

**GUIDANCE NOTE  
ON  
DIVISION III - SCHEDULE III  
TO THE COMPANIES ACT, 2013 FOR  
NBFC THAT IS REQUIRED TO  
COMPLY WITH IND AS**



**The Institute of Chartered Accountants of India**

*(Set up by an Act of Parliament)*

**New Delhi**

© The Institute of Chartered Accountants of India

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means electronic, mechanical, photocopying, recording or otherwise without prior permission in writing from the publisher.

First Edition : October 2019

Committee/Department : Corporate Laws & Corporate Governance  
Committee

E-mail : [clcg@icai.in](mailto:clcg@icai.in)

Website : [www.icai.org](http://www.icai.org)

Price : Rs. 200/-

ISBN : 978-81-8441-971-9

Published by : The Publication Directorate on behalf of  
The Institute of Chartered Accountants of  
India, ICAI Bhawan, Post Box No. 7100,  
Indraprastha Marg, New Delhi – 110 002  
(India)

Printed by : Sahitya Bhawan Publications,  
Hospital Road, Agra – 282 003  
November | 2019 | P2594 (New)

# Foreword

---

The Ministry of Corporate Affairs (MCA) has earlier amended the formats for Division I and Division II to Schedule III to the Companies Act and has also notified the formats of Division III to Schedule III pertaining to Non-Banking Financial Companies (NBFCs) that are required to comply with Indian Accounting Standards (Ind AS).

The revised formats of Division III have brought changes with regard to the classification of trade payables, trade receivables and loan receivables. Also, with the amendments, there is change in the terminology of Schedule III to align it with Ind AS. As the Ind AS has become applicable on NBFCs that fall within the prescribed criteria w.e.f. 1<sup>st</sup> April, 2018, with the prescription of Division III to Schedule III, the presentation of the financial results will be in line with the Indian Accounting Standards.

In light of the changes to Division III to Schedule III, a need was felt by the Institute of Chartered Accountants of India (ICAI) for providing appropriate guidance to the members so that the requirements of Schedule III can be complied with by the NBFCs that are required to prepare their financial statements as per Ind AS in letter and spirit.

I am happy that the Corporate Laws & Corporate Governance Committee of ICAI has undertaken the task of preparing the Guidance Note on the Division III to Schedule III of the Companies Act, 2013 for necessary guidance of NBFCs and all others involved. Detailed notes have also been provided on various items of the Schedule III and issues and intricacies involved therein which will surely help the readers.

I commend the efforts of CA. (Dr.) Debashis Mitra, Chairman, CA. Chandrashekhar V. Chitale, Vice-Chairman and all the members of the Corporate Laws & Corporate Governance Committee who have made invaluable contribution in preparing this Guidance Note.

I am confident that the members and other stakeholders would find the Guidance Note immensely useful.

**CA Prafulla P. Chhajed**  
President ICAI



# Preface

---

The Institute of Chartered Accountants of India (ICAI) through the Corporate Laws & Corporate Governance Committee (CLCGC) had issued Guidance Notes on Division I and Division II to Schedule III to the Companies Act 2013 and the same were revised on the basis of amendments which were notified by the Ministry of Corporate Affairs vide Notification dated 11.10.2018.

In October, 2018, the Ministry of Corporate Affairs notified Division III to Schedule III to the Companies Act, 2013 which contained the format of Financial Statements as well as Disclosure Requirements for Non- Banking Financial Companies (NBFCs) that are required to comply with the Indian Accounting Standards (Ind AS).

In view of the above, CLCGC of ICAI decided to bring out a Guidance Note on Division III to Schedule III to the Companies Act 2013. The Note provides guidance on each of the items of the Balance Sheet & Statement of Profit and Loss. Few illustrations have also been included on application of the principles provided in the Guidance Note.

We would like to convey our sincere gratitude to the President of ICAI, CA. Prafulla P. Chhajed, and the Vice President ICAI, CA. Atul Kumar Gupta for supporting us in bringing out the publication. We are also thankful to all our Central Council Colleagues & other Members /Special Invitees of the Committee for their valuable inputs in giving shape to this Guidance Note.

