Seminar on Audit of Corporate Financial Statements

August 01, 2026

❄

Overview of Financial Statements
&
Schedule III

Organised & Hosted by
Nagpur Branch of WIRC of ICAI

CA Dhananjay J. Gokhale

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Agenda

- Companies Act, 2013
- Financial Reporting Framework
- Small Company / SMCs
- New Labour Code
- Common Oversights

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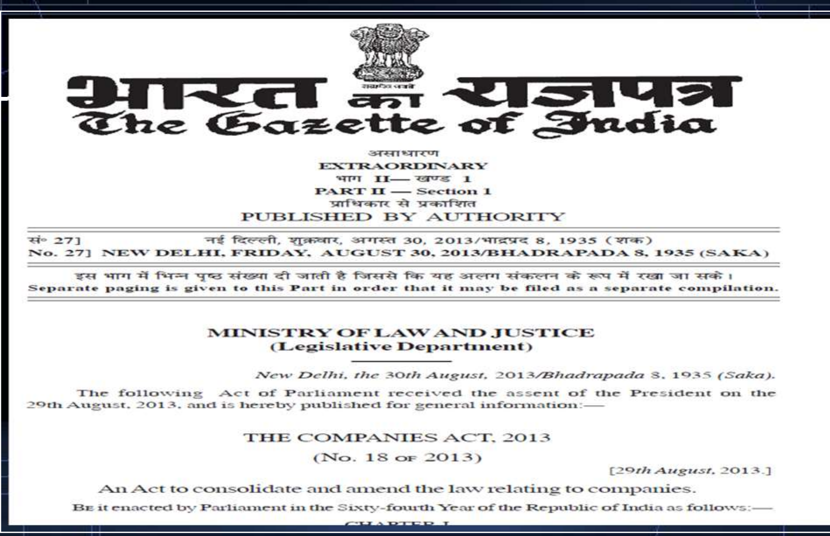
Companies Act, 2013



भारत का राजपत्र
The Gazette of India

असाधारण
EXTRAORDINARY
भाग II— खण्ड 1
PART II — Section 1
प्राधिकार से प्रकाशित
PUBLISHED BY AUTHORITY

सं॰ 27] नई दिल्ली, शुक्रवार, अगस्त 30, 2013/भाद्रपद 8, 1935 (शक)
No. 27] NEW DELHI, FRIDAY, AUGUST 30, 2013/BHADRAPADA 8, 1935 (SAKA)

इस भाग में भिन्न पृष्ठ संख्या दी जाती है जिससे कि यह अलग संकलन के रूप में रखा जा सके।
Separate paging is given to this Part in order that it may be filed as a separate compilation.

MINISTRY OF LAW AND JUSTICE
(Legislative Department)

New Delhi, the 30th August, 2013/Bhadrapada 8, 1935 (Saka).

The following Act of Parliament received the assent of the President on the 29th August, 2013, and is hereby published for general information:—

THE COMPANIES ACT, 2013
(No. 18 OF 2013)

[*29th August*, 2013.]

An Act to consolidate and amend the law relating to companies.

BE it enacted by Parliament in the Sixty-fourth Year of the Republic of India as follows:—

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Companies Act, 2013

Types of Companies

A] Small Companies

B] One Person Companies (OPCs)

C] Dormant Companies

D] Private Limited Companies

E] Public Limited Companies

F] Listed Companies

G] Section 8 Companies

Companies Act, 2013

Financial Framework u/s. 133 – Schedule III

A] Balance Sheet (*Balance Sheet as at dd-mmm-yyyy)*

B] Profit and Loss Account *(Statement of Profit & Loss Account for the year ended dd-mmm-yyyy)*

C] Cash Flow Statement *(for the year ended dd-mmm-yyyy)*

D] Notes on Account
(i) 'Significant' Accounting Policies
(ii) Notes forming part of FS (includes disclosures)

