

# Recent Amendments in Companies Act (other than CSR)

Presented by –  
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27 June 2021

# RECENT AMENDMENTS

Miscellaneous Amendments

Companies (Amendment)  
Act, 2020



Companies (Accounts)  
Rules, 2014

Companies (Audit and  
Auditors)  
Rules, 2014

Amendments to  
Schedule III

# MAJOR IMPACT – STAKEHOLDER



**Transparency**



**Stakeholder Satisfaction**



**Accountability**



**Investor Confidence**



**Early warning signs**

# MAJOR IMPACT – COMPANY / AUDITOR



**Extensive Disclosures**



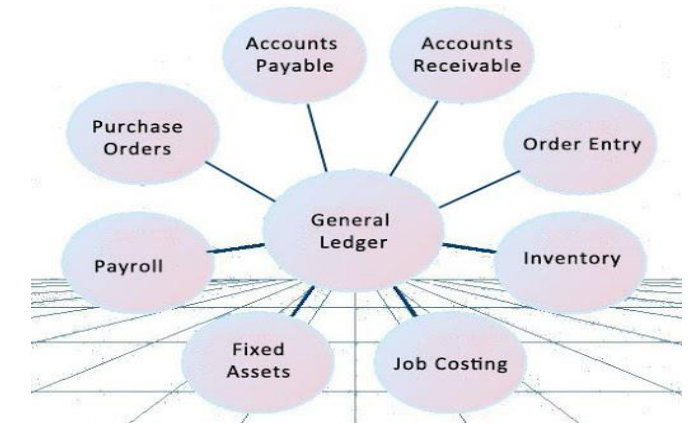
**Comparative for all disclosures**



**Updated IT Infrastructure**



**Enhanced Auditor reporting**



**Robust systems & processes**



## **THE COMPANY (ACCOUNTS) RULES, 2014**

## **THE COMPANY (AUDIT AND AUDITORS) RULES, 2014**

# ACCOUNTS / AUDIT & AUDITORS RULES, 2014

Particulars	Effective	Company	Auditor opinion
Audit trail	1st April 2022	<ul style="list-style-type: none"><li>▪ Applicability - Companies using ACCOUNTING SOFTWARE</li><li>▪ Feature of recording audit trail</li><li>▪ Creating edit log for every change</li><li>▪ Ensuring Audit trail is not disabled</li></ul>	<ul style="list-style-type: none"><li>▪ Accounting software having audit trail was used</li><li>▪ Operated throughout the year for all transactions</li><li>▪ Not tampered with</li><li>▪ Preserved for retention</li></ul>



- Whether entries need to be passed on the same day – How to close 31<sup>st</sup> March entries?
- Whether Rectification entries possible
- How to ensure NON TAMPERING – Changes to Master Data
- Consequence of Non- Adherence

