

CA ANNU JOHN

MSME

AUDIT, CHALLENGES AND OPPORTUNITIES

Kottayam Branch of SIRC of ICAI on 27 june 2025



OBJECTIVES

MSME

- Handholding
- Audit perspective



WHY MSMES ARE CRUCIAL FOR INDIA'S ECONOMY

Huge employment opportunities

Lower Capital cost

Reduces regional imbalances

Contributes to GDP

ROLE OF CA

**MORE THAN AN AUDITOR OR TAX
ADVISOR,**

BUSINESS ADVISORS

DIGITAL ENABLERS

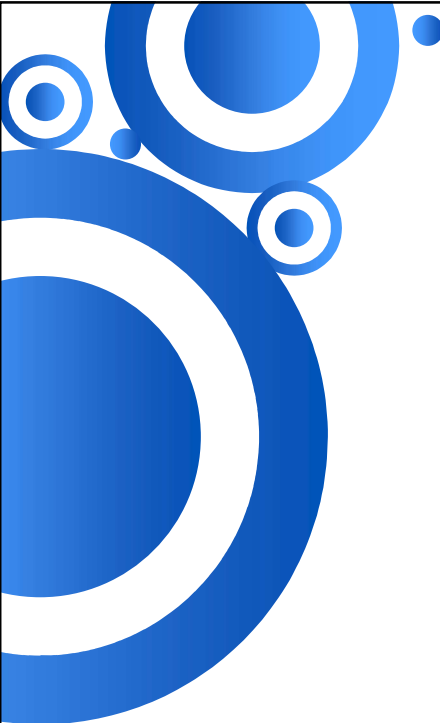
GROWTH PARTNERS



MSME LANDSCAPE - MSMED ACT 2006

Enterprise Category	Current Investment	Current Turnover	Revised Investment	Turnover
Micro	1 Crore	5 Crore	2.5 Crore	10 Crore
Small	10 Crore	50 Crore	25 Crore	100 Crore
Medium	50 Crore	250 Crore	125 Crore	500 Crore





MSME SNAPSHOT

MSME registration as on 26 June 2025				
Micro	Small	Medium	UAP	Total
3,74,42,854	4,75,833	35,603	2,72,11,206	6,51,65,496

Manufacturing	service	Trading	Total
1,36,36,569	2,28,08,599	2,86,62,250	6,51,07,418

Employment generation as of 27.06.2025
28.23Cr

*Dashboard.msme.gov.in

UDYAM REGISTRATION – SIMPLIFIED PROCESS

- **No Registration Fee**
- **Minimal Documentation**
- **No Physical Submission**

BENEFITS IF BEING MSME REGISTERED

- 
1. MSME incubation
 2. MSME Design
 3. Procurement and market support
 4. SFURTI (traditional)
 5. Testing centres
 6. International co operation
 7. Grievance redressal portal
 8. Data Bank
 9. Aspirational district program - Wayand
 10. ZED certification
 11. Patent registration
 12. Bar code registration (75%)
 13. EMD waiver

MSME schemes

CGTMSE	
Enterprise	Micro , Small
Activity	Manufacture, service, Trade
Benefit	Credit guarantee
Fund	Fund based , non fund based loans
Limit	10Cr
Collateral	no
Implemented by	SIDBI and CGTMSE gives gurantee to Banks NBFCs etc
Credit guarantee fee	Yes
Guarantee on loan	75% to 80%

MSME schemes

PMEGP	
Enterprise	New Micro enterprise
Activity	Manufacturing , service
Benefit	Subsidy
Project cost	Manf- Rs.50 lakh, Service - Rs. 20 lakh
Subsidy	10% to 35%
Implemented by	KVIC, Banks, DICs
Type of Loan	TL
Repayment period	upto7 years

MSME schemes

Mudra loan	
Enterprise	Micro, small
Activity	Manufacturing, service, trading
Loan	Rs.50,000 to Rs.10 lakhs
Implemented by	Banks, NBFCs
Setting up new unit	Business
Type of Loan	Working capital, TL
Processing fee	Nil upto Rs. 5 lakhs
Repayment period	5 to 7 years
Margin	20%
Interest	1-20%
Collateral	no