Companies Act, 2013

Rounding off	
Total Income	Round off to nearest, or decimals thereof
Upto Rs. 100 Crores	Hundreds Thousands Lakhs Millions
More than Rs. 100 Crores	Lakhs Millions Crores

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Companies Act, 2013

Financial Framework u/s. 133 – Schedule III

A] Division I : Non Ind-AS Companies

B] Division II : Ind-AS Companies

C] Division III : NBFCs

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Companies Act, 2013

Basic differences in Division I & II	
Division I (Non-Ind AS)	Division II (Ind AS)
Liabilities first	Assets first
Assets & Liabilities are bifurcated as current & non-current	Assets & Liabilities additionally bifurcated as financial & non-financial
No disclosure of Other Comprehensive Income (OCI)	Disclosure of Other Comprehensive Income (OCI)

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Balance Sheet of Division I

(Amounts in '000 in Indian rupees)

Particulars	Note	As at 31.03.2025	As at 31.03.2024
I. Equity and Liabilities			
1) Shareholder's Funds			
(a) Share capital	4	100	100
(b) Reserves and surplus	5	(514)	(1,088)
(c) Money received against share warrants		-	-
2) Share Application Money Pending Allotment		-	-
3) Non-Current Liabilities			
Long term borrowings	6	12,690	14,530
Deferred tax Liabilities (net)		-	-
Other long term liabilities		-	-
Long term provisions		-	-
4) Current Liabilities			
(a) Short term borrowings		-	-
(b) Trade payables			
(A) Total Outstanding dues of mircro enterprises and small enterprises		-	-
(B) Total Outstanding dues of other than mircro enterprises and small enterprises		-	-
(c) Other current liabilities	7	364	324
(d) Short term provisions	8	370	365
Total		13,010	14,232
II. Assets			
1) Non-Current Assets			
(a) Property, Plant and Equipment and Intangible Assets			
(i) Property, Plant and Equipment	9	12,536	13,154
(ii) Intangible assets		-	-
(iii) Capital work- in- progress		-	-
(iv) Intangible Assets under development		-	-
		12,536	13,154
(b) Non current investments		-	-
(c) Deferred Tax Assets (Net)	10	7	5
(d) Long term loans and advances		-	-
(e) Other non current assets	11	15	11
2) Current Assets			
(a) Current Investments		-	-
(b) Inventories		-	-
(c) Trade receivables	12	97	646
(d) Cash and cash equivalents	13	82	102
(e) Short term loans and advances		-	-
(f) Other current assets	14	273	313
		452	1,062
Total		13,010	14,232

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Balance Sheet of Division II

(₹ in crores)