Our special thanks to CA. Shrinivas Y. Joshi, Central Council Member and Convenor of the Study Group comprising of CA. Charanjit Attra, CA. Sandeep Shah, CA. Ritesh Goyal, Shri Avinash Chander, CA. Krishna Vyas and CA. Manan Lakhani for their sincere efforts in bringing out this Publication.

The Committee would like to acknowledge the valuable inputs received from the Nominees of Reserve Bank of India to the Study Group namely Shri P.K. Chopla, Shri Anuj Sharma and Shri Sandeep Parmar.

We would also like to thank Secretary to the Committee CA. Sarika Singhal and Ms Seema Jangid and CA. Deepa Agarwal for their technical and administrative support.

We trust that this Guidance Note would be very useful to the members of the Institute and others interested in the subject.

**CA. (Dr.) Debashis Mitra**  
Chairman,  
Corporate Laws &  
Corporate Governance Committee

**CA. Chandrashekhar V. Chitale**  
Vice- Chairman,  
Corporate Laws &  
Corporate Governance Committee

# Index

<b>Sr. No.</b>	<b>Contents</b>	<b>Page No.</b>
1.	Introduction	1
2.	Objective and Scope	2
3.	Applicability	4
4.	Main Principles – Summary of Division III to Schedule III'	5
5.	Structure of Division III to Schedule III	9
6.	General Instructions for Preparation of Financial Statements: Notes	10
7.	Part I Notes – General Instructions for Preparation of Balance Sheet	13
8.	Part I – Form of Balance Sheet and Notes – General Instructions for Preparation of Balance Sheet: Notes 6 to 11	13
9.	Part II – Statement of Profit and Loss and Notes – General Instructions for Preparation of Statement of Profit and Loss: Notes 1 to 10	71
10.	Other Comprehensive Income	89
11.	Additional information to be disclosed by way of Notes to Statement of Profit and Loss	91
12.	Part III – General Instructions for Preparation of Consolidated Financial Statements	93
	<b>Annexures</b>	
	<b>Annexure A</b> – Division III to Schedule III to the Companies Act, 2013	101
	<b>Annexure B</b> – Changes between Division I and Division II to Schedule III	143
	<b>Annexure C</b> – Illustrative List of Disclosures required under the Companies Act, 2013	171

	<b>Annexure D</b> – List of Indian Accounting Standards notified as on date	174
	<b>Annexure E</b> –General Circular No. 39 / 2014 dated 14th October 2014	176
	<b>Glossary</b>	177



## **1. Introduction**

**1.1** Schedule III to the Companies Act, 2013 ('the Act') was notified along with the Act itself on August 29, 2013 thereby providing the manner in which every company registered under the Act shall prepare its Financial Statements. Financial Statements as defined under the Act include Balance Sheet, Statement of Changes in Equity for the period, the Statement of Profit and Loss for the period, Cash flow statement as applicable for the financial year and Notes.

**1.2** Ministry of Corporate Affairs ('MCA') notified Indian Accounting Standards ('Ind AS') on February 16, 2015 thereby laying down the roadmap for all companies, except insurance companies, banking companies and non-banking finance companies, for adoption of Ind AS ('MCA roadmap'). Further, MCA notified amendments to Schedule III to the Act on April 6, 2016 whereby:

**1.2.1** The existing Schedule III was renamed as 'Division I' to Schedule III ('Non-Ind AS Schedule III') – which gives a format of Financial Statements for Non-Ind AS companies, that are required to comply with the Companies (Accounting Standards) Rules, 2006. In other words, Non-Ind AS companies, will be required to prepare Financial Statements as per Companies (Accounting Standards) Rules, 2006, as per the format of Division I to Schedule III to the Act;

**1.2.2** 'Division II' - 'Ind AS Schedule III' was inserted to give a format of Financial Statements for companies that are required to comply with the Companies (Indian Accounting Standards) Rules, 2015, as amended from time to time ('Companies Ind AS Rules'). This was newly inserted into Schedule III for companies that adopt Ind AS as per Rule 4(1)(i) or Rule 4(1)(ii) or Rule 4(1)(iii) of the Companies Ind AS Rules. Accordingly, such Companies, while preparing its first and subsequent Ind AS Financial Statements, would apply Division II to Ind AS Schedule III to the Act.