MSME schemes

Stand up India	
Applicant	SC/ST/Women
Purpose	Starting greenfield enterprise (first time venture), in manufacturing, services or trading
Collateral	No
Loan limit	Rs. 10 lakh to Rs. 1Cr
Type of loan	W.C , TL
Repayment	upto 7 years



REGULATORY CHANGES

- TReDS
- Section 43B(h) of Income Tax Act
- Clause 22 and 26 of 3CD
- MSME 1 form Companies Act 2013
- Disclosure in Financial statement

TREDS ONBOARDING

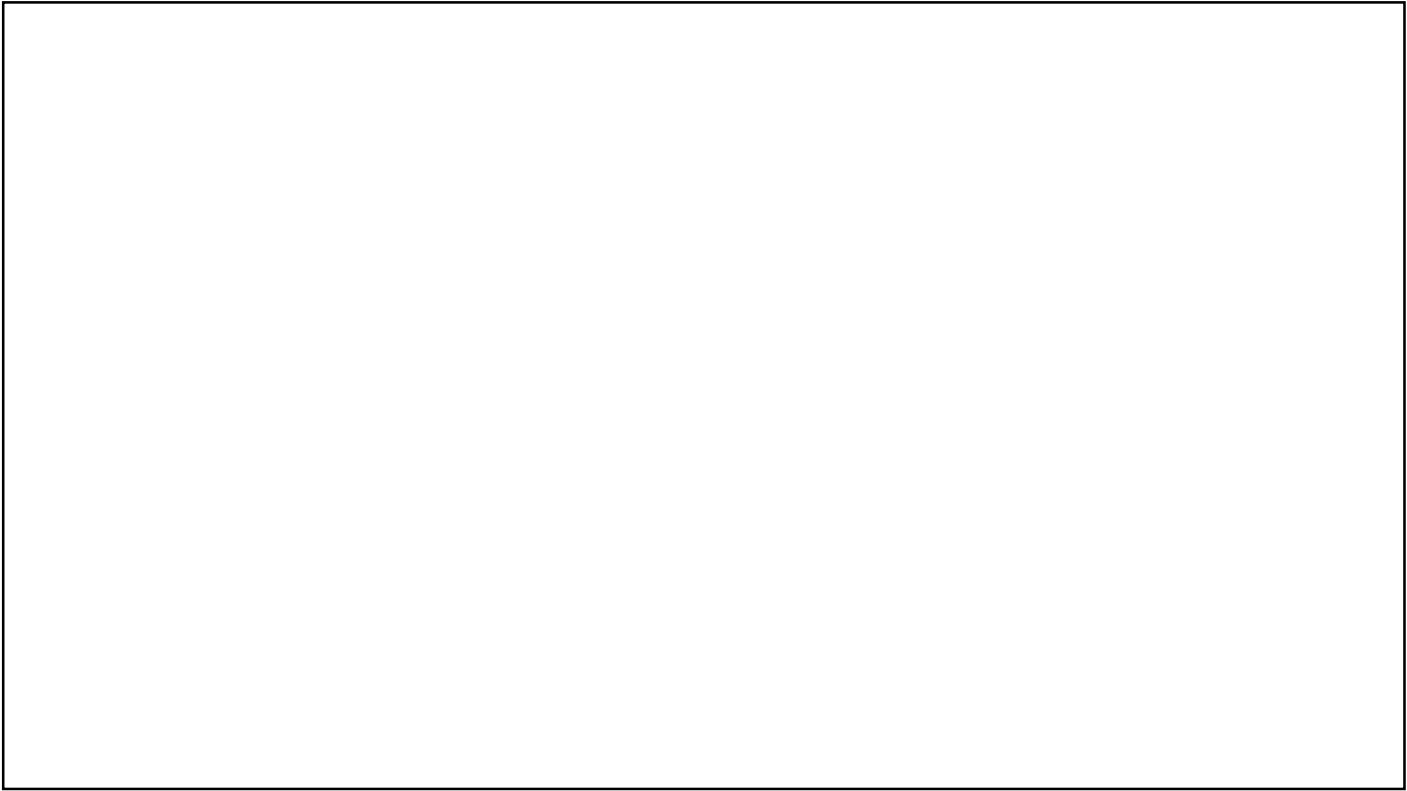
- Companies Turnover above Rs. 250 cr. And Central Public Sector Enterprises by 31st March 2025
- Platforms approved by RBI - Receivables Exchange of India Limited (RXIL), Mynd Online National Exchange (M1), Invoicemart (A.TReDS) and C2FO.
- The transactions processed under TReDS are “without recourse” to the MSMEs.