# ACCOUNTS / AUDIT & AUDITORS RULES, 2014

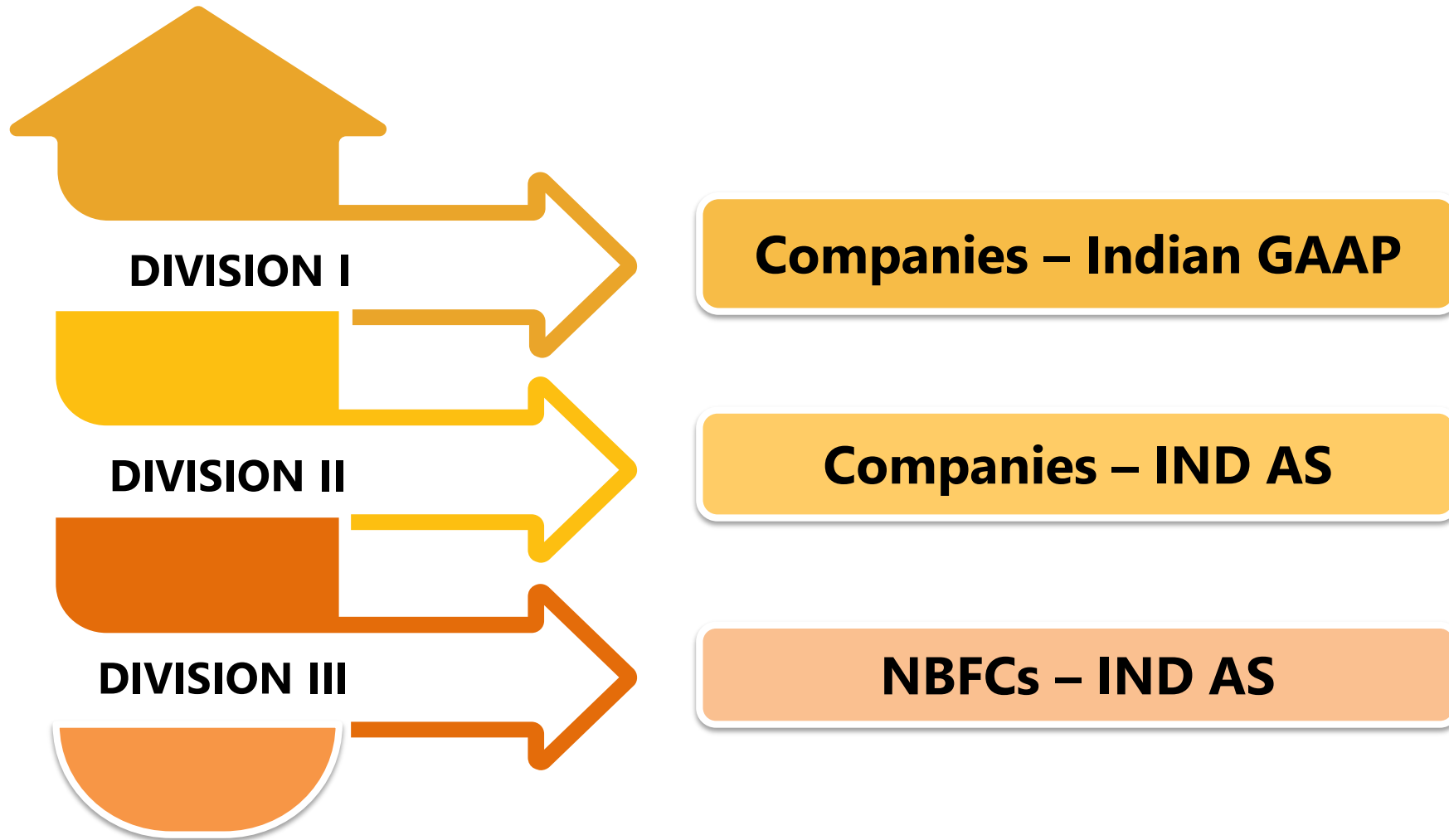
Particulars	Effective	Company in Board Report
IBC Proceeding	1 <sup>st</sup> April 2021	<ul style="list-style-type: none"> <li>• Details of application/ proceedings pending under IBC along with the status</li> </ul>
Valuation for loan	1 <sup>st</sup> April 2021	<ul style="list-style-type: none"> <li>• Difference between valuation done at one time settlement vis-à-vis while taking loan from Banks</li> <li>• Reasons</li> </ul>
Particulars	Effective	Auditor opinion
Dividend	1 <sup>st</sup> April 2021	<ul style="list-style-type: none"> <li>• Dividend declared or paid is in compliance with section 123</li> </ul>
Funds from Ultimate Beneficiary through Intermediary	1 <sup>st</sup> April 2021	<ul style="list-style-type: none"> <li>• Reasonable and appropriate</li> <li>• Contain no material mis-statement</li> </ul>



# **SCHEDULE III AMENDMENTS**



# SCHEDULE III AMENDMENTS



# SPECIFIC TO PROMOTERS

## SHAREHOLDING

S.N.	Promoter's Name	No. of shares	% of Total shares	Change %
1				
2				

- Currently only shareholding of more than 5% needs to be disclosed
- Now need to disclose shareholding of Promoters for each class along with changes
- Promoter as defined in Companies Act 2013

