EXPOSURE DRAFT

DRAFT GUIDANCE NOTE
TO
THE REVISED SCHEDULE VI
TO THE COMPANIES ACT,
1956

Comments/suggestions may kindly be sent to the following address/ e-mail within 15 days

The Chairman
Corporate Laws & Corporate Governance Committee
ICAI,
ICAI Bhawan, 4th Floor, Administrative Block.
Plot A/29, Sector 62, NOIDA 201 309,
Gautam Budh Nagar, Uttar Pradesh
clcgc@icai.org

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1. Introduction

1.1 Schedule VI to the Companies Act, 1956 ('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 enhancing the disclosure requirements under the Old Schedule VI to the Act and harmonizing and synchronizing them with Accounting Standards. Accordingly, the Ministry of Corporate Affairs (MCA) has issued a revised form of Schedule VI on February 28, 2011.

1.2 The relevant notifications along with the Revised Schedule VI to the Act are given in Annexure A. As per the relevant notifications, the Schedule applies to all companies for the financial statements to be prepared for the financial year commencing on or after April 1, 2011.

1.3 The requirements of the Revised Schedule VI however, do not apply to companies as referred to in the proviso to Section 211 (1) and Section 211 (2) 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 Profit and Loss account has been specified in or under any other Act governing such class of company.

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 on various aspects of the Revised Schedule VI. However, it does not provide guidance on disclosure requirements under Accounting Standards, other pronouncements of the Institute of Chartered Accountants of India (ICAI), other statutes, etc.

2.2. In preparing this Guidance Note, reference has been drawn to the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended), other Accounting Standards issued by the ICAI (yet to be notified under the Act) 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 Revised Schedule VI. However, the Guidance provided herein should not be taken as exhaustive.

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. F.No.2/6/2008-C.L-V dated 30-3-2011, the Revised Schedule VI is applicable for the Balance Sheet and Profit and Loss Account to be prepared for the financial year commencing on or after April 1, 2011.

3.2. Early adoption of the Revised Schedule VI is not permitted since Schedule VI is a statutory format.

3.3. The Revised Schedule VI 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, comparative information will have to be presented starting from the first year of application of the Revised Schedule VI. Thus for the financial statements prepared for the year 2011-12 (1^{st} April 2011 to 31^{st} March 2012), comparative amounts need to be given for the financial year 2010-11.

3.4. ICAI had earlier issued the Statement on the Amendments to Schedule VI to the Companies Act, 1956 in March 1976 (as amended). Wherever guidance provided in this publication is different from the guidance in the aforesaid Statement, this Guidance Note will prevail.

3.5. Applicability of the Revised Schedule VI 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."

3.6. Accordingly, if a company is presenting condensed interim financial statements, its format should conform to that used in the company's most recent annual financial statements, i.e., the Old Schedule VI. However, if it presents a complete set of financial statements, it should use the Revised Schedule VI, i.e., the new format applicable to annual financial statements.

3.7. The format of Balance Sheet currently prescribed under Clause 41 to the Listing Agreement based on the Old Schedule VI is inconsistent with the format of Balance Sheet in the Revised Schedule VI. Till Clause 41 is revised, this issue to be addressed by companies as explained below :

3.7.1. Clauses 41(I)(ea) and 41(I)(eaa) to the Listing Agreement regarding presentation of Balance Sheet items in half-yearly and annual audit results, respectively states as under:

"(ea) As a part of its audited or unaudited financial results for the half-year, the company shall also submit by way of a note, a statement of assets and liabilities as at the end of the half-year.

(eaa) However, when a company opts to submit un-audited financial results for the last quarter of the financial year, it shall, submit a statement of assets and liabilities as at the end of the financial year only along with the audited financial results for the entire financial year, as soon as they are approved by the Board."

3.7.2. Further, Clause 41(V)(h) regarding format of Balance Sheet items states as under:

"(h) Disclosure of balance sheet items as per items (ea) shall be in the format specified in Annexure IX drawn from Schedule VI of the Companies Act, or its equivalent formats in other statutes, as applicable."

