

**MCA UPDATES ON ACCOUNTS RULES, AUDIT AND AUDITORS RULES  
AND SCHEDULE III OF COMPANIES ACT, 2013**

**1. COMPANIES (ACCOUNTS) AMENDMENT RULES, 2021**

Ministry of Corporate Affairs (MCA) has issued notification G.S.R. 205(E) dated 24<sup>th</sup> March, 2021 to further amend the Companies (Accounts) Rules, 2014.

These amended rules may be called the Companies (Accounts) Amendment Rules, 2021. They shall come into force on the 1<sup>st</sup> day of April, 2021.

For detailed notification, please refer the link: <http://egazette.nic.in/WriteReadData/2021/226081.pdf>

**AMENDMENTS IN COMPANIES (ACCOUNTS) RULES, 2014**

1. In Rule 3, in sub-rule (1), the following proviso shall be inserted, namely:

*“Provided that for the financial year commencing on or after the 1st day of April, 2021, every company which uses accounting software for maintaining its books of account, shall use only such accounting software which has a feature of recording audit trail of each and every transaction, creating an edit log of each change made in books of account along with the date when such changes were made and ensuring that the audit trail cannot be disabled.”*

MCA has issued notification G.S.R. 247(E) dated 1<sup>st</sup> April, 2021 to issue the Companies (Accounts) Second Amendment Rules, 2021 to further amend the Companies (Accounts) Rules, 2014. For detailed notification, please refer the link: <http://egazette.nic.in/WriteReadData/2021/226353.pdf>

**In the above proviso the figures, letters and words “1st day of April, 2021”, the figures, letters and words “1st day of April, 2022” shall be substituted.**

**Impact:** The above provision is applicable from 1st day of April, 2022 onwards.

2. In Rule 8, in sub-rule (5), after clause (x), the following clauses shall be inserted namely:-

*(xi) the details of application made or any proceeding pending under the Insolvency and Bankruptcy Code, 2016 (31 of 2016) during the year alongwith their status as at the end of the financial year.*

*(xii) the details of difference between amount of the valuation done 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.”*

**Impact:** Rule 8 relates to **“Matters to be included in Board’s Report”**. Now the companies are also required to give the above details in Board’s Report.

**2. COMPANIES (AUDIT AND AUDITORS) AMENDMENT RULES, 2021**

MCA has issued notification G.S.R. 206(E) dated 24<sup>th</sup> March, 2021 to further amend the Companies (Audit and Auditors) Rules, 2014.

These amended rules may be called the Companies (Audit and Auditors) Amendment Rules, 2021. They shall come into force on the 1<sup>st</sup> day of April, 2021.

For detailed notification, please refer the link:

[http://www.mca.gov.in/Ministry/pdf/AuditAuditorsAmendmentRules\\_24032021.pdf](http://www.mca.gov.in/Ministry/pdf/AuditAuditorsAmendmentRules_24032021.pdf)

**AMENDMENTS RULE 11 “TO OTHER MATTERS TO BE INCLUDED IN AUDITORS REPORT” OF COMPANIES (AUDIT AND AUDITORS) RULES, 2014**

3. In rule 11, clause (d) shall be omitted

**Impact:** Now, the auditors are not required to provide details of requisite disclosures in the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016.

4. In rule 11, after clause (d), the following clauses shall be inserted, namely:-

*“(e) (i) Whether the management has represented that, to the best of it’s 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 it’s 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*

*(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 mis-statement.*

*(f) Whether the dividend declared or paid during the year by the company is in compliance with section 123 of the Companies Act, 2013.*

*(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.”*

MCA has issued notification G.S.R. 248(E) dated 1<sup>st</sup> April, 2021 to issue the Companies (Audit and Auditors) Second Amendment Rules, 2021 to further amend the Companies (Audit and Auditors) Rules, 2014. For detailed notification, please refer the link: <http://egazette.nic.in/WriteReadData/2021/226354.pdf>

**In the above clause (g), the words “Whether the company”, the words, figures and letters “Whether the company, in respect of financial years commencing on or after the 1st April, 2022,” shall be substituted.**

**Impact:** Now, the statutory auditors are also required to include the above mentioned matters in their Audit’s Report and to give their views and comments on the same.

**3. AMENDMENTS IN SCHEDULE III OF THE COMPANIES ACT, 2013**

MCA has issued notification G.S.R. 207(E) dated 24<sup>th</sup> March, 2021 to further amend Schedule III of the Companies Act, 2013 with effect from 1st day of April, 2021.

For detailed notification, please refer the link: <http://egazette.nic.in/WriteReadData/2021/226114.pdf>

After the amendment, it is mandatory to disclose the following additional points in financial statements including Balance Sheet, Statement of Profit & Loss or Statement of Changes in Equity as required in the MCA notification which inter-alia includes:

1. Disclosure of Shareholding of Promoters.
2. Current maturities of Long Term borrowings shall be disclosed separately.
3. Trade payables due for payment and Unbilled dues shall be disclosed separately
4. Security Deposits to be added in other non-current assets
5. Trade Receivables and Unbilled dues shall be disclosed separately.
6. Where the company has not used the borrowings from banks and financial institutions for the specific purpose for which it was taken at the balance sheet date, the company shall disclose the details of where they have been used.
7. Title deeds of Immovable Property not held in name of the Company.
8. Disclosures shall be made where Loans or Advances in the nature of loans are granted to promoters, directors, KMPs and the related parties (as defined under Companies Act, 2013,) either severally or jointly with any other person, that are: (a) repayable on demand or (b) without specifying any terms or period of repayment
9. Capital-Work-in Progress (CWIP) including CWIP ageing schedule and CWIP completion schedule.
10. Intangible assets under development
11. Details of Benami Property held.
12. Where the Company has borrowings from banks or financial institutions on the basis of security of current assets, it shall give disclosures regarding whether quarterly returns or statements of current assets filed by the Company with banks or financial institutions are in agreement with the books of accounts, for the borrowings made by the Company from banks or financial institutions on the basis of security of current assets. If not, summary of reconciliation and reasons of material discrepancies, if any to be adequately disclosed.
13. Wilful Defaulter.
14. Relationship with struck off Companies.
15. Disclosures of details and reasons of any charges or satisfaction yet to be registered with Registrar of Companies beyond the statutory period.
16. Compliance with number of layers of companies.
17. Disclosures of 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 investment.
18. Compliance with approved Scheme(s) of Arrangements.
19. Utilisation of Borrowed funds and share premium.
20. Details of any transaction not recorded in the books of accounts that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961.
21. Details regarding Corporate Social Responsibility (CSR).
22. Details of Crypto Currency or Virtual Currency.

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Suggestions may be sent to  
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