## LOANS AND ADVANCES IN NATURE OF LOAN

Receiver	
Promoters	Directors
KMPs	Relatives

Conditions
Repayable on demand
Repayment terms not specified

Disclosure
Amount Outstanding
% of total

# BANK BORROWINGS

01

Quarterly  
statements

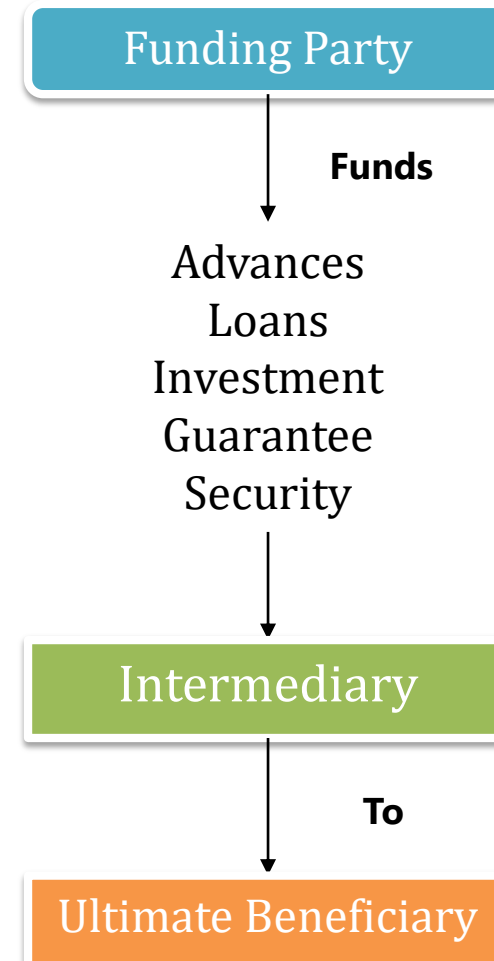
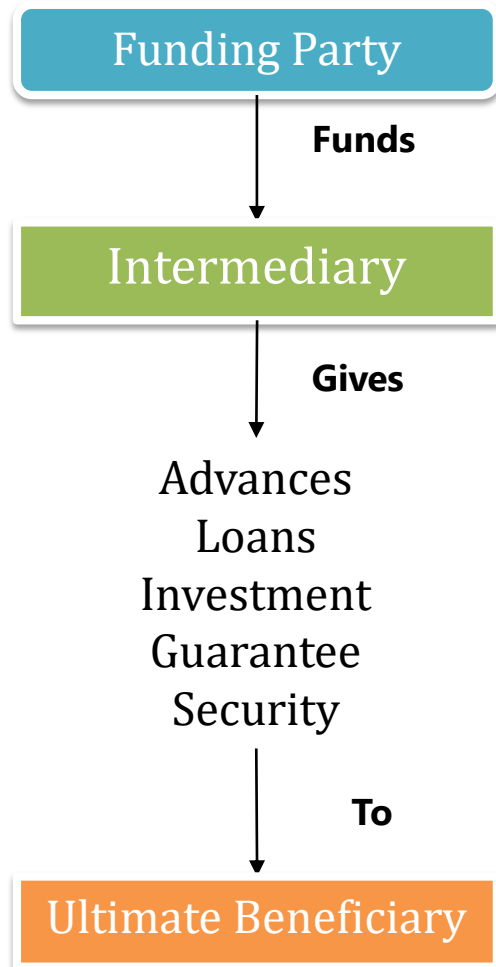
Match with  
Books ?

02

Utilisation  
of  
Proceeds

For  
Respective  
Purpose ?

# CONDUIT LENDING AND BORROWING



# TITLE DEEDS OF IMMOVABLE PROPERTY

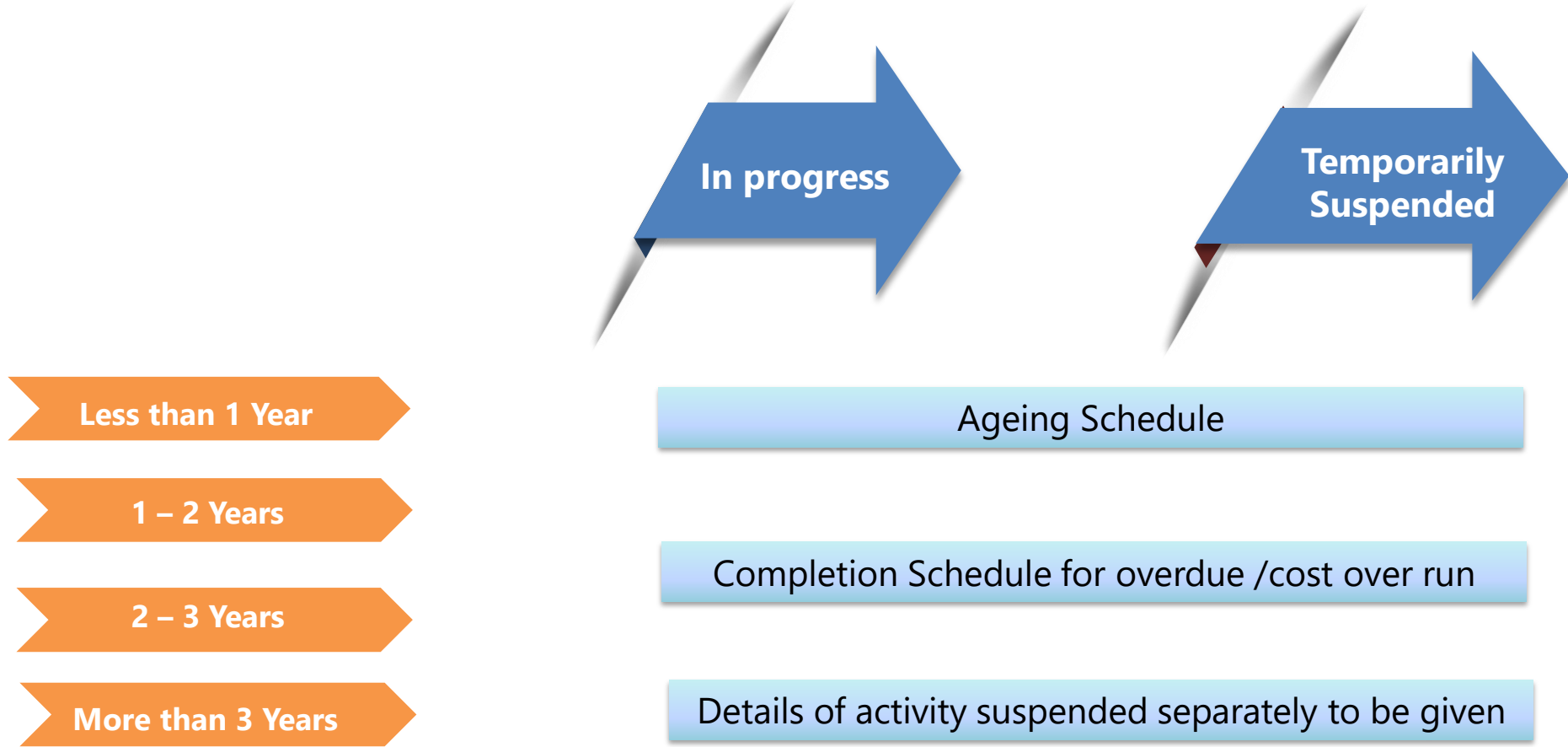
If title deeds of properties are not held in company's name, details to be disclosed with reasons.