Based on the above:

(a) For Half yearly results: Though the requirement in clause 41(V)(h) makes a reference to the Schedule VI for the presentation of Balance

Sheet items, in case of half-yearly results of a company, it has prescribed a specific format for the purpose. Hence, till the time a new format is prescribed by the Securities and Exchange Board of India (SEBI) under Clause 41, companies will have to continue to present their half-yearly Balance Sheet based on the format currently specified by the SEBI.

(b) For Annual audited yearly results: Clause 41(V) (h) does not refer to any format for the purposes of annual statement of assets and liabilities. Since companies have to prepare their annual financial statements in the Revised Schedule VI format, companies should use the same format of Revised Schedule VI for submission to stock exchanges as well.

3.8. The formats of the Balance Sheet and Statement of Profit and Loss prescribed under the SEBI (Issue of Capital & Disclosure Requirements) Regulations 2009 ('ICDR Regulations') is inconsistent with the format of the Balance Sheet/ Statement of Profit & Loss in the Revised Schedule VI. However, the formats of Balance Sheet and Statement of Profit and Loss under ICDR Regulations are "illustrative formats". Accordingly, to make the data comparable and meaningful for users, companies should use the Revised Schedule VI format to present the restated financial information for inclusion in the offer document. Consequently, among other things, this will involve classification of assets and liabilities into current and non-current for earlier years presented as well.

4. Summary of the Revised Schedule VI

4.1. The main principles

4.1.1. The Revised Schedule VI requires that if compliance with the requirements of the Act and / or the Accounting standards requires a change in the treatment or disclosure in the financial statements as compared to that is provided in the Revised Schedule VI, the requirements of the Act and / or the Accounting Standards will prevail over the Schedule.

4.1.2. The Revised Schedule VI 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. In the Old Schedule VI, break-up of amounts disclosed in the main Balance Sheet and Profit and Loss Account was given in the Schedules.

Additional information was furnished in the notes to account. The Revised Schedule VI has eliminated the concept of 'schedule' and such information is now to be furnished in the notes to accounts.

4.1.4. The terms used in the Revised Schedule VI 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 under the Accounting Standards notified under Companies (Accounting Standards) Rules, 2006.

4.1.5. In preparing the financial statements including the notes to accounts, a balance will have to be maintained between providing excessive detail that may not assist users of financial statements and not providing important information as a result of too much aggregation.

4.1.6. All items of assets and liabilities are to be bifurcated between current and non-current portions and presented separately on the face of the Balance Sheet. Such classification was not required by the Old Schedule VI.

4.1.7. There is an explicit requirement to use the same unit of measurement uniformly throughout the financial statements. Moreover, rounding off requirements have been changed to eliminate the option of presenting figures in terms of hundreds and thousands if turnover exceeds ₹ 100 crores.

4.2. Major changes related to the Balance sheet

4.2.1. The Revised Schedule VI prescribes only the vertical format for presentation of financial statements. Thus, a company will now not have an option to use horizontal format for the presentation of financial statements as prescribed in Old Schedule VI.

4.2.2. Current and non-current classification has been introduced for presentation of assets and liabilities in the Balance Sheet. The application of this classification will require assets and liabilities to be segregated into their current and non-current portions. For instance, current maturities of a long-term borrowing will have to be classified under the head "Other current liabilities."

4.2.3. Number of shares held by each shareholder holding more than 5 percent shares in the company now needs to be disclosed. In the absence of any specific indication of the date of holding, such information should be based on shares held as on the Balance Sheet date.

4.2.4. Details pertaining to aggregate number and class of shares allotted for consideration other than cash, bonus shares and shares bought back will need to be disclosed only for a period of five years immediately preceding the Balance Sheet date.

4.2.5. Any debit balance in the Statement of Profit and Loss will be disclosed under the head “Reserves and surplus.” Earlier, any debit balance in Profit and Loss Account carried forward after deduction from uncommitted reserves was required to be shown as the last item on the asset side of the Balance Sheet.

