

**GUIDANCE NOTE  
ON  
DIVISION I – NON IND AS SCHEDULE III  
TO THE COMPANIES ACT, 2013  
(Revised July 2019 Edition)**



**Corporate Laws & Corporate Governance Committee**  
**INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA**  
(Set up by an Act of Parliament)  
**NEW DELHI**

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## **Foreword to the Second Edition**

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The Division I to the Schedule III of the Companies Act, 2013 lays down the format for preparation of the financial statements by the Companies that are required to comply with Companies (Accounting Standards), Rules, 2006, and has been amended by the Ministry of Corporate Affairs vide notification dated 11<sup>th</sup> October, 2018. The changes are in reference to fixed assets and securities premium reserve.

The first edition of the Guidance Note on Division I – Non Ind AS Schedule III to the Companies Act 2013 was brought out by the Institute of Chartered Accountants of India (ICAI) in the year 2016 immediately after the introduction of format of Schedule III to the Companies Act 2013 to guide the members in discharging their responsibility more efficiently and effectively. However, recent amendments have necessitated the revisions in the Guidance Note.

I congratulate the Corporate Laws & Corporate Governance Committee of ICAI in taking this initiative of revising the guidance note and updating it as per the amendments incorporated in Division I- to the Schedule III to the Companies Act, 2013.

I extend my sincere appreciation to the entire Committee and specially appreciate the efforts put in by CA. (Dr.) Debashis Mitra, Chairman, Corporate Laws & Corporate Governance Committee and CA. Chandrashekhar V. Chitale, Vice-Chairman, Corporate Laws & Corporate Governance Committee for initiating and updating this publication.

I am of the firm belief that this revised Guidance Note would be of great help to the members as well as for the entities in preparing and presenting Financial Statements in accordance with the Accounting Standards.

New Delhi

**CA Prafulla P. Chhajer**  
President ICAI



## **Preface to the Second Edition**

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The Corporate Laws & Corporate Governance Committee issued the Guidance Note on Schedule III to the Companies Act, 2013 (the Act) in February, 2016 after considering the newly introduced Schedule III to the Act.

The Ministry of Corporate Affairs vide Notification dated 11.10.2018 made amendments to Schedule III to the Act. Therefore, there was a need to revise the aforesaid Guidance Note.

In the amended Division I – of Schedule III, the major revisions that have been made are that the Words Fixed Assets”, have been replaced with the words, “Property, Plant, and Equipment” for trade payables w.r.t. MSME, disclosure of specific details required as per the MSME Act, 2006 have been added.

We would like to convey our sincere gratitude to the President ICAI CA. Prafulla P. Chhajed, and the Vice President ICAI CA. Atul Kumar Gupta for supporting us in bringing out the publication.

We also wish to place on record our sincere thanks to all the Committee members & Special Invitees for their suggestions, support and guidance in finalizing this Guidance Note.

Our thanks to the Study Group members CA Dhinal Shah (Convenor), CA. Himanshu Kishnadwala, CA. Vijay Maniar, CA. Suresh Yadav, CA. Sandeep Shah, Sh Vignesh Poojari, Sh Shriraj Bhandari, CA. Keyur Dave and CA. Pratik Haria for their contribution in Revising the Guidance Note

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

We sincerely believe that the members of the profession, industry & other stakeholders would find the publication immensely useful.

**CA. (Dr.) Debashis Mitra**

Chairman,  
Corporate Laws &  
Corporate Governance  
Committee

**CA. Chandrashekhar V. Chitale**

Vice Chairman  
Corporate Laws &  
Corporate Governance  
Committee

Dated: 18.06.2019



## Foreword to the First Edition

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The Companies Act 2013 was enacted to improve corporate governance and better transparency in the corporate sector which is imperative to imbue confidence amongst investors in Indian market and to further strengthen regulations for the companies, keeping in view the changing economic environment as well as the growth of our economy. The Ministry of Corporate Affairs in 2011 revised the formats for preparation and presentation of financial statements and released the Revised Schedule VI to the Companies Act 1956.

The formats for financial statements were revised taking cognizance of imperative situation and need that the financial statements of Indian corporates should be comparable with international format as most of the Indian accounting standards have been made at par with the international accounting standards due to applicability of Ind AS.