Particulars	Notes	As at March 31, 2025	As at March 31, 2024
I. ASSETS			
(1) NON-CURRENT ASSETS			
(a) Property, plant and equipment	3 (b)	11,551	11,564
(b) Capital work-in-progress	3 (d)	683	645
(c) Right of use assets	4 (b)	637	427
(d) Other intangible assets	5 (b)	1,927	2,354
(e) Intangible assets under development	5 (c)	1,141	589
(f) Financial assets:			
(i) Investments in subsidiaries, joint ventures and associates	6	29,718	28,729
(ii) Other investments	7	1,709	1,586
(iii) Loans	9	255	102
(iv) Other financial assets	11	1,472	1,830
(g) Deferred tax assets (net)	28	-	1,559
(h) Non-current tax assets (net)		908	1,008
(i) Other non-current assets	13	519	483
		50,520	**50,876**
(2) CURRENT ASSETS			
(a) Inventories	15 (b)	3,154	3,470
(b) Financial assets:			
(i) Investments	8	2,857	1,994
(ii) Trade receivables	16	2,280	2,765
(iii) Cash and cash equivalents	18 (b)	387	3,345
(iv) Bank balances other than (iii) above	19	1,214	1,806
(v) Loans	10	3,060	132
(vi) Other financial assets	12	1,022	548
(c) Current tax assets (net)		-	12
(d) Other current assets	14	926	1,099
		14,900	**15,171**
(3) Assets classified as held-for-sale	3 (c)	-	37
TOTAL ASSETS		**65,420**	**66,084**
II. EQUITY AND LIABILITIES			
EQUITY			
(a) Equity share capital	20	736	767
(b) Other equity		32,706	29,376
		33,442	**30,143**
LIABILITIES			
(1) NON-CURRENT LIABILITIES			
(a) Financial liabilities:			
(i) Borrowings	22	3,626	5,236
(ii) Lease liabilities		270	296
(iii) Other financial liabilities	25	160	253
(b) Provisions	27 (b)	2,222	1,937
(c) Deferred tax liabilities (net)	28	404	50
(d) Other non-current liabilities	29	872	843
		7,554	**8,615**
(2) CURRENT LIABILITIES			
(a) Financial liabilities:			
(i) Borrowings	23	4,982	8,535
(ii) Lease liabilities		128	123
(iii) Trade payables	24		
(a) Total outstanding dues of micro and small enterprises		154	190
(b) Total outstanding dues of creditors other than micro and small enterprises		10,452	8,637
(c) Acceptances		2,661	4,508
(iv) Other financial liabilities	26	1,088	1,146
(b) Other current liabilities	30	2,800	2,979
(c) Provisions	27(c)	2,135	1,134
(d) Current tax liabilities (net)		24	74
		24,424	**27,326**
TOTAL EQUITY AND LIABILITIES		**65,420**	**66,084**

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Companies Act, 2013

<table>
<tr><th colspan="6">Revised Criteria for Small Company (w.e.f. 01.Dec.25)</th></tr>
<tr><td colspan="2">Criteria</td><td colspan="2">Earlier</td><td colspan="2">Revised</td></tr>
<tr><td colspan="2">Paid up share capital</td><td colspan="2">Rs. 4 Crores</td><td colspan="2">Rs. 10 Crores</td></tr>
<tr><td colspan="6">AND</td></tr>
<tr><td colspan="2">Turnover</td><td colspan="2">Rs. 40 Crores</td><td colspan="2">Rs. 100 Crores</td></tr>
<tr><td colspan="3">Benefits (Also for OPCs)</td><td colspan="3">Non-applicability</td></tr>
<tr><td colspan="3">➢ Exemption from CARO
➢ Only two Board meetings per year
➢ Cash Flow Statement not required
➢ IFCoFR Reporting not applicable
➢ Rotation of Auditors not required</td><td colspan="3">➢ Public Companies
➢ Holding / Subsidiary Companies
➢ Section 8 Companies
➢ Companies covered under special Act (Insurance / Banking, etc.)</td></tr>
</table>

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Companies Act, 2013

Definition of SMCs

- Equity / Debt Securities not listed / not in the process of listing on any stock exchange within or outside India
- Not a bank / insurance company / Fis
- Turnover < Rs. 250 Crores
- Borrowing including Public Deposits < Rs. 50 crores at anytime during immediately preceding accounting year
- Not a holding or subsidiary of a company which is not a SMC

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Companies Act, 2013

Benefits of being SMCs – AS not applicable

AS 3	Cash Flow Statement
AS 17	Segment Reporting
AS 24	Discontinued Operations
AS 18	Related Party Disclosures
AS 28	Impairment of Assets

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Companies Act, 2013

Benefits of being SMCs – Relaxation in AS	
AS 10	PPE
AS 11	Effect of changes in Fx Rates
AS 15	Employee Benefits
AS 19	Leases
AS 22	Income Tax
AS 26	Intangible
AS 28	Impairment of Asset
AS 29	Provisions

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Companies Act, 2013

CFS – Consolidated Financial Statements

- Applicable to a company which has one or more subsidiary
- CFS would be required to be prepared
- FS would be required to be prepared by subsidiaries as are applicable to Holding Company (e.g.: Ind-AS applicable to holding, then subsidiaries to comply with Ind-AS)

