



New Obligations for Companies in India

(Applicable for Financial Statements as on 31st March, 2022)

(A) Applicable from 01st April, 2021

(For the financial year ending on 31st March, 2022)

1. Amendments for the preparation of Financial Statements (Schedule III)

- (i) 'Disclosure' for the shareholding of the promoters
- (ii) Trade 'Payables' in the following ageing :-
 - (a) From 0 to 1 Year
 - (b) From 1 to 2 Year
 - (c) From 2 to 3 Year
 - (d) From 3 to Infinite years
- (iii) 'Reconciliation' of the gross and net (WDV) carrying amounts of each class of the assets
- (iv) Trade 'Receivables' in following ageing :-
 - (a) From 0 to 1 Year
 - (b) From 1 to 2 Year
 - (c) From 2 to 3 Year
 - (d) From 3 to Infinite years
- (v) 'Disclosure' for title deed of the Immovable Property 'not' held in name of the Company.
- (vi) 'Disclosure' for revaluation of the fixed assets and Capital Work in Progress (CWIP) age wise.
- (vii) 'Disclosure' for Loans or Advances as granted to the promoters, directors,

KMPs and other related parties.

- (viii) 'Disclosure' for the proceedings initiated or still pending under the Benami Transactions (Prohibition) Act, 1988 for the Benami Properties.
- (ix) 'Reconciliation' between the quarterly/monthly statements of the stock as per books and submitted to the bank. And also to give the reasons for the material discrepancies.
- (x) 'Disclosure' for declaring willful defaulter by a bank or financial Institution
- (xi) 'Disclosure' for the relationship with any struck off company.
- (xii) 'Disclosure' for pending registration of charges or pending satisfaction with Registrar of Companies (ROC) beyond statutory limits.
- (xiii) 'Disclosure' for compliances under the layer of companies.
- (xiv) 'Disclosure' for the following 11 Ratios:-
 - (a) Current Ratio
 - (b) Debt-Equity Ratio
 - (c) Debt Service Coverage Ratio
 - (d) Return on Equity Ratio
 - (e) Inventory turnover ratio
 - (f) Trade Receivables turnover ratio
 - (g) Trade payables turnover ratio
 - (h) Net capital turnover ratio
 - (i) Net profit ratio
 - (j) Return on Capital employed
 - (k) Return on investment
- (xv) 'Disclosure' for the compliance with approved Scheme(s) of the arrangements and deviation in accounting standard if any.
- (xvi) 'Disclosure' for the utilization of the borrowed funds and share premium.
- (xvii) 'Disclosure' for the transaction as 'not' recorded in the books accounts but has been surrendered or disclosed as income in the tax assessments.

- (xviii) 'Disclosure' for the Corporate Social Responsibility (CSR)
- (xix) 'Disclosure' for the Crypto Currency or Virtual Currency used by the company.
- (xx) 'Rounding' of the figures in the financial statement is now mandatory and also is to be based on the 'total income' in place of 'total turnover'.
- (xxi) 'Disclosure' for the current maturities (within 12 months) against the long term borrowings.
- (xxii) 'Disclosure' for the security deposits (given) is to be made under the head 'other non-current assets' in place of long term loans and advances
- (xxiii) 'Disclosure' for the utilization against borrowed funds 'other than' for the purpose it was borrowed.
- (xxiv) 'Disclosure' for the revaluation of the Property Plant and Equipments (PPE) by the register valuer.
- (xxv) 'Disclosure' for the intangible assets under the development age wise.
- (xxvi) 'Disclosure' for the borrowed funds for the purpose of further lending, investment, guaranty or security to the third parties.
- (xxvii) These amendments are applicable from 01st April, 2021. Hence these are applicable for the financial statements for the year ending 31st March, 2022.
 - Notification dated 24th March 2021.

