Financial Reporting Implications of Schedule III Amendments

MCA Amendments to Schedule III – Key Financial Statement Disclosure Requirements

The Ministry of Corporate Affairs (MCA) has introduced significant amendments to **Schedule III of the Companies Act, 2013**, enhancing financial statement disclosures and aligning reporting requirements with **CARO 2020**. These amendments apply across all three divisions of Schedule III and aim to improve transparency, governance, and stakeholder reporting.

Key Changes Introduced

1. Mandatory Rounding-Off of Financial Statements

- Rounding off figures is now mandatory.
- The criteria are based on **total income** instead of turnover.

2. Promoters' Shareholding Disclosure

- Companies must disclose promoter shareholding details, including changes during the financial year.

3. Current Maturities of Long-Term Borrowings

- Current maturities of long-term debt must now be presented under **Short-Term Borrowings** rather than Other Current Liabilities.

4. Ageing Analysis of Trade Receivables and Trade Payables

Companies are required to provide detailed ageing schedules for:

- **Trade Receivables** (less than 6 months to more than 3 years)
- **Trade Payables** (less than 1 year to more than 3 years)
- Separate disclosures for MSMEs, disputed dues, and doubtful receivables.

5. Enhanced Property, Plant & Equipment (PPE) Disclosures

- Details of immovable properties whose title deeds are not held in the company's name.
- Disclosure of whether revaluation of PPE or intangible assets was performed by a **registered valuer**.

- Ageing schedules for:
    - Capital Work-in-Progress (CWIP)
    - Intangible Assets Under Development

6. Borrowings and Fund Utilization

Companies must disclose:

- Instances where borrowings were not used for their intended purpose.
- Details of funds advanced, loaned, or invested in other entities.
- Details of funds received from other entities and their ultimate utilization.

7. Loans to Promoters, KMPs and Related Parties

Specific disclosure is required for loans or advances granted to promoters, Key Managerial Personnel (KMPs), and related parties.

8. Benami Property Proceedings

Companies must disclose details of any proceedings initiated or pending under the **Benami Transactions (Prohibition) Act**.

9. Additional Regulatory Disclosures

Mandatory reporting on:

- Willful defaulter status.
- Transactions with struck-off companies.
- Charges pending registration with ROC.
- Compliance with restrictions on layers of subsidiaries.

10. Mandatory Financial Ratios

Companies must disclose key financial ratios along with explanations for significant changes, including:

- Current Ratio
- Debt-Equity Ratio
- Debt Service Coverage Ratio
- Return on Equity
- Inventory Turnover Ratio
- Trade Receivable & Payable Turnover Ratios

- Net Capital Turnover Ratio
- Net Profit Ratio
- Return on Capital Employed
- Return on Investment

11. Corporate Social Responsibility (CSR) Disclosures

Eligible companies must disclose:

- CSR obligation and expenditure.
- Unspent amounts and reasons.
- Previous year shortfalls.
- Nature of CSR activities.
- Related party transactions relating to CSR.
- Movement of CSR-related provisions.

12. Cryptocurrency and Virtual Currency Reporting

Companies dealing in crypto assets must disclose:

- Profit or loss from crypto transactions.
- Holdings as at the reporting date.
- Deposits or advances received for crypto-related activities.

Conclusion

The amended Schedule III significantly strengthens corporate financial reporting by introducing detailed disclosures relating to receivables, payables, borrowings, related party transactions, CSR, regulatory compliance, and emerging areas such as cryptocurrency investments. These changes enhance transparency, improve stakeholder confidence, and align company financial reporting with contemporary audit and regulatory requirements.