4.2.6. Specific disclosures are prescribed for Share Application money. The application money not exceeding the capital offered for issuance and to the extent not refundable will be shown separately on the face of the Balance Sheet. The amount in excess of subscription or if the requirements of minimum subscription are not met will be shown under “Other current liabilities.”

4.2.7. The term “sundry debtors” has been replaced with the term “trade receivables.” ‘Trade receivables’ are defined as dues arising only from goods sold or services rendered in the normal course of business. Hence, amounts due on account of other contractual obligations can no longer be included in the trade receivables.

4.2.8. The Old Schedule VI required separate presentation of debtors outstanding for a period exceeding six months based on date on which the bill/invoice was raised whereas, the Revised Schedule VI requires separate disclosure of “trade receivables outstanding for a period exceeding six months from the date the bill/invoice is due for payment.”

4.2.9. “Capital advances” are specifically required to be presented separately under the head “Loans & advances” rather than including elsewhere.

4.2.10. Tangible assets under lease are required to be separately specified under each class of asset. In the absence of any further clarification, the term “under lease” should be taken to mean assets given on operating lease in the case of lessor and assets held under finance lease in the case of lessee.

4.2.11. In the Old Schedule VI, details of only capital commitments were required to be disclosed. Under the Revised Schedule VI, other commitments also need to be disclosed.

4.2.12. The Revised Schedule VI requires disclosure of all defaults in repayment of loans and interest to be specified in each case. Earlier, no such disclosure was required in the financial statements. However, disclosures pertaining to defaults in repayment of dues to a financial institution, bank and debenture holders continue to be required in the report under Companies Auditor’s Report Order, 2003 (CARO).

4.2.13. The Revised Schedule VI introduces a number of other additional disclosures. Some examples are:

(a) Rights, preferences and restrictions attaching to each class of shares, including restrictions on the distribution of dividends and the repayment of capital;

(b) Terms of repayment of long-term loans;

(c) In each class of investment, details regarding names of the bodies corporate in whom investments have been made, indicating separately whether such bodies are (i) subsidiaries, (ii) associates, (iii) joint ventures, or (iv) controlled special purpose entities, and the nature and extent of the investment made in each such body corporate (showing separately partly-paid investments);

(d) Aggregate provision for diminution in value of investments separately for current and long-term investments;

(e) Stock-in-trade held for trading purposes, separately from other finished goods.

4.3. Main changes related to Statement of Profit and Loss

4.3.1. The name has been changed to “Statement of Profit and Loss” as against ‘Profit and Loss Account’ as contained in the Old Schedule VI.

4.3.2. Unlike the Old Schedule VI, the Revised Schedule VI lays down a format for the presentation of Statement of Profit and Loss. This format of Statement of Profit and Loss does not mention any appropriation item on its face. Further, the Revised Schedule VI format prescribes such ‘below the line’ adjustments to be presented under “Reserves and Surplus” in the Balance Sheet.

4.3.3. In addition to specific disclosures prescribed in the Statement of Profit and Loss, any item of income or expense which exceeds one percent of the revenue from operations or ₹ 100,000 (earlier 1 % of total revenue or ₹ 5,000), whichever is higher, needs to be disclosed separately.

4.3.4. The Old Schedule VI required the parent company to recognize dividends declared by subsidiary companies even after the date of the Balance Sheet if they were pertaining to the period ending on or before the Balance Sheet date. Such requirement no longer exists in the Revised Schedule VI. Accordingly, as per AS-9 Revenue Recognition, dividends should be recognized as income only when the right to receive dividends is established as on the Balance Sheet date.

4.3.5. In respect of companies other than finance companies, revenue from operations need to be disclosed separately as revenue from (a) sale of products, (b) sale of services and (c) other operating revenues.

4.3.6. Net exchange gain/loss on foreign currency borrowings to the extent considered as an adjustment to interest cost needs to be disclosed separately as finance cost.

4.3.7. Break-up in terms of quantitative disclosures for significant items of Statement of Profit and Loss, such as raw material consumption, stocks, purchases and sales have been simplified and replaced with the disclosure of "broad heads" only. The broad heads need to be decided based on materiality and presentation of true and fair view of the financial statements.