**1.3** The MCA issued a notification dated March 30, 2016 announcing the Ind AS roadmap for non-banking financial companies ('NBFC'). Further, MCA notified amendments to Schedule III to the Act on October 11, 2018 whereby:

## **GN on Division III – Schedule III to the Companies Act 2013 for NBFC ...**

**1.3.1** 'Division III' to Schedule III' (Refer **Annexure A, Page 101**) was inserted to give a format of Financial Statements for NBFC's that are required to comply with the Companies (Indian Accounting Standards) Rules, 2015, as amended from time to time ('Companies Ind AS Rules'). As per the Companies Ind AS Rules, "Non-Banking Financial Company" means a Non-Banking Financial Company as defined in clause (f) of section 45-I of the Reserve Bank of India Act, 1934 and includes Housing Finance Companies, Merchant Banking companies, Micro Finance Companies, Mutual Benefit Companies, Venture Capital Fund Companies, Stock Broker or Sub-Broker Companies, Nidhi Companies, Chit Companies, Securitisation and Reconstruction Companies, Mortgage Guarantee Companies, Pension Fund Companies, Asset Management Companies and Core Investment Companies.' Accordingly, NBFC's while preparing its first and subsequent Ind AS Financial Statements, would apply Division III to Schedule III to the Act.

**1.4** It may, however, be clarified that for companies engaged in the generation or supply of electricity, neither the Electricity Act, 2003, nor the rules framed thereunder, prescribe any specific format for presentation of Financial Statements by an electricity company. Section 1(4) of the Act states that the Act will apply to electricity companies, to the extent it is not inconsistent with the provisions of the Electricity Act. Keeping this in view, Division III to Schedule III, Division I or Division II as applicable may be followed by such companies till the time any other format is prescribed by the relevant statute.

## **2. Objective and Scope**

**2.1** The objective of this Guidance Note is to provide guidance in the preparation and presentation of Financial Statements in accordance with various aspects of Division III to Schedule III, for NBFC's adopting Ind AS. The disclosure requirements under Ind AS, the Companies Act, 2013, other pronouncements of the Institute of Chartered Accountants of India (ICAI), other statutes, etc., would be in addition to the guidance provided in this Guidance Note. Paragraph 9 of Division III of Schedule III further states that where any Act, Regulation, Guidelines or Circulars issued by the relevant regulators from time to time requires specific disclosures to be made in the

## **GN on Division III – Schedule III to the Companies Act 2013 for NBFC ...**

standalone financial statements of an NBFC, the said disclosures shall be made in addition to those required under this Schedule.

**2.2** Guidance given in 'Guidance Note on Division I to the Schedule III to the Companies Act, 2013' published in February 2016 and revised in July 2019 would continue to be applied by Non-Ind AS companies which are required to prepare Financial Statements as per the format of Non-Ind AS Schedule III.

**2.3** In preparing this Guidance Note, reference has been made to Ind AS notified under Section 133 of the Act read together with Paragraph 3 of the Companies Ind AS Rules given in **Annexure D (Pg 174)** and various other pronouncements of the ICAI. The primary focus of the Guidance Note is to lay down broad guidelines to deal with practical issues that may arise in the implementation of Division III to Schedule III while preparing Financial Statements as per Ind AS. The Guidance Note would primarily provide guidance on the line items contained in the Division III to the Schedule III rather than the specific issues which an NBFC may face.