2. Applicability of the CARO 2020

- (i) CARO 2020 is having 21 clauses where CARO 2016 is having 16 clauses.
- (ii) CARO 2020 is having 7 'new' clauses, where 1 clause of CARO 2016 is deleted and 1 clause of CARO 2016 is merged. Hence 16 'old' clauses + 7 'new' clauses - 1 'old' clause is deleted - 1 'old' clause is merged = 21 'new' clauses
- (iii) CARO 2020 is applicable from 01st April, 2021. Hence this is applicable for the financial statements for the year ending 31st March, 2022 • Order dated 25th February 2020.

3. Amendments for Auditor's Report

- Other Matters to be Included in Auditors Report, where 'old' clause (d) is to be deleted and 'New' Clause (e), (f) and (g) are inserted.

Clause (e)

- (i) Whether the management has represented that, to the best of its knowledge and belief, other than as disclosed in the notes to the accounts, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the company to or in any other person(s) or entity(ies), including foreign entities 'Intermediaries', with the understanding, whether recorded in writing or otherwise, **that the Intermediary shall, whether, 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 on behalf of the Ultimate Beneficiaries;
- (ii) Whether the management has represented, that, to the best of its knowledge and belief, other than as disclosed in the notes to the accounts, no funds have been received by the company from any person(s) or entity(ies), including foreign entities 'Funding Parties', with the understanding, whether recorded in writing or otherwise, that the company shall, whether, 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 provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and

Note:

- Auditor have to check the details in notes to account and take a representation from director about such clause and check all the transaction of Company in respect of loan and advance received by company & their respective documents.
- (iii) Based on such audit procedures that the auditor has considered reasonable and appropriate in the circumstances, nothing has come to their notice that has

caused them to believe that the representations under sub-clause (i) and (ii) contain any material misstatement.

Clause (f)

- Whether the dividend declared or paid during the year by the company is in compliance with section 123 of the Companies Act, 2013.
- **These amendments are applicable from 01st April, 2021. Hence these are applicable for the financial statements for the year ending 31st March, 2022 • Notification dated 24th March 2021.**

4. Amendments in definition of Small company

- (i) 'Small' Company is to include a 'private' limited company where paid up capital is 'not' exceeding crore or turnover is 'not' exceeding 20 crore.
- (ii) 'Small' Company is 'not' to include a 'public' limited company. Hence public limited company is 'not' treated as a small company beside paid up capital is 'not' exceeding 2 crore or turnover is 'not' exceeding 20 crore.

These amendments are applicable from 01st April, 2021. Hence these are applicable for the financial statements for the year ending 31st March, 2022 • Notification dated 5th March 2021.

5. Amendments for One Person Company (OPC)

- (i) **Now** Non Resident Indians (NRIs) are permitted to incorporate the OPC's in India
- (ii) **Now** it's 'not' mandatory to convert OPC into 'Non' OPC beside increase in any size of quantum of turnover
- (iii) **Now** OPC is permitted to convert into 'Non' OPC without any 'transition' period.
- (iv) **These amendments are applicable from 01st April, 2021. Hence these are applicable for the financial statements for the year ending 31st March, 2022 • Notification dated 5th March 2021.**

6. Amendments in definition for the 'Listed' companies

Now following companies shall 'not' be treated as a Public 'Listed' Company

- (i) A Public limited company which is 'not listed' the 'equity' shares on a recognized stock exchange 'but' listed the following securities/shares.
 - (a) Where already has listed the non-convertible debt 'securities' issued on private placement basis in terms of SEBI (Issue and Listing of Debt Securities) Regulations, 2008; or
 - (b) Where already has listed the non-convertible redeemable preference 'shares' issued on private placement basis in terms of SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013; or
 - (c) Both categories of (a) and (b) above.
- (ii) Where a 'Private' limited company has already listed the non-convertible debt 'securities' on private placement basis on a recognized stock exchange in terms of SEBI (Issue and Listing of Debt Securities) Regulations, 2008;
- (iii) Where a 'Public' limited company has 'not listed' the equity shares on a recognized stock exchange 'but' whose equity shares are listed on a stock exchange in a jurisdiction as 'specified' in sub-section (3) of section 23 of the Act.'
- (iv) **These amendments are applicable from 01st April, 2021. Hence these are applicable for the financial year ending on 31st March, 2022 • Notification dated 18th March 2021.**