The Institute through its Corporate Laws & Corporate Governance Committee issued the Guidance Note on Revised Schedule VI to the Companies Act, 1956 in January, 2012. Further, the Schedule III to the Companies Act 2013 was notified on 26th March, 2014 with some amendments related to disclosure on expenditure of Corporate Social Responsibility and Consolidated Financial Statements. Therefore, there was a need to revise the Guidance Note on Revised Schedule VI to the Companies Act, 1956 to the extent of amendments in the Schedule III to the Companies Act, 2013. So, the Corporate Laws & Corporate Governance Committee took this initiative to bring this Guidance Note on Schedule III to the Companies Act 2013.

I wish to thank Vice President of ICAI CA. Devaraja Reddy M for his encouragement and support in publishing this Guidance Note.

I commend the Corporate Laws & Corporate Governance Committee in bringing out this useful publication. I place on record my appreciation for CA S. Santhanakrishnan, Chairman, CA. Tarun Jamnadas Ghia, Vice Chairman and the entire team of CL&CGC.

I sincerely hope that this publication would be of immense use to the members in carrying out their professional assignment.

9<sup>th</sup> February 2016

**CA. Manoj Fadnis**  
President, ICAI





# Preface to the First Edition

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The corporate laws of an economy are a sine qua non for economic growth. In today's global economic scenario, entrepreneurs are looking forward to economies that have the best, compact and easy laws and procedures that facilitate quick establishment of companies. The Indian Company Law, which had its legislative origin after independence, had gone through a complete overhaul in 2013. The Ministry of Corporate Affairs has been taking timely and pro-active initiatives by making the existing law simple, compact with less cumbersome procedures. With its total makeover at this juncture, it is almost at par with the laws elsewhere in the globe and making the country as a platform for inviting off-shore investments.

As 'Accounting Standards' including "Ind AS" as applicable have become mandatory, Schedule III to the Companies Act, 2013 became an important piece of document with a format aligned with that of Accounting Standards.

The Schedule III to the Companies Act, 2013 became applicable to all companies for the preparation of Financial Statements beginning on or from 1.4.2014. It is a major step and members of the profession have a greater role and responsibility in its preparation. To facilitate the preparation of Financial Statements in compliance with the Schedule III, the ICAI has brought out this Guidance Note for the benefit of its members.

In this connection, I take this opportunity in thanking the honourable President of ICAI, CA. Manoj Fadnis and the Vice President of ICAI CA. Devaraja Reddy M for their moral support and encouragement in bringing out the publication. I place on record my appreciation to CA Taru Jamnadas Ghia, the Vice-Chairman of the Corporate Laws & Corporate Governance Committee and the other committee members for their help and guidance in shaping this Guidance Note. I also thank CA. Nilesh Vikamsey, CA. Dhinal Shah and my esteemed colleagues in the Accounting Standards Board and the Auditing and Assurance Standards Board for their invaluable comments and suggestions in the process of discussion. My thanks to also CA. T. V. Balasubramanian for undertaking the preparation of this Guidance Note.

The Secretariat to the Committee (comprising CA. Sarika Singhal and Ms. S. Rita) also deserves appreciation for having participated and contributed to the technical deliberations at various committee meetings.

I sincerely believe that the members of the profession, industries, companies, Chambers of Commerce and other bodies will find the publication immensely useful.

9<sup>th</sup> February 2016

**CA S. Santhanakrishnan**

Chairman

Corporate Laws & Corporate Governance Committee, ICAI

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## **1. Introduction**

**1.1** Schedule III to the Companies Act, 2013 ('the Act') provides the manner in which every company registered under the Act shall prepare its Balance Sheet, Statement of Profit and Loss and notes thereto. In the light of various economic and regulatory reforms that have taken place for companies over the last several years, there was a need for harmonizing and synchronizing the notified Accounting Standards as applicable ('AS'/Accounting Standard(s)).

**1.2** The relevant format of Schedule III to the Act is given in **Annexure A (Pg 102)**. As per the Act and rules / notifications thereunder, the Schedule applies to all companies, except for those companies where Division II and Division III of the Schedule III is applicable, for the Financial Statements to be prepared for the financial year commencing on or after April 1, 2014. This Guidance Note also incorporates the changes made by MCA Notification dated 11 October 2018 to Division I to the Schedule III (hereinafter, referred to as 'Schedule III').