**2.4** This Guidance Note includes changes to presentation and disclosure requirements of Division III to Schedule III pursuant to Ind AS notified up to May 31, 2019. Ind AS 116 Leases, is notified on March 30, 2019 and will be effective from 1st April 2019. It changes the current accounting requirements of differentiating between lease arrangements as an 'Operating Lease' and 'Finance Lease' for the lessees. It requires recognition of a 'Right-to-use' (ROU) and a corresponding lease liability where the lessee, at the commencement date, has a financial obligation to make lease payments to the lessor for its right to use the underlying asset during the lease term. While the requirements (including presentation and disclosures) for lessor remains substantially unchanged from Ind AS 17, the requirements for lessee changes significantly as compared to Ind AS 17. An entity shall present and disclose rights and obligations arising from lease arrangements as per Ind AS 116 and the requirements under this schedule stand modified accordingly (Refer Paragraph 2 of General Instructions for preparation of Financial Statements of a Non-Banking Financial Company (NBFC) that are required to comply with Indian Accounting Standards (Ind AS)).

**2.5** As per the clarification issued by ICAI regarding the authority attached to the Documents issued by ICAI, 'Guidance Notes' are primarily designed to provide guidance to members on matters which may arise in the course of

## **GN on Division III – Schedule III to the Companies Act 2013 for NBFC ...**

their professional work and on which they may desire assistance in resolving issues which may pose difficulty. Guidance Notes are recommendatory in nature. A member should ordinarily follow recommendations in a guidance note relating to an auditing matter except where he is satisfied that in the circumstances of the case, it may not be necessary to do so. Similarly, while discharging his attest function, a member should examine whether the recommendations in a guidance note relating to an accounting matter have been followed or not. If the same have not been followed, the member should consider whether keeping in view the circumstances of the case, a disclosure in his report is necessary.

### **3. Applicability**

**3.1** As per the Government Notification no. S.O. 902 (E) dated 26<sup>th</sup> March, 2014, Schedule III is applicable for the Financial Statements prepared for the financial year commencing on or after April 1, 2014. As per the Government Notification no. G.S.R. 404(E) dated April 6, 2016, Schedule III is amended to include a format of Financial Statements for a company preparing Financial Statements in compliance with the Companies Ind AS Rules. Further, as per the Government Notification no. G.S.R. 1022 (E) dated October 11, 2018, the Schedule III is amended to include a format of Financial Statements for an NBFC preparing Financial Statements in compliance with the Companies Ind AS Rules. Every Non-Banking Financial company as defined in the Companies (Indian Accounting Standards) (Amendment) Rules, 2016 to which Indian Accounting Standards apply, shall prepare its financial statements in accordance with this Schedule or with such modification as may be required under certain circumstances. Division III to Schedule III requires that except in the case of the first Financial Statements laid before the company after incorporation, the corresponding amounts (i.e. comparatives) for the immediately preceding period are to be disclosed in the Financial Statements including the Notes to Accounts. Thus, for the Financial Statements prepared for the financial year 2018-19 (i.e. 1<sup>st</sup>April 2018 to 31<sup>st</sup> March 2019), corresponding amounts need to be given for the financial year 2017-18. As per Ind AS 101, a company's first Ind AS financial statements shall include at least three balance sheets, two statements of profit and loss, two statements of cash flows and two statements of changes in equity and related notes. This Guidance Note does not deal with the presentation aspects of reconciliations that are required to be provided as a part of a company's first Ind AS financial statements.

## **GN on Division III – Schedule III to the Companies Act 2013 for NBFC ...**

**3.2** For applicability, in the first and subsequent years, of Division III to Schedule III format by a company to its interim Financial Statements (other than quarterly, half-yearly and annual financial results published as per SEBI guidelines), relevant paragraphs of *Ind AS 34 – Interim Financial Reporting* are quoted below:

- “9. *If an entity publishes a complete set of Financial Statements in its interim financial report, the form and content of those statements shall conform to the requirements of Ind AS 1 for a complete set of Financial Statements.*
10. *If an entity publishes a set of condensed Financial Statements in its interim financial report, those condensed statements shall include, at a minimum, each of the headings and subtotals that were included in its most recent annual Financial Statements and the selected explanatory notes as required by this Standard. Additional line items or notes shall be included if their omission would make the condensed interim Financial Statements misleading.”*

In case, a company is presenting condensed interim Financial Statements, its format should also conform to that used in the company’s most recent annual Financial Statements, i.e., which would be as per Division III to Schedule III. However in case, a company is presenting condensed interim Financial Statements in its first year of applicability of Ind AS reporting the company’s most recent annual financial statements would be Indian GAAP and hence, the same may be applied for its Interim Financial reporting.