Sec 43B(h) of Income Tax Act 1961

43B(h) any sum payable by the assessee to a micro or small enterprise beyond the time limit specified in section 15 of the Micro, Small and Medium Enterprises Development Act, 2006 (27 of 2006),

shall be allowed (irrespective of the previous year in which the liability to pay such sum was incurred by the assessee according to the method of accounting regularly employed by him) only in computing the income referred to in section 28 of that previous year in which such sum is actually paid by him





CLAUSE 22 OF FORM 3CD

w.e.f 1.4.2025

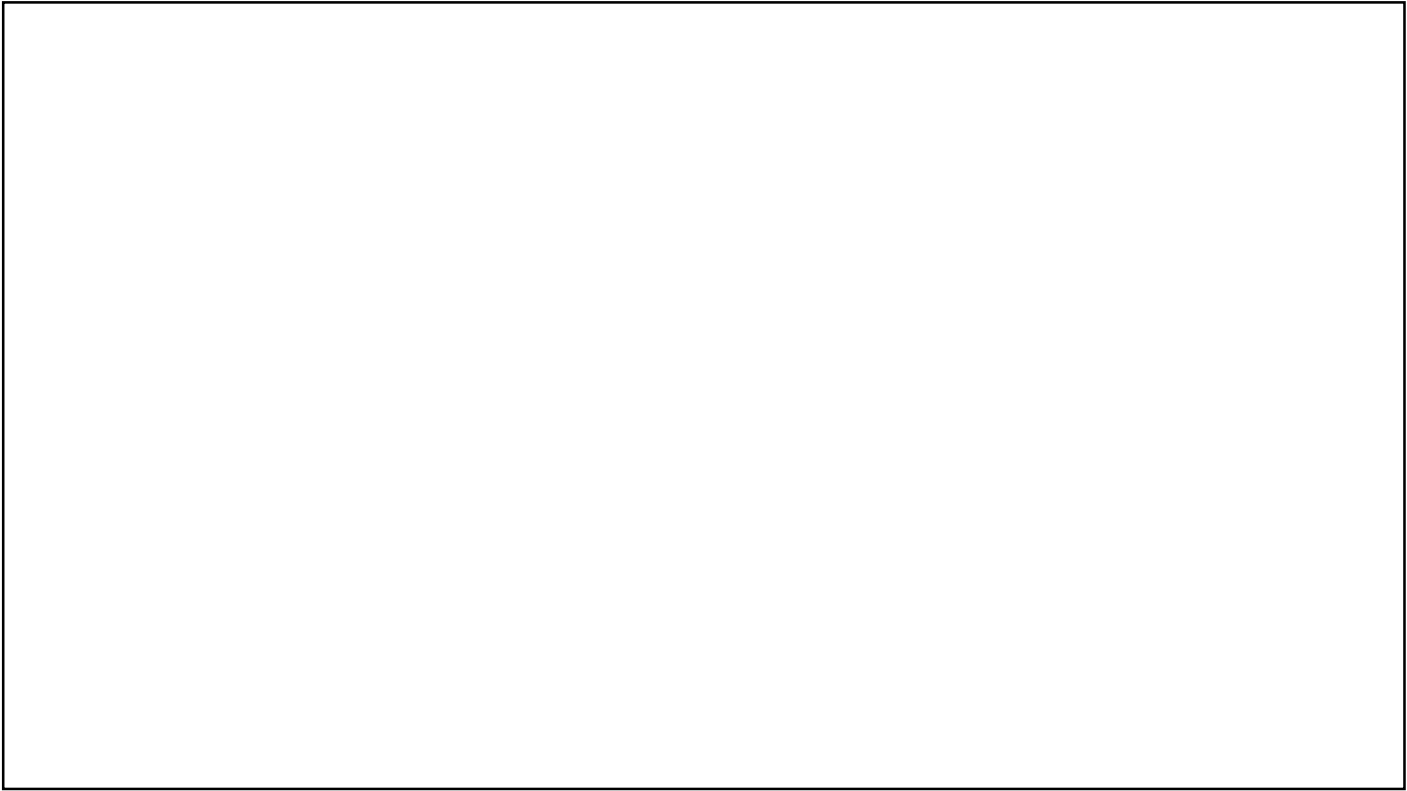
(i) Amount of interest inadmissible under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act); or