4.4. Disclosures no longer required

The Revised Schedule VI has removed a number of disclosure requirements that were not considered relevant in the present day context. Examples include:

(a) Disclosures relating to managerial remuneration and computation of net profits for calculation of commission;

(b) Information relating to licensed capacity, installed capacity and actual production;

(c) Information on investments purchased and sold during the year;

(d) Investments, sundry debtors and loans & advances pertaining to companies under the same management;

(e) Maximum amounts due on account of loans and advances from directors or officers of the company;

(f) Commission, brokerage and non-trade discounts

However, there are certain disclosures such as value of imports calculated on CIF basis and expenditure in foreign currency, etc. that still continue in the Revised Schedule VI. A comparison of Old and Revised Schedule VI is given in Annexure B.

5. Structure of the Revised Schedule VI

The Structure of Revised Schedule VI is as under:

I. General Instructions

II. Part I – Form of Balance Sheet

III. General Instructions for Preparation of Balance Sheet

IV. Part II – Form of Statement of Profit and Loss

V. General Instructions for Preparation of Statement of Profit and Loss

6. General Instructions To The Revised Schedule Vi

6.1. The General Instructions lay down the broad principles and guidelines for preparation and presentation of financial statements.

6.2. As laid down in the Preface to the Statements of Accounting Standards issued by ICAI, if a particular Accounting Standard is found to be not in conformity with law, the provisions of the said law will prevail and the financial statements should be prepared in conformity with such law. Accordingly, by virtue of this principle, disclosure requirements of the Old Schedule VI were considered to prevail over Accounting Standards. However, since the Revised Schedule VI gives over-riding status to the requirements of the Accounting Standards and other requirements of the Act, such principle of law over-riding the Accounting Standards is inapplicable in the context of the Revised Schedule VI.

6.3. The Revised Schedule VI requires that if compliance with the requirements of the Act including applicable Accounting Standards require any change in the treatment or disclosure including addition, amendment, substitution or deletion in the head/sub-head or any changes inter-se, in the financial statements or statements forming part thereof, the same shall be made and the requirements of Revised Schedule VI shall stand modified accordingly.

6.4. Implications of all instructions mentioned above can be illustrated by means of the following example. One of the line items to be presented on the face of the Balance Sheet under Current Assets is “Cash and Cash Equivalents”. The break-up of these items required to be presented by the Revised Schedule VI comprises of items such as Balances with Banks held as margin money or security against borrowings, guarantees, etc. and bank deposits with more than 12 months maturity. According to AS-3 Cash Flow Statements, Cash is defined to include cash on hand and demand deposits with banks. Cash Equivalents are defined as short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. The Standard further explains that an investment normally qualifies as a cash equivalent only when it has a short maturity of three months or less from the date of acquisition. Hence, normally, deposits with original maturity of three months or less only should be classified as cash equivalents. Further, bank balances held as margin money or security against borrowings are neither in the nature of demand deposits, nor readily available for use by the company, and accordingly, do not meet the aforesaid definition of cash equivalents. Thus, this is an apparent conflict between the requirements of the Revised

Schedule VI and the Accounting Standards with respect to which items should form part of cash and cash equivalents. As laid down in the General Instructions, Para 1 of Revised Schedule VI, requirements of the Accounting Standards would prevail over the Revised Schedule VI and the company should make necessary modifications in the financial statements which may include addition, amendment, substitution or deletion in the head/sub-head or any other changes inter-se. Accordingly, the conflict should be resolved by changing the caption "Cash and Cash equivalents" to "Cash and bank balances," which may have two sub-headings, viz., "Cash and cash equivalents" and "Other bank balances." The former should include only the items that constitute cash and cash equivalents defined in accordance with AS 3 (and not the Revised Schedule VI), while the remaining line-items may be included under the latter heading.