**3.3** Listed entities shall follow guidelines issued by SEBI by way of circulars prescribing formats for publishing financial results (quarterly, half-yearly and annual) which are guided by the relevant provisions of the Ind AS and Division III to Schedule III and may make suitable modifications, as applicable.

## **4. Main principles – Summary of Division III to Schedule III**

**4.1** Every Non-Banking Financial company as defined in the Companies (Indian Accounting Standards) (Amendment) Rules, 2016 to which Indian Accounting Standards apply, shall prepare its financial statements in

## **GN on Division III – Schedule III to the Companies Act 2013 for NBFC ...**

accordance with this Schedule or with such modification as may be required under certain circumstances.

**4.2** As per Paragraph 1 of Part III of Division III where a Non-Banking Financial Company (NBFC) is required to prepare Consolidated Financial Statements, i.e., consolidated balance sheet, consolidated statement of changes in equity and consolidated statement of profit and loss, the NBFC shall mutatis mutandis follow the requirements of this Schedule as applicable to an NBFC in the preparation of balance sheet, statement of changes in equity and statement of profit and loss. However, where the consolidated financial statements contain elements pertaining to NBFCs and other than NBFCs, mixed basis of presentation may be followed for consolidated financial statements where both kinds of operations are significant.

**4.3** Financial Statements include Balance Sheet, Statement of Changes in Equity for the period, Statement of Profit and Loss for the period and Notes. Cash Flow Statement shall be prepared in accordance with the requirements of the relevant Ind AS.

### **4.4 Balance sheet**

- Division III provides a format of the balance sheet and sets out the minimum requirements of disclosure on the face of the balance sheet for NBFCs.
- Items presented in the balance sheet are to be classified as financial and non-financial.
- It permits NBFCs to avail of the option of presenting assets and liabilities in the order of liquidity, as provided by Ind AS 1, *Presentation of Financial Statements*.
- It requires an NBFC to disclose such information that enables users of its financial statements to evaluate the NBFC's objectives, policies and processes for managing capital.

### **4.5 Statement of Profit and Loss**

- The division provides a format of the statement of profit and loss and sets out the minimum requirements of disclosure on the face of the statement of profit and loss.

## **GN on Division III – Schedule III to the Companies Act 2013 for NBFC ...**

- Items comprising ‘revenue from operations’ and ‘other comprehensive income’ have to be disclosed on the face of the statement of profit and loss.

### **4.6 Statement of changes in equity**

- The statement of changes in equity would reconcile opening to closing amounts for each component of equity including reserves and surplus and items of other comprehensive income.
- NBFCs are specifically required to disclose the statutory reserves as part of ‘other equity’ in the statement of changes in equity.
- Additionally, the conditions or restrictions for distribution attached to statutory reserves have to be separately disclosed in the notes as stipulated by the relevant statute.

### **4.7 Materiality**

NBFCs are required to disclose all ‘material’ items in their financial statements i.e., the items if they could, individually or collectively, influence the economic decisions that users make on the bases of financial statements. Materiality depends on the size and nature of the item judged in particular circumstances. However, while preparing the statement of profit and loss, it specifies that an NBFC should disclose a note for any item of ‘other income’ or ‘other expenditure’ which exceeds 1 per cent of the total income, in addition to the consideration of materiality.

A General Instruction on ‘Materiality’ has been included in Note 7 to General Instructions for Preparation of Financial Statements requiring Financial Statements to disclose items that could, individually or collectively, influence the economic decisions that users make on the bases of the Financial Statements. Materiality depends on the size or nature of the item or a combination of both, to be judged based on particular facts and in particular circumstances. Moreover, Paragraph 29 of Ind AS 1 states w.r.t. ‘materiality’ that an entity shall present separately each material class of similar items. An entity shall present separately items of a dissimilar nature or function unless they are immaterial except when required by law. Further, reference to Paragraph 29 to 31 of Ind AS 1 should be considered when determining materiality and aggregation.