If such property is under dispute the same shall also be disclosed.

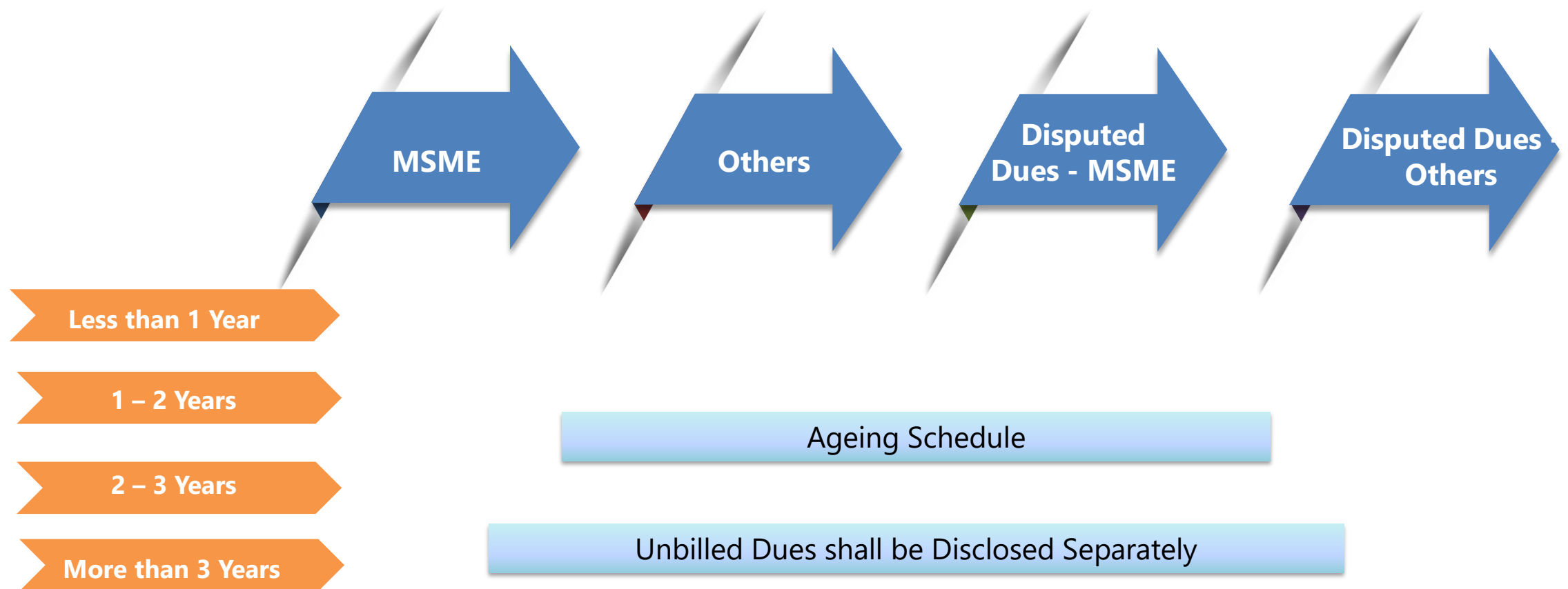
Disclosure shall not be required for properties held on lease where agreements are duly executed.

For joint holding of such property, disclosure shall be made to the extent of the company's share.