6.5. Para 2 of the General Instructions to the Revised Schedule VI states that the disclosure requirements of the Schedule are in addition to and not in substitution of the disclosure requirements specified in the notified Accounting Standards. They further clarify that the additional disclosures specified in the Accounting Standards shall be made in the notes to accounts or by way of an additional statement unless required to be disclosed on the face of the financial statements. All other disclosures required by the Act are also required to be made in the notes to accounts in addition to the requirements set out in the Revised Schedule VI.

6.6. An example to illustrate the above point is the specific disclosure required by AS-24 Discontinuing Operations on the face of the Statement of Profit and Loss which has not been incorporated in the Revised Schedule VI. The disclosure pertains to the amount of pre-tax gain or loss recognised on the disposal of assets or settlement of liabilities attributable to the discontinuing operation. Accordingly, such disclosures specifically required by the Accounting Standard on the face of either the Statement of Profit and Loss or Balance Sheet will have to be so made even if not forming part of the formats prescribed under the Revised Schedule VI.

6.7. All the other disclosures required by the Accounting Standards will continue to be made in the financial statements. Further, the disclosures required by the Act will continue to be made in the Notes to Accounts. An example of this is the separate disclosure required by Section 293A of the Act for donations made to political parties. Such disclosures would be made in the Notes. An illustrative list of disclosures required under the Act is enclosed as Annexure C.

6.8. Though not specifically required by the Revised Schedule VI, disclosures mandated by other Acts or legal requirements will have to be made in the financial statements. For example, The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 requires specified disclosures to be made in the annual financial statements of the buyer wherever such financial statements are required to be audited under any law. Accordingly, such disclosures will have to be made in the buyer company's annual financial statements.

6.9. The above principle would apply to disclosures required by other legal requirements as well such as, disclosures required under Clause 32 to the Listing Agreement, etc. A further extension of the above principle also means that specific disclosures required by various pronouncements of regulatory bodies such as the ICAI announcement for disclosures on derivatives and unhedged foreign currency exposures, and other disclosure requirements prescribed by various ICAI Guidance Notes, such as Guidance Note on Employee Share-based Payments, etc. should continue to be made in the financial statements in addition to the disclosures specified by the Revised Schedule VI.

6.10. In the Old Schedule VI, break-up of amounts disclosed on the Balance Sheet and Profit and Loss Account was given in the Schedules. Additional information was furnished in the notes to account. The Revised Schedule VI requires all information relating to each item on the face of the Balance Sheet and Statement of Profit and Loss to be cross-referenced to the notes to accounts. The manner of such cross-referencing to various other informations contained in the financial statements has also been changed to "Note no." as compared to "Schedule No." in the Old Schedule VI. Hence, the same is suggestive of a change in the format of presentation from Schedules and Notes to Accounts to the new format of only Notes to Accounts. The instructions state that the Notes to accounts should provide where required, narrative descriptions or disaggregations of items recognized in those statements. Hence, presentation of all narrative descriptions and disaggregations should preferably be presented in the form of Notes to Accounts rather than in the form of Schedules. Such style of presentation is also in line with the manner of presentation of financial statements followed by companies internationally and would facilitate comparability of financial statements.

6.11. Para 3 of the General Instructions of the Revised Schedule VI also states that the Notes to Accounts should also contain information about items that do not qualify for recognition in financial statements. These disclosures normally refer to items such as Contingent Liabilities and Commitments which do not get recognised in the financial statements. These have been dealt with later in this Guidance Note. Some of the other disclosures relating to items that are not recognised in the financial statements also emanate from the Accounting Standards, such as, disclosures required under AS 9 Revenue Recognition on circumstances in which revenue recognition is to be postponed pending the resolution of significant uncertainties. Contingent Assets, however, are not to be disclosed in the financial statements as per AS 29 Provisions, Contingent Liabilities and Contingent Assets.

