation
CARO report is at present not required to be given for consolidated financial statements. It is required only for standalone financial statements.	An auditor is now required to state in its CARO report details of qualifications or adverse remarks by the respective auditors of subsidiaries.

# Unrecorded income disclosed in tax assessments

CARO 2020 has introduced a new reporting requirement wherein an auditor should report on whether there are any transactions which have not been recorded in the books of account of a company but have been surrendered or disclosed as income during the year in the tax assessments under the IT Act.

If yes, then an auditor would also need to report whether the previously unrecorded income has been properly recorded in the books of account during the year.

# Property, Plant and Equipment and Intangible Assets

Companies now have to maintain records of intangible assets.

Additional auditor's reporting on disclosure of new/pending proceedings against the Company in respect of benami properties held by the Company in the financial statements.

An auditor is required to report on whether the title deeds of all the immovable properties are held in the name of the company.

Thank you