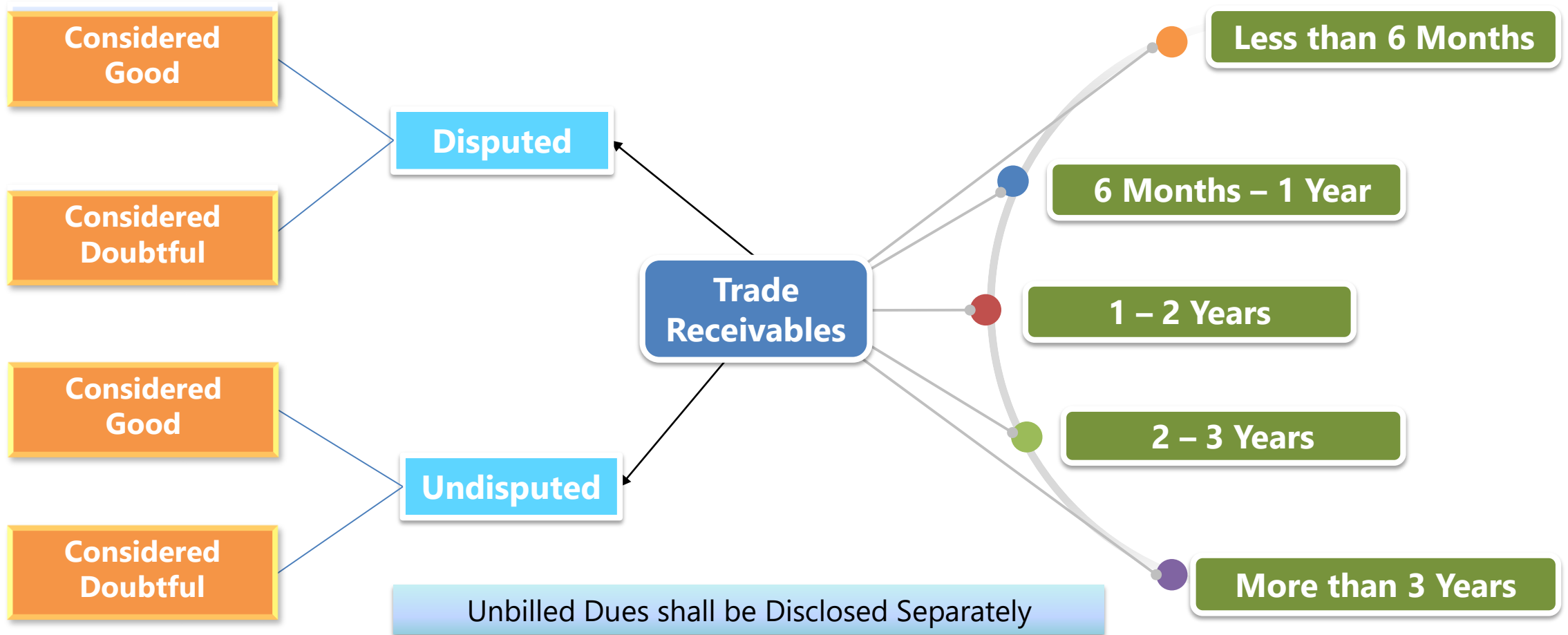
# CAPITAL WORK IN PROGRESS/INTANGIBLES



# TRADE PAYABLES DUE FOR PAYMENT

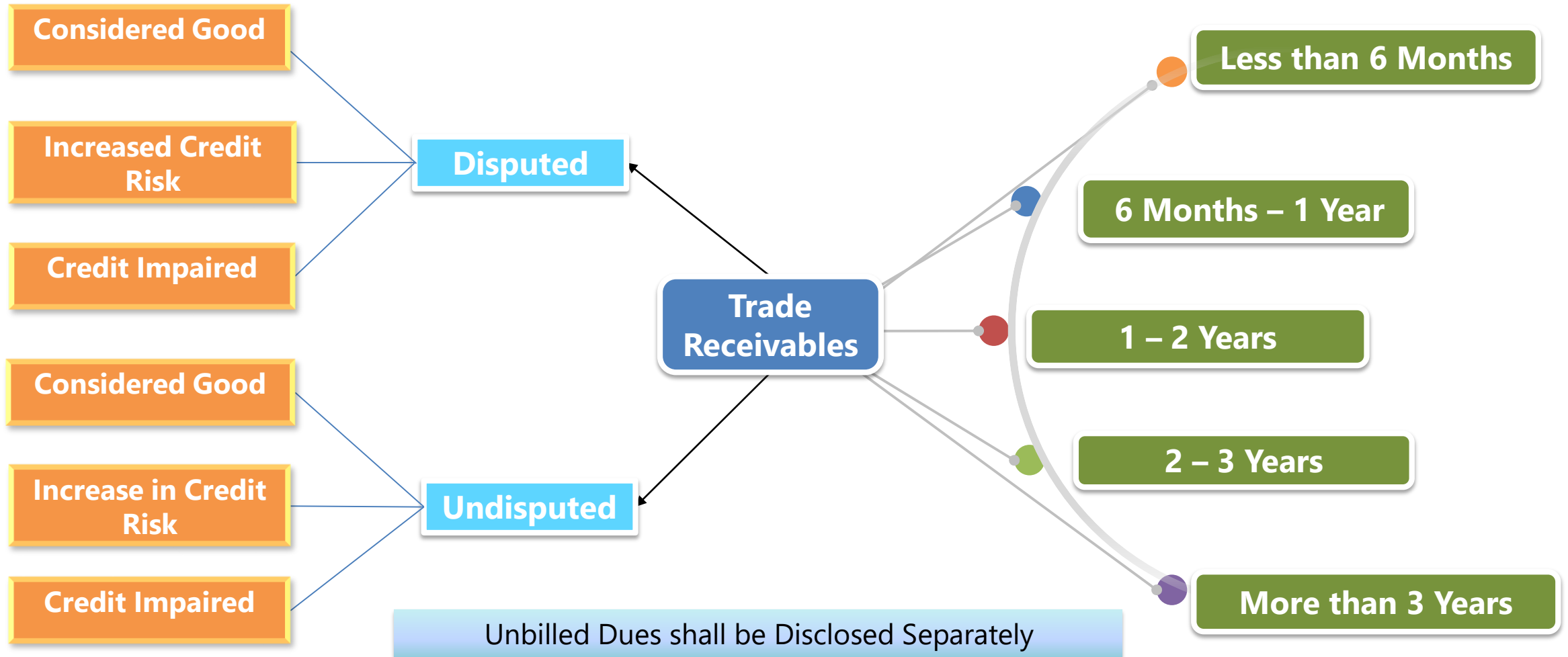


# TRADE RECEIVABLES - IGAAP





# TRADE RECEIVABLES - IND AS



# DISCLOSURE OF RATIOS - COMPANIES

## Profitability

- Net Profit
- Return on Capital
- Return on Equity
- Return on Investment

## Liquidity

- Current Ratio

## Turnover

- Inventory
- Trade Receivable
- Trade Payable
- Net Capital

## Solvency

- Debt-Equity
- Debt Service Coverage

**Explanation to be provided for any change in the ratio by more than 25%**

# DISCLOSURE OF RATIOS - NBFCs

01

**Capital to  
Risk  
Weighted  
Assets Ratio  
(CRAR)**

02

**Tier I CRAR**

03

**Tier II CRAR**

04

**Liquidity  
Coverage  
Ratio**

# CHANGES IN CLASSIFICATION

Amendment	Pre amendment	Post amendment
“ <b>General instructions</b> for preparation of Balance Sheet and statement of Profit and Loss of a company”	Depending on <b>Total Turnover</b> , figures to be rounded off	Depending on <b>Total Income</b> , figures to be rounded off
<b>Assets</b> - <b>Non Current Assets</b>	a) <b>Tangible assets</b> b) <b>Intangible assets</b>	a) <b>Property, Plant and Equipment</b> b) <b>Intangible assets</b>
<b>Current Maturities of long term loans</b>	Under <b>Other Current Liabilities</b>	Under <b>Short term borrowings</b>