7. Amendments for Director's Report

- (i) 'Disclosure' about the application as made or any proceeding is pending under the Insolvency and Bankruptcy Code (IBC), 2016 during the year along with their status as at the end of the financial year.
- (ii) 'Disclosure' about the difference between the amounts of the valuation executed at the time of one time settlement and the valuation done while taking loan from the Banks or Financial Institutions along with the reasons thereof.
- (iii) 'Disclosure' about annual report on CSR activity if any
- (iv) **These amendments are applicable from 01st April, 2021. Hence these are applicable for the financial year ending on 31st March, 2022 • Notification dated 24th March 2021.**

8. Amendments for CSR activities

- (i) Now the following entities are required to have unique CSR registration number
 - (a) Registered Public Trust
 - (b) Registered Society
 - (c) Section 8 Company under the Companies Act, 2013
- (ii) **Unique CSR Registration Number**

Any abovementioned entity if intends to undertake any CSR activity is required to register itself by filing the e-form CSR-1 with the ROC to obtain Unique CSR Registration Number.
- (iii) **This amendment is applicable from 01st April, 2021. Hence these are applicable for the financial statements for the year ending 31st March, 2022 • Circular No 09/20 dated 05th May, 2021**

9. Amendments for Gap between two Board of Directors (BODs) Meetings

- (i) **Now** gap between two BODs meetings is permitted 'up to **180** days' instead of **120** days
- (ii) This amendment is permitted for **2** quarterly BODs meetings like **June 2021** and **Sep 2021** quarters meeting 'only' • **Circular No 08/20** dated **03rd May, 2021**

10. Amendments for Holding of Extraordinary General Meeting (EGM) through Video Conferencing (Virtual) or Other Audio Visual Means (OAVM) or through postal ballot

• **Now** EGM can be held through

- (i) Video conferencing modes vide circular number **10/2021** dated **23rd June, 2021** and it's further applicable from **01st July, 2021**
- (ii) This amendment is permitted up to **31st December, 2021** which was earlier permitted up to **30th June, 2021** • **Circular No 10/2021** dated **23rd June, 2021**

11. Amendments for holding of Board of Directors meeting through video conferencing (virtual) mode for the followings agenda (items)

- (i) Approval for the Annual Financial Statements
- (ii) Approval for the Board of Directors report
- (iii) Approval for the Prospectus
- (iv) Approval for the matter relating to the followings:-
 - (a) Amalgamation
 - (b) Merger
 - (c) Demerger
 - (d) Acquisition
 - (e) Takeover

(v) Audit committee meetings for consideration of the financial statements which are subsequently to be approved by the Board of Directors. • Notification 409(E) dated 15th June 2021

- MCA has extended relaxed for timeline till 31st December 2021 for companies to conduct Extraordinary General Meeting (EGM) through Video conferencing (VC) or Other Audio Visual Means (OAVM) or transact items through postal ballot • Circular dated 23rd June 2021.

12. Amendments for relaxations for appointment of Independent Director's

(i) 'Definition' of the Independent Directors is to include a director but who is not a Managing Director, whole time director or nominee director.

(ii) 'Relaxations' as notified by the MCA

(a) **Now** an individual is permitted to be appointed as an Independent Director in a company 'before' inclusion' of his/her name in data bank as maintained by the MCA against payment of a fee of Rs. 1000

(b) **Now** an independent director is also permitted to renew the registration with the data bank as maintained by the MCA against payment of a fee of Rs. 1000 beside delay is more than 30 days

- MCA has notified for relaxations regarding Independent Director's appointment, • Notification 418(E) dated 18th June 2021.