6.12. The General Instructions also lay down the principle that in preparing financial statements including notes to accounts, a balance shall be maintained between providing excessive detail that may not assist users of financial statements and not providing important information as a result of too much aggregation. Compliance with this requirement is a matter of professional judgement and may vary based on a case to case basis based on facts and circumstances. However, it is necessary to strike a balance between overburdening financial statements with excessive detail that may not assist users of financial statements and obscuring important information as a result of too much aggregation. For example, a company should not obscure important information by including it among a large amount of insignificant detail or in a way that it obscures important differences between individual transactions or associated risks.

6.13. The Revised Schedule VI has specifically introduced a new requirement of using the same unit of measurement uniformly across the financial statements. Such requirement should be taken to imply that all figures disclosed in the financial statements including notes to accounts should be of the same denomination.

6.14. The Revised Schedule VI has also introduced new rounding off requirements as compared to the Old Schedule VI. The new requirement does not prescribe the option to present figures in terms of hundreds and thousands if the turnover equals or exceeds ₹ 100 crores. Rather, they allow rounding off in crores, which was earlier permitted only when the turnover equaled or exceeded five hundred crores rupees. Similarly, where turnover is below ₹ 100 crore, the Revised Schedule VI gives an option to present figures in lakhs and millions as well, which did not exist earlier. However it is not compulsory to apply rounding off and a company can continue to disclose full figures. But, if the same is applied, the rounding off requirement should be complied with.

6.15. The instructions also clarify that the terms used in the Revised Schedule VI shall be as per the applicable Accounting Standards. For example, the term ‘related parties’ used at several places in the Revised Schedule VI should be interpreted based on the definition given in AS-18 Related Party Disclosures.

6.16. The Notes to the General Instructions re-clarify that the Revised Schedule VI sets out the minimum requirements for disclosure in the financial statements including notes. It states that line items, sub-line items and sub-totals shall be presented as an addition or substitution on the face of the Balance Sheet and Statement of Profit & Loss when such presentation is relevant to an understanding of the company's financial position or performance or to cater to industry/sector-specific disclosure requirements, apart from, when required for compliance with amendments to the Act or the Accounting Standards.

6.17. The application of the above requirement is a matter of professional judgement. The following examples illustrate this requirement. Earnings before Interest, Tax, Depreciation and Amortisation is often an important measure of financial performance of the company relevant to the various users of financial statements and stakeholders of the company. Hence, a company may choose to present the same as an additional line item on the face of the Statement of Profit and Loss. Similarly, users and stakeholders often want to know the liquidity position of the company. To highlight the same, a company may choose to present additional sub-totals of Current Assets and Current Liabilities on the face of the Balance Sheet.

6.18. One example of addition or substitution of line items, sub-line items and sub-totals to cater to industry-specific disclosure requirements can be noted from Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007. The Directions prescribe that every non-banking finance company is required to separately disclose in its balance sheet the provisions made under the Directions without netting them from the income or against the value of assets. Though not specifically required by the Schedule, such addition or substitution of line items can be made in the notes forming part of the financial statements as well.

7. General Instructions For Preparation of Balance Sheet : Notes 1 To 5

7.1. Current/Non-current assets and liabilities:

The Revised Schedule VI requires all items in the Balance Sheet to be classified as either Current or Non-current and be reflected as such. Notes 1 to 3 of the Revised Schedule VI define Current Asset, Operating Cycle and Current Liability as below:

7.1.1. "An asset shall be classified as current when it satisfies any of the following criteria:

(a) it is expected to be realized in, or is intended for sale or consumption in, the company's normal operating cycle;

(b) it is held primarily for the purpose of being traded;

(c) it is expected to be realized within twelve months after the reporting date; or

(d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets shall be classified as non-current."

7.1.2. "An operating cycle is the time between the acquisition of assets for processing and their realization in cash or cash equivalents. Where the normal operating cycle cannot be identified, it is assumed to have a duration of twelve months."

7.1.3. "A liability shall be classified as current when it satisfies any of the following criteria:

(a) it is expected to be settled in the company's normal operating cycle;

(b) it is held primarily for the purpose of being traded;

(c) it is due to be settled within twelve months after the reporting date; or

(d) the company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities shall be classified as non-current."