<b>Security Deposits</b>	Under <b>Long term loans and advances</b>	Under <b>Other Current Assets</b>
<b>Face of Profit and Loss</b>	Existing title – <b>Total Revenue</b>	Title changed to – <b>Total Income</b>

# ADDITIONAL DISCLOSURE REQUIREMENTS

<b>Amendment</b>	<b>Post amendment disclosure</b>
<b>Statement of changes in Equity (Applicable to IND AS)</b>	<ul style="list-style-type: none"><li>• Changes due to prior period errors</li><li>• Restated opening balance</li></ul>
<b>Revaluation of PPE / Intangible Assets</b>	<ul style="list-style-type: none"><li>• Whether revalued by Registered valuer</li><li>• Reconciliation due to revaluation in case of change of 10% or more in carrying value</li></ul>
<b>Accounting Treatment</b>	Effect of the scheme has been recorded in books in accordance with accounting standards
<b>Registration of charges</b>	Disclosure for Charges yet to be registered beyond statutory period

# ADDITIONAL DISCLOSURE REQUIREMENTS

<b>Amendment</b>	<b>Post amendment disclosure</b>
<b>Grants / donations</b>	Section 8 Companies to separately disclose under Revenue from operations
<b>Number of layers</b>	In respect of companies beyond 2 layers: 1) Name and CIN 2) Extent of holding in such companies
<b>Crypto Currency</b>	For trading in crypto currency, disclose: 1) Profit or Loss 2) Amount of currency held 3) Deposits/Advances taken