(ii) Total amount required to be paid to to a micro or small enterprise, as referred to in section 15 of the MSMED Act, during the previous year;

(iii) Of amount referred to in (ii) above, amount –

(a) paid up to time given under section 15 of the MSMED Act;

(b) not paid up to time given under section 15 of the MSMED Act and inadmissible for the previous year.





CLAUSE 26 OF FORM 3CD

w.e.f 1.4.2025

(i) . In respect of any sum referred to in section 43B, the liability for which:—

(A) pre-existed on the first day of the previous year but was not [allowable] in the assessment of any preceding previous year and was

(a) paid during the previous year;

(b) not paid during the previous year;

(B) was incurred in the previous year [and (for clauses other than clause (h) of section 43B) was,]

(a) paid on or before the due date for furnishing the return of income of the previous year under section 139(1);

(b) not paid on or before the aforesaid date



DISCLOSURE IN FINANCIAL STATEMENT

Balance Sheet

(4) Current liabilities

(a) Short-term borrowings

(b) Trade payables

(A) total outstanding dues of micro enterprises and small enterprises;

(B) total outstanding dues of creditors other than micro enterprises and small enterprises

(c) Other current liabilities

(d) Short-term provisions

DISCLOSURE IN FINANCIAL STATEMENT

Balance Sheet

FB. For trade payables due for payment, following ageing schedule shall be given:

Trade payable ageing schedule

	Outstanding for the following periods from due date of payment #				
Particulars	Less than 1 year	1 -2 years	2-3 years	More than 3 years	Total
(i) MSME					
(ii) Others					
(iii) Disputed dues -MSME					
(iv) Disputed dues - others					

#similar information shall be given where no due date of payment is specified in that case disclosure shall be from the date of the transaction.

Unbilled dues shall be disclosed separately

DISCLOSURE IN FINANCIAL STATEMENT

FA. Trade Payable:— The following details relating to Micro, Small and Medium Enterprises shall be disclosed in the notes:

- (a) the principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier at the end of each accounting year;
- (b) the amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 (7 of 2006), along with the amount of the payment made to the supplier beyond the appointed day during each accounting year;



DISCLOSURE IN FINANCIAL STATEMENT

(c) the amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006;

(d) the amount of interest accrued and remaining unpaid at the end of each accounting year; and

(e) the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006;



Disclosure in FS

	Principal	Interest	
Closing Balance	20000		
Principal amount is due but not paid	10000	100	
	i	ii	iii
During the year			
Principal and interest paid	50000	500	
		b	
Principal paid interest not paid	30000	300	
		c	
Interest accrued at the end of the year		400	
		d=ii+c	
Closing Balance	20000		
Closing balance not paid before due date in succeeding year	12000	120	
		e	

Amount Disallowed under 43B(h)

12000

Interest disallowed under MSMED Act

disallowed Under Sec 37(1) IT Act

900(100+500+300)

*Rs. 120 is the interest accruing in succeeding year



COMMON CHALLENGES FACED BY MSME

- Financial Challenges
- Compliance Burden
- Operational Bottlenecks
- Market Access Issues

OPPORTUNITIES FOR CA

- MSME registration & advisory
- Handholding for Udyam and GeM portal registration
- TReDS onboarding and advisory
- Fundraising: Bank loans, SIDBI schemes, alternative funding
- Business restructuring & turnaround consulting
- Tech adoption advisory (ERP, cloud accounting)

THANK YOU!!