7.1.4. The Revised Schedule VI defines "current assets" and "current liabilities", with the non-current category being the residual. It is therefore necessary that the balance pertaining to each item of assets and liabilities contained in the Balance Sheet be split into its current and non-current portions and be classified accordingly as on the reporting date.

7.1.5. Based on the definition, current assets include assets such as raw material and stores which are intended for consumption or sale in the course of the company's normal operating cycle. Items of inventory which may be consumed or realized within the company's normal operating cycle should be classified as current even if the same are not expected to be so consumed or realized within twelve months after the reporting date. Current assets would also include assets held primarily for the purpose of being traded such as inventory of finished goods. They would also include trade receivables which are expected to be realized within twelve months from the reporting date and cash and cash equivalents which are not under any restriction of use.

7.1.6. Similarly, current liabilities would include items such as trade payables, employee salaries and other operating costs that are expected to be settled in the company's normal operating cycle or due to be settled within twelve months from the reporting date. It is pertinent to note that such operating liabilities are normally part of the working capital of the company used in the company's normal operating cycle and hence, should be classified as current even if they are due to be settled more than twelve months after the end of the reporting date.

7.1.7. Further, any liability, pertaining to which the company does not have an unconditional right to defer its settlement for at least twelve months after the Balance Sheet/reporting date, will have to be classified as Current.

7.1.8. The application of this criterion could be critical to the financial statements of a company and requires careful evaluation of the various terms and conditions of a loan liability. To illustrate, let us understand how this requirement will apply to the following example:

7.1.9. Company X has taken a five year loan. The loan contains certain debt covenants, e.g., filing of quarterly information, failing which the bank can recall the loan and demand repayment thereof. The company has not filed such information in the previous quarter; as a result of which the bank has the right to recall the loan. However, based on the past experience and/or based on the discussions with the bank the management believes that default is minor and the bank will not demand the repayment of loan. According to the definition of Current Liability, what is important is, whether a borrower has an unconditional right at the Balance Sheet date to defer the settlement irrespective of the nature of default and whether or not a bank can exercise its right to recall the loan. If the borrower does not have such right, the classification would be "current." It is pertinent to note that as per the terms and conditions of the aforesaid loan, the loan was not repayable on demand from day one. The loan became repayable on demand only on default in the debt covenant and bank has not demanded the repayment of loan up to the date of approval of the accounts. In the Indian context, the criteria of a loan becoming repayable on demand on breach of a covenant, is generally added in the terms and conditions as a matter of abundant caution. Also, banks generally do not demand repayment of loans on such defaults of debt covenants. Therefore, in such situations, the companies generally continue to repay the loan as per its original terms and conditions. Hence, considering that the practical implications of such breach are negligible in the Indian scenario, an entity could continue to classify the loan as "non-current" as on the Balance Sheet date since the loan is not actually demanded by the bank at any time prior to the date on which the financial statements are approved. However, in case a bank has recalled the loan before the date of approval of the accounts on breach of a loan covenant that occurred before the year-end, the loan will have to be classified as Current. Further, the above situation should not be confused with a loan which is repayable on demand from day one. For such loans, even if the lender does not demand repayment of the loan at any time, the same would have to be continued to be classified as "current".

7.2. The term "Operating Cycle" is defined as the time between the acquisition of assets for processing and their realization in cash or cash equivalents. A company's normal operating cycle may be longer than twelve months e.g. companies manufacturing wines, etc. However, where the normal operating cycle cannot be identified, it is assumed to have a duration of twelve months.

7.2.1. Where a company is engaged in running multiple businesses, the operating cycle could be different for each line of business. Such a company will have to classify all the assets and liabilities of the respective businesses into current and non-current, depending upon the operating cycles for the respective businesses.

Let us consider the following other examples:

1. A company has excess finished goods inventory that it does not expect to realize within the company's operating cycle of fifteen months. Since such finished goods inventory is held primarily for the purpose of being traded, the same should be classified as "Current".
2. A company has sold 10,000 tonnes of steel to its customer. The sale contract provides for a normal credit period of three months. The company's operating cycle is six months. However, the company does not expect to receive the payment within twelve months from the reporting date. Therefore, the same should be classified as "Non-Current" in the Balance Sheet.