# ADDITIONAL DISCLOSURE REQUIREMENTS

<b>Amendment</b>	<b>Post amendment disclosure</b>
<b>Benami Property</b>	Details of Benami property held where any proceedings have been initiated or pending against the company for holding any benami property
<b>Willful Defaulter</b>	Company categorized as a wilful defaulter required to disclose details regarding the date of declaration, the amount and nature of defaults.
<b>Undisclosed Income</b>	Transactions not recorded in books that has been surrendered or disclosed as income under Income Tax Act.
<b>Struck off companies</b>	Where the company has any transaction with companies struck off required to disclose Name of such company, transactions, balance outstanding and relationship



# **COMPANIES (AMENDMENT) ACT, 2020**

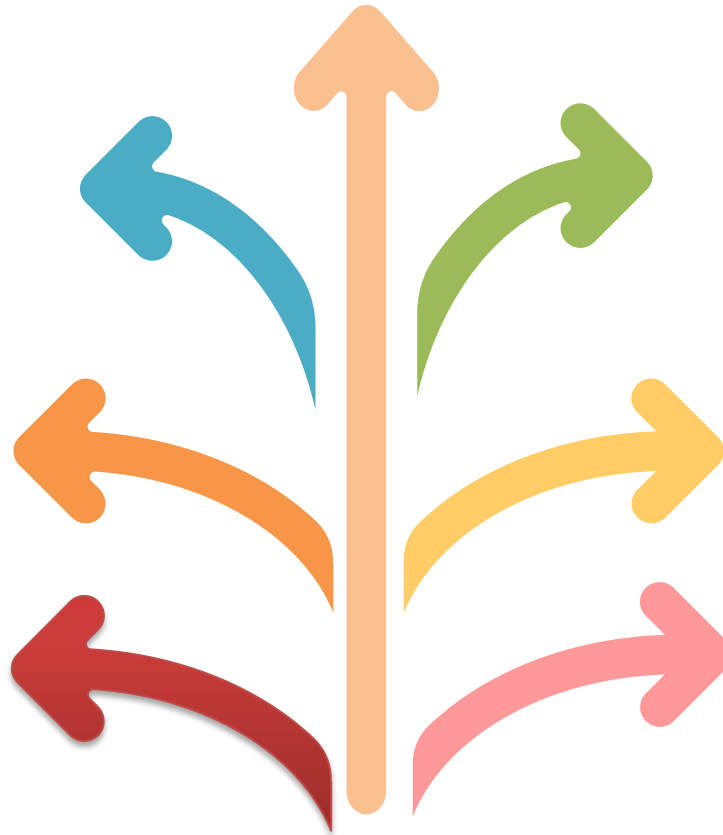


# COMPANIES (AMENDMENT) ACT, 2020

**Exclusions from definition of listed companies**

**Unlisted companies to file periodical results**

**Remuneration in case of losses or inadequate profits**



**Timeline for acceptance of offer letter for right issue**

**Exemptions to NBFCs and HFCs**

**Exemptions to certain class of foreign companies**

# COMPANIES (AMENDMENT) ACT, 2020

## EXCLUSIONS FROM DEFINITION OF LISTED COMPANIES

1. Public companies which have listed their:
  - a) Non-convertible debt securities or/and
  - b) Non-convertible redeemable preference shares
  - c) Equity shares in stock exchanges in permissible foreign jurisdictions
2. Private companies which have listed their Non-convertible debt securities.

## UNLISTED COMPANIES TO FILE PERIODICAL RESULTS

Prescribed class of unlisted companies shall:

1. Prepare periodical financial results
2. Obtain approval of Board
3. Complete limited review
4. File copy with registrar

# COMPANIES (AMENDMENT) ACT, 2020

## REMUNERATION IN CASE OF LOSSES OR INADEQUATE PROFITS

In case of losses or inadequate profits, companies shall be allowed to pay remuneration to non-executive directors and independent directors within the limits of Schedule V as specified below:

Where the effective capital is	Yearly remuneration payable to NEDs and IDs shall not exceed
Negative or less than 5 crores	12 lakhs
5 crores and above but less than 100 crores	17 lakhs
100 crores and above but less than 250 crores	24 lakhs
250 crores and above	24 Lakhs plus 0.01% of the effective capital in excess of Rs.250 crores

These limits can be exceeded by passing a special resolution

# COMPANIES (AMENDMENT) ACT, 2020

## **TIMELINE FOR ACCEPTANCE OF OFFER LETTER FOR RIGHT ISSUE**

The present timeline of 15 -30 days for acceptance of right issue offer letter is proposed to be reduced.

## **EXEMPTIONS TO NBFCS AND HFCS**

Resolution passed by NBFCS and HFCS to grant loans, give guarantee or provide security in respect of loans in their ordinary course of business need not be filed with ROC.