13. Amendments for Registration under the Shop and Establishment Act along with other registration at the time of incorporation of new company with the ROC

(i) **Now** 'additional' registration under the Shop and Establishment Act is also permitted at the time of incorporation of New company with the ROC along with other following registrations:-

- (a) GST Identification Number (GSTIN)
- (b) Employees State Insurance Corporation (ESIC)
- (c) Employees Provident Fund Organization (EPFO)
- (d) Professional Tax
- (e) Bank Account opening
 - Notification 392(E) dated 7th June 2021.

14. Amendments in Indian Accounting Standards (Ind AS) for aligning with the International Financial Reporting Standards (IFRS)

- (i) Followings amendments are made in the Ind AS
 - (a) **Ind AS 101 – Presentation of Financial Statements**

Now the term ‘Financial Asset’ is to be replaced with ‘Financial instrument’ under the head ‘classification and Measurement of Financial Asset’
 - (b) **Ind AS 102 – Share Based Payment**

Now changes are made under the conceptual frame work of financial reporting for the defining the term ‘Equity Instrument’
 - (c) **Ind AS 107 – Financial Instruments, Recognition , Presentation and Disclosure**

Now following ‘additional’ disclosures are required in the financial statements for interest rate benchmark reform

 - (ca) nature and extent of risk is exposed from financial instruments due to interest rate benchmark reform
 - (cb) Progress for completing the transition for alternative benchmark rates and also to state that how company is managing the transition
 - (d) **Ind AS 109 – Financial Instruments**

Now 'introduced the practical method for assessment of contractual cash flow test to measure a financial asset 'amortized' cost for the changes in the financial assets due to interest rate benchmark reform

(e) **Ind AS 116- Lease**

Now benefit relating to 'rent concession' to the lessees is to be recognized as income instead of lease rent **up to June 2022** instead of up to **June 2021**

MCA has highlighted the new Companies (Indian Accounting Standard) Amendment Rules, 2021 • Notification dated 18th June

15. Launching of New MCA website known as MCA 21 V3 Version

- **Now** MCA has launched a 'new website' for enabling the business community to register a company and also to file statutory documents quickly and easily. • **Navigate features of the new website**

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(B) Applicable from 01st April, 2022

(For the financial year ending on 31st March, 2023)

1. Amendment for use of Accounting Software having Audit Trail

- **Now** all companies are 'mandatory' required to use accounting software having audit trail of each transaction besides the original transactions were rectified or deleted. This requirement is applicable from **01st April, 2021**. ● **Notification dated 1st April 2021**

2. Amendments for Auditor's Report

- Other Matters to be Included in Auditors Report, where 'old' clause (d) is to be deleted and 'New' Clause (e), (f) and (g) are inserted.

Clause (g)

- Whether the company has used such accounting software for maintaining its books of account which has a feature of recording audit trail (edit log) facility and the same has been operated throughout the year for all transactions recorded in the software and the audit trail feature has not been tampered with and the audit trail has been preserved by the company as per the statutory requirements for record retention.
- **These amendments are applicable commencing from 01st April, 2022 for the financial year ending 31st March, 2023** ● **Notification dated 24th March 2021**.

3. Amendments for Director's Report

- (i) 'Disclosure' about the uses of accounting software for maintaining its books of account. This accounting software should have the following features:-
 - (a) Able to record the audit trail of each and every transaction,

- (b) Able to create and edit log of each change made in books of account along with the date when such changes were made
 - (c) Able to ensure that the audit trail cannot be disabled.
 - (d) Able to audit by the statutory auditor to trace every step of the financial data of a particular transaction right from the general ledger to its source document with the help of the audit trail.
- (ii) 'Disclosure' about annual report on CSR activity if any
- (iii) **These amendments are applicable commencing from 01st April, 2022 for the financial year ending 31st March, 2023 • Notification dated 24th March 2021.**

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March - 2022