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Companies Act, 2013

MSME Definition (w.e.f. 01.Apr.2025) [In Crores]				
Type	Investment in PPE		Turnover	
	Old	**Revised**	Old	**Revised**
Micro	1	**2.50**	5	**10**
Small	10	**25**	50	**100**
Medium	50	**125**	250	**500**

Companies Act, 2013

MSME Form 1 (Revised)

- Half-yearly Mandatory Return (*within 30 days to be filed*)
- Payment crosses threshold of 15 / 45 days for Micro / Small
- Auditor’s perspective
  - Test procedure of identification of Micro / Small vendors
  - Provision for mandatory interest (3 times RBI Bank Rate)
  - Disclosure as per Schedule III
  - Disallowance u/s. 43B(h) under Income Tax Act

Companies Act, 2013

Applicability of new Labour Code – Highlights

- Basic pay @ 50% of CTC
- Assess impact on PF Compliance
- Assess impact on Gratuity Calculations
- Assess impact on Leave Encashment Calculations
- Consider disclosure in notes on accounts
- Refer ICAI 'Guidance on New Labour Code'

Common Errors noticed in FS

Schedule III / Disclosures

- Format of BS / PL / CF Statement
- Non-disclosure of ageing / Secured Unsecured
- Dues from / Transactions with directors not disclosed
- Share Application money shown as part of Shareholders' fund
- Cash-flow statement not tallying with BS figures (Cash & Cash equivalents)
- Rounded off figures consistency not maintained in FS and disclosures

Common Errors noticed in FS

Schedule III / Disclosures

- Title Deeds of immovable properties not held in companie's name
- Shareholding pattern of shareholders not correctly disclosed
- Formulas used for Ratios not disclosed
- Classification of short term and long term borrowings
- Related party disclosure
- Presentation of incorrect format of FS (Missing or combined line items)

Common Errors noticed in FS

Schedule III / Disclosures

- Disclosure of Components of DTA / DTL
- Combined figure of DTA / DTL and Tax provision
- Disclosure of Employee benefits and also applicability of Gratuity Act
- ESOPs benefits separate disclosure
- MSME Disclosure inadequate or incomplete
- Disclosure CSR

Common Errors noticed in FS

Schedule III / Disclosures

- Inventories (AS 2): FIFO . Weighted Average
- Change in Policy (WDV to SLM: Reasons)
- Revenue Recognition (AS 9): Hybrid system
- PPE (AS 10): Date of capitalisation
- Borrowing Costs (AS 16): Capitalisation
- Intangible Asset (AS 26): Goodwill / Software

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Common Errors noticed in FS

Schedule III / Disclosures

- Cross reference with Disclosures not matched
- Rounding off mismatches and inconsistencies
- Logical review of figures reported vis-à-vis understanding of the business of the auditee
- Auditees with Bank borrowings, end-use expected vis-à-vis actual end-use
- Concept of True and Fair view and illusion of the same
- Ambiguous terminologies not to be used

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Common Errors noticed in FS

Schedule III / Disclosures

- Possible round-tripping of funds
- Assessment of Going Concern
  - Geo-political scenario and effect thereof
  - Pandemic
- Sale of goods / Sale of Services not disclosed separately
- GST Liability / ITC disclosure in BS
- Disclosure of TDS / Gross Provision
- Payment to Auditors / Directors not disclosed separately

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Common Errors noticed in FS

Schedule III / Disclosures

- Disclosures of other entities (listed or otherwise) copy pasted without review thereof
- Accounting Policies do not cover all applicable AS
- Previous year's comparison & regrouping (note related thereto also to be reviewed)
- EPS: Basic and diluted both are required to be disclosed
- Who prepares financials and who prepares notes on accounts?

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Thank you !!!

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