



# IFRS Notes

**Clarification on applicability date  
of formats for financial results  
and  
intimation of reasons for delay in  
submission of financial results**

7 December 2018

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## Applicability date of formats for financial results

### Background

Schedule III to the Companies Act, 2013 (2013 Act) provides general instructions for presentation of financial statements of a company under both Accounting Standards (AS) and Indian Accounting Standards (Ind AS). Schedule III has three parts and they are as follows:

- Division I is applicable to a company whose financial statements are prepared in accordance with AS
- Division II is applicable to a company whose financial statements are prepared in accordance with Ind AS (other than Non-Banking Financial Companies (NBFCs)).
- Division III is applicable only to NBFCs which are required to prepare financial statements in accordance with Ind AS<sup>1</sup>.

The table below provides a summary of the changes made to Divisions I, II and inclusion of Division III on 11 October 2018:

Division	Summary of changes
<b>Division I</b> (Applicable to companies required to follow AS)	<ul style="list-style-type: none"> <li>• Minor changes in reference of 'fixed assets' and 'securities premium reserve' in the balance sheet.</li> </ul>
<b>Division II</b> (Applicable to companies required to follow Ind AS (other than NBFCs))	<ul style="list-style-type: none"> <li>• New disclosures introduced in relation to 'trade payables' towards Micro, Small and Medium Enterprises (MSME) in the balance sheet and the related notes.</li> <li>• New categories introduced for classification of 'trade receivables' and 'loans receivables' in the notes to the balance sheet.</li> <li>• Description of purpose of each reserve included within 'other equity' to be provided in the notes to the statement of changes in equity.</li> </ul>
<b>Division III</b> (Newly inserted - Applicable to NBFCs required to follow Ind AS)	<ul style="list-style-type: none"> <li>• It provides general instructions for presentation of financial statements of an NBFC that is required to comply with Ind AS.</li> </ul>

(Source: KPMG in India's analysis, 2018 based on the amendments to Schedule III to the 2013 Act)

<sup>1</sup>On 11 October 2018, Ministry of Corporate Affairs (MCA) through its notification amended Schedule III to the 2013 Act. The amendments, *inter alia*, have incorporated a new division to Schedule III i.e. Division III which provides general instructions for presentation of financial statements of an NBFC.

The amendments to Schedule III are applicable from 11 October 2018.

NBFC means a NBFC as defined in Section 45-I(f) 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.

## Applicability date of formats for financial results (cont.)

As Ind AS has been made applicable to certain NBFCs from 1 April 2018, therefore, many equity listed NBFCs have been reporting their financial results under Ind AS on the basis of Division II to Schedule III to the 2013 Act.

Though the amendments to the Schedule III have been notified on 11 October 2018, the notification did not specify any specific accounting period from which the amendments to Division I and Division II, and Division III would apply.

### New development

On 22 November 2018, the National Stock Exchange of India Limited (NSE) and BSE Limited (BSE), have issued a circular that clarifies the applicability date of the notification on amendments to Schedule III (above).

The circulars clarify following points:

- **Existing formats till the quarter ending 31 December 2018:** According to the circulars issued by both the stock exchanges, listed entities are advised to follow the existing formats of the Schedule III till the quarter ending 31 December 2018. Additionally, the entities may submit financial results as per the new format prescribed by MCA (i.e. amendments notified to the Schedule III to the 2013 Act, relating to Division I, Division II and Division III), in addition to existing formats prescribed under the 2013 Act.
- **Amended formats for the quarters ending on and after 31 March 2019:** All entities including NBFCs would present quarterly financial results and annual financial statements in accordance with the revised formats (i.e. amendments notified to Schedule III to the 2013 Act on 11 October 2018).

## SEBI requires intimation of reasons for delay in submission of financial results

The Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), specify timelines for submission of financial results by listed entities. According to the timelines, the quarterly and annual financial results are to be submitted by listed entities to stock exchanges within 45 days from the end of the quarter and within 60 days from the end of a financial year.

In certain situations, there could be a delay in submission of financial results to the stock exchanges by the entities. Therefore, on 19 November 2018, SEBI intimated that listed entities should disclose detailed reasons for delay to the stock exchanges within one working day of the due date of submission for the results. In the situations where the decision to delay the results was taken by a listed entity prior to the due date, then the listed entity should disclose detailed reasons for such delay to the stock exchanges within one working day of such decision.

This circular comes into force from 19 November 2018.

## Our comments

The clarification from NSE and BSE puts to rest the ambiguity surrounding the applicability date for filing financial results with stock exchanges specifically in case of the NBFCs which are required to adopt Ind AS in a phased manner for accounting periods beginning on or after 1 April 2018 (with comparatives for the periods ending on or after 31 March 2018).

Thus, for the purpose of financial results for the quarter ending 31 December 2018, all listed entities would need to submit their financial results and the past information, in the existing format of the Schedule III (prior to the amendment notified on 11 October 2018).

Certain entities may have already filed their financial results for the quarter ended 30 September 2018 with stock exchanges in the amended formats of the Schedule III (notified on 11 October 2018). In this regard, a question may arise whether such entities would need to re-file their financial results in the existing format of the Schedule III. The entities should consider this issue and SEBI should consider providing clarity on this aspect as soon as possible.