## **EXEMPTION TO CERTAIN CLASS OF FOREIGN COMPANIES**

Central Government may exempt certain class of foreign companies, companies incorporated or to be incorporated outside India from the provisions of Chapter XXII – Companies Incorporated Outside India.

# MISCELLANEOUS AMENDMENTS

Relaxation in meetings

Change in definition of small companies

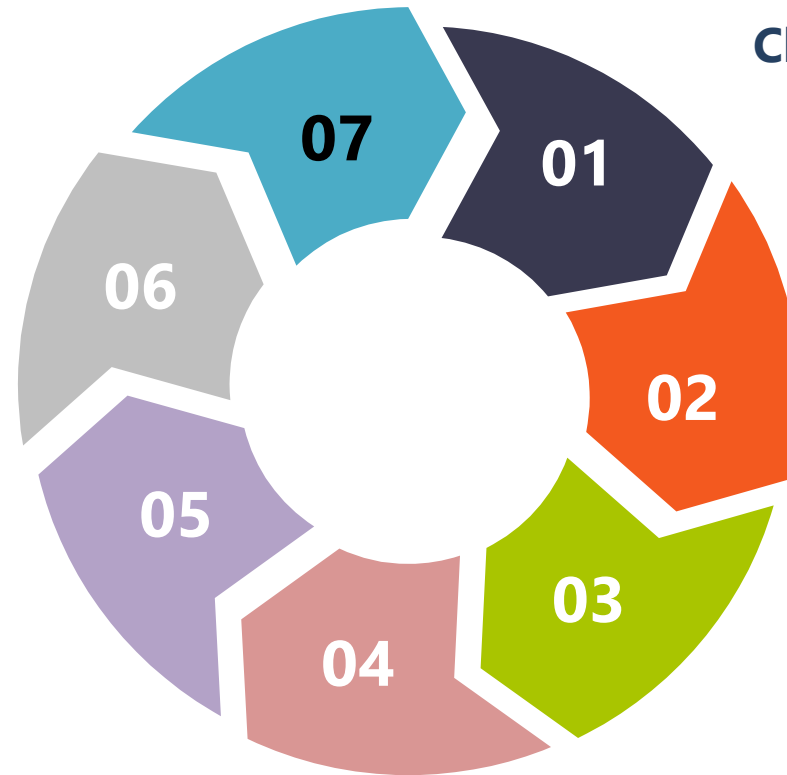
Startups allowed to take benefit of Section 233

Enhanced Coverage of SMC

Relaxation in filing of certain forms

Relaxations to incentivize incorporation of OPCs

Changes in E-forms pertaining to incorporation of companies



# MISCELLANEOUS AMENDMENTS

## **CHANGE IN DEFINITION OF SMALL COMPANIES**

1. Threshold for Paid up Capital increased to Rs. 2 crores from existing Rs. 50 lacs
2. Threshold for Turnover increased to Rs. 20 crores from existing Rs. 2 crores

## **ENHANCED COVERAGE OF SMALL AND MEDIUM COMPANIES (SMC) IN ACCOUNTING STANDARDS**

1. Higher threshold limits for categorization of SMC [Turnover of Rs 250 crore & borrowing of Rs. 50 crore which is five time higher than earlier limits]. This is now aligned with limits for non-corporate entities.
2. Transitional provision – two years cool off period
3. Exemption from application of AS e.g. Segment Reporting and relaxation in measurement and disclosure for employee benefits

## **RELAXATIONS TO INCENTIVIZE INCORPORATION OF OPCs**

1. Non-resident Indians allowed to incorporate OPCs.
2. Residency period for Indian residents reduced to 120 days from 182 days.
3. No restriction of 2 years for conversion into a public or private company.
4. Limitation of capital of Rs. 50 lakhs & turnover of Rs. 2 crores is done away with.

# MISCELLANEOUS AMENDMENTS

## **CHANGES IN E-FORMS PERTAINING TO INCORPORATION OF COMPANIES**

E Form AGILE PRO replaced by AGILE-PRO-S, with facility of Shops & Establishment Registration being added.

## **RELAXATION IN FILING OF CERTAIN FORMS**

Additional time up to 31st July 2021 for Companies/LLPs to file certain forms which were due for filing during 01st April 2021 to 31st May 2021, without payment of additional fees.

## **STARTUPS ALLOWED TO TAKE BENEFIT OF SECTION 233**

Fast track process of mergers extended to include, merger of startups with startups and merger of startups with small companies

## **RELAXATION IN RELATION TO MEETINGS**

The gap between two consecutive board meetings may extend to 180 days during the Quarter – April to June 2021 and Quarter – July to September, 2021, instead of 120 days.

Conduct of board meetings by video conferencing has been allowed for activities that were earlier restricted.  
EGM can be held upto 31<sup>st</sup> December 2021

# Q & A SESSION





# Thank you

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