**1.3** The requirements of the Schedule III however, do not apply to companies as referred to in the proviso to Section 129(1) of the Act, i.e., any insurance or banking company, or any company engaged in the generation or supply of electricity or to any other class of company for which a form of Balance Sheet and Statement of Profit and Loss has been specified in or under any other Act governing such class of company.

**1.4** It may be clarified that for companies engaged in the generation and supply of electricity, however, 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 Companies Act, 2013 states that the Companies Act will apply to electricity companies, to the extent it is not inconsistent with the provisions of the Electricity Act. Keeping this in view, Schedule III 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 of companies in accordance with various aspects of the Schedule III. However, it does not provide guidance on disclosure requirements under Accounting Standards,

## **Guidance Note on Division I – Non Ind AS Schedule III to the Companies Act, 2013**

other pronouncements of the Institute of Chartered Accountants of India (ICAI), other statutes, etc.

**2.2.** In preparing this Guidance Note, reference has been made to the Accounting standards notified under Section 133 of the Companies Act, 2013 read together with Paragraph 7 of the Companies (Accounts) Rules, 2014 given in **Annexure C (Pg 133)** and various other pronouncements of the ICAI. The primary focus of the Guidance Note has been to lay down broad guidelines to deal with practical issues that may arise in the implementation of the Schedule III.

**2.3.** 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 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, 2015, the Schedule III is applicable for the Balance Sheet and Statement of Profit and Loss to be prepared for the financial year commencing on or after April 1, 2014.

**3.2.** The Schedule III requires that except in the case of the first Financial Statements laid before the company after incorporation, the corresponding amounts for the immediately preceding period are to be disclosed in the Financial Statements including the Notes to Accounts. Accordingly, corresponding information will have to be presented starting from the first year of application of the Schedule III. Thus for the Financial Statements prepared for the year 2014-15(1<sup>st</sup> April 2014 to 31<sup>st</sup> March 2015), corresponding amounts need to be given for the financial year 2013-14.

## **Guidance Note on Division I – Non Ind AS Schedule III to the Companies Act, 2013**

**3.3.** Applicability of the Schedule III format to interim Financial Statements prepared by companies in the first year of application of the Schedule:

Relevant paragraphs of *AS-25 Interim Financial Reporting* are quoted below:

*“10. If an enterprise prepares and presents a complete set of Financial Statements in its interim financial report, the form and content of those statements should conform to the requirements as applicable to annual complete set of Financial Statements.*

*11. If an enterprise prepares and presents a set of condensed Financial Statements in its interim financial report, those condensed statements should include, at a minimum, each of the headings and sub-headings that were included in its most recent annual Financial Statements and the selected explanatory notes as required by this Statement. Additional line items or notes should be included if their omission would make the condensed interim Financial Statements misleading.”*

**3.4.** Accordingly, if a company is presenting condensed interim Financial Statements, its format should also going forward conform to that used in the company’s most recent annual Financial Statements, i.e., the Schedule III of Companies Act, 2013.

## **4. Summary of Division I to the Schedule III**

### **4.1. Main principles**

**4.1.1.** The Schedule III requires that if compliance with the requirements of the Act and/ or the notified Accounting Standards requires a change in the treatment or disclosure in the Financial Statements as compared to that provided in the Schedule III, the requirements of the Act and/ or the notified Accounting Standards will prevail over the Schedule.

**4.1.2.** The Schedule III clarifies that the requirements mentioned therein for disclosure on the face of the Financial Statements or in the notes are minimum requirements. Line items, sub-line items and sub-totals can be presented as an addition or substitution on the face of the Financial Statements when such presentation is relevant for understanding of the company’s financial position and/or performance.

**4.1.3.** The terms used in the Schedule III will carry the meaning as defined by the applicable Accounting Standards. For example, the terms such as ‘associate’, ‘related parties’, etc. will have the same meaning as defined in Accounting Standards notified under Companies (Accounting Standards) Rules, 2006 (as amended from time to time).