# KPMG in India

## **Ahmedabad**

Commerce House V, 9th Floor,  
902, Near Vodafone House,  
Corporate Road,  
Prahlad Nagar,  
Ahmedabad – 380 051  
Tel: +91 79 4040 2200

## **Vijaywada**

Door No. 54-15-18E, Sai  
Odyssey,  
Gurunanak Nagar Road, NH 5,  
Opp. Executive Club,  
Vijayawada,  
Krishna District , Andhra  
Pradesh, 520008  
Contact: 0866-6691000

## **Bengaluru**

Maruthi Info-Tech Centre  
11-12/1, Inner Ring Road  
Koramangala,  
Bengaluru – 560 071  
Tel: +91 80 3980 6000

## **Chandigarh**

SCO 22-23 (1st Floor)  
Sector 8C, Madhya Marg  
Chandigarh – 160 009  
Tel: +91 172 664 4000

## **Chennai**

KRM Towers, Ground Floor,  
1, 2 & 3 Floor, Harrington Road  
Chetpet, Chennai – 600 031  
Tel: +91 44 3914 5000

## **Gurugram**

Building No.10, 8th Floor  
DLF Cyber City, Phase II  
Gurugram, Haryana – 122 002  
Tel: +91 124 307 4000

## **Hyderabad**

Salarpuria Knowledge City, 6th  
Floor, Unit 3, Phase III, Sy No.  
83/1, Plot No 2, Serilingampally  
Mandal,  
Ranga Reddy District,  
Hyderabad – 500 081  
Tel: +91 40 6111 6000

## **Jaipur**

Regus Radiant Centre Pvt Ltd.,  
Level 6, Jaipur Centre Mall,  
B2 By pass Tonk Road  
Jaipur – 302 018.  
Tel: +91 141 - 7103224

## **Kochi**

Syama Business Centre  
3rd Floor, NH By Pass Road,  
Vytilla, Kochi – 682 019  
Tel: +91 484 302 5600

## **Kolkata**

Unit No. 604,  
6th Floor, Tower – 1,  
Godrej Waterside,  
Sector – V, Salt Lake,  
Kolkata – 700 091  
Tel: +91 33 4403 4000

## **Mumbai**

1st Floor, Lodha Excelus,  
Apollo Mills  
N. M. Joshi Marg,  
Mahalaxmi, Mumbai – 400 011  
Tel: +91 22 3989 6000

## **Noida**

Unit No. 501, 5th Floor,  
Advant Navis Business Park  
Tower-A, Plot# 7, Sector 142,  
Expressway Noida, Gautam Budh  
Nagar,  
Noida – 201 305  
Tel: +91 0120 386 8000

## **Pune**

9th floor, Business Plaza,  
Westin Hotel Campus, 36/3-B,  
Koregaon Park Annex, Mundhwa  
Road, Ghorpadi, Pune – 411 001  
Tel: +91 20 6747 7000

## **Vadodara**

Ocean Building, 303, 3rd Floor,  
Beside Center Square Mall,  
Opp. Vadodara Central Mall,  
Dr. Vikram Sarabhai Marg,  
Vadodara – 390 023  
Tel: +91 265 619 4200

You can reach out to us for feedback and questions at:  
[in-fmkpmgifsinst@kpmg.com](mailto:in-fmkpmgifsinst@kpmg.com)





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**Voices on Reporting**



**KPMG in India is pleased to present Voices on Reporting – a monthly series of knowledge sharing calls to discuss current and emerging issues relating to financial reporting.**

In our recent session of Voices on Reporting webinar on 19 November 2018, we discussed significant impact areas of Ind AS 115, *Revenue from Contracts with Customers* and Ind AS 103, *Business Combinations* on technology sector .

Click here to access the [audio recording](#) (mp3) and [presentation](#) (pdf).



**Issue no. 28/2018 – November 2018**

IFRS 16, *Leases* the new standard on leases would be applicable internationally from 1 January 2019. The standard is not yet notified in India but it is expected to be effective for annual periods beginning on or after 1 April 2019. The standard envisages to bring leases on-balance sheet for lessees. Many companies, lease major assets for use in their business and the application of the new standard on leases will give rise to an increase in reported assets and liabilities. This standard is expected to affect a wide variety of sectors, from airlines that lease aircraft to retailers that lease stores. In this edition of the Accounting and Auditing Update (AAU), we have included an article on the impact of IFRS 16 on the Information Technology sector.

The publication also carries an article on new revenue standard - Ind AS 115, *Revenue from Contracts with Customers*. Ind AS 115 changes the core principle that requires companies to evaluate their transactions in a new way. The standard would also impact the healthcare sector and our article highlights key areas where more judgement and estimation would be required in relation to the healthcare sector.

The publication also cast lens on the concept of annual impairment testing of goodwill under Ind AS. An article elaborates this concept from the perspective of a subsidiary, associate and joint venture in the consolidated financial statements of an investor.

Our publication also carries a regular synopsis of some recent regulatory updates in India and internationally.



**MCA issued Ind AS presentation format (Schedule III) for NBFCs**

**26 October 2018**

**Background**

The Schedule III to the Companies Act, 2013 (2013 Act) provides general instructions for presentation of financial statements of a company under both Accounting Standards (AS) and Indian Accounting Standards (Ind AS). The Schedule III has two parts and they are as follows:

- Division I is applicable to a company whose financial statements are prepared in accordance with AS
- Division II is applicable to a company whose financial statements are prepared in accordance with Ind AS (other than Non-Banking Financial Companies (NBFCs)).

As per the Ind AS implementation road map issued by Ministry of Corporate Affairs (MCA) on 30 March 2016, NBFCs are required to adopt Ind AS in a phased manner from accounting periods beginning on or after 1 April 2018 (with comparatives for the periods ending on or after 31 March 2018).

**New development**

On 11 October 2018, MCA through its notification has amended Schedule III to the 2013 Act. The amendments, *inter alia*, have incorporated a new division to Schedule III i.e. Division III which provides general instructions for presentation of financial statements of an NBFC<sup>1</sup>.

The amendments to Schedule III are applicable from 11 October 2018.

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