7.3. For the purpose of Revised Schedule VI, a company also needs to classify its employee benefit obligations in current and non-current categories. While AS-15 Employee Benefits governs the measurement of various employee benefit obligations, their classification as current and non-current liabilities will be governed by the criteria laid down in the Revised Schedule VI. In accordance with these criteria, a liability is classified as "current" if a company does not have an unconditional right as on the Balance Sheet date to defer its settlement for twelve months after the reporting date. Each company will need to apply these criteria to its specific facts and circumstances and decide an appropriate classification of its employee benefit obligations. Given below is an illustrative example on application of these criteria in a simple situation:

(a) Liability toward bonus, etc., payable within one year from the Balance Sheet date is classified as "current".

(b) In case of accumulated leave outstanding as on the reporting date, the employees have already earned the right to avail the leave and they are normally entitled to avail the leave at any time during the year. To the extent, the employee has unconditional right to avail the leave, the same needs to be classified as "current" even though the same is measured as other long-term employee benefit as per AS-15. However, whether the right to defer the employee's leave is available unconditionally with the company needs to be evaluated on a case to case basis – based on the terms of Employee Contract and Leave Policy, Employer's right to postpone/deny the leave, restriction to avail leave in the next year for a maximum number of days, etc. In case of such complexities the amount of Non-current and Current portions of leave obligation should be provided by the Actuary.

(c) Regarding funded post-employment benefit obligations, amount due for payment to the fund within twelve months created for this purpose is treated as "current" liability. Regarding the unfunded post-employment benefit obligations, a company will have settlement obligation at the Balance Sheet date or within twelve months for employees such as those who have already resigned or are expected to resign (the Actuary factors this information for actuarial valuation) or are due for retirement within the next twelve months from the Balance Sheet date. Thus, the amount of obligation attributable to these employees is a "current" liability. The remaining amount attributable to other employees, who are likely to continue in the services for the next twelve months, is classified as "non-current" liability. The actuaries should be requested to provide the amount of current & non-current liability for unfunded post-employment benefit obligation based on the definition of Current and Non-Current Assets and Liabilities in the Revised Schedule VI.

7.4. The Revised Schedule VI requires Investments to be classified as Current and Non-Current. However, AS 13 'Accounting for Investments' requires to classify Investments as Current and Long-Term. As per AS 13, current investment is an investment that is by its nature readily realisable and is intended to be held for not more than one year from the date on which such investment is made. A long-term investment is an investment other than a current investment.

7.4.1. Accordingly, as per AS-13, the assessment of whether an Investment is "Long-term" has to be made with respect to the date of Investment whereas, as per the Revised Schedule VI, "Non-current" Investment has to be determined with respect to the Balance Sheet date.

7.4.2. Though the Revised Schedule VI clarifies that the Accounting Standards would prevail over itself in case of any inconsistency between the two, it is pertinent to note that AS-13 does not lay down presentation norms, though it requires disclosures to be made for Current and Long-Term Investments. Accordingly, presentation of all investments in the Balance Sheet should be made based on Current/Non-current classification as defined in the Revised Schedule VI. The portion of long-term investment as per AS 13 which is expected to be realized within twelve months from the Balance Sheet date needs to be shown as Current Investment under the Revised Schedule VI.

7.4.3. Alternatively, the same can also be shown under Long-Term Investments as Current Portion of Long-Term Investments.

7.5. Settlement of a liability by issuing of equity

7.5.1. The Revised Schedule VI clarifies that, "the terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification". A consequence of this is that if the conversion option in convertible debt is exercisable by the holder at any time, the liability cannot be classified as "current" if the maturity for cash settlement is greater than one year. A question therefore arises as to how does the aforesaid requirement affect the classification of items for say, a) convertible debt where the conversion option lies with the issuer, or b) mandatorily convertible debt instrument.

7.5.2. Based on the specific exemption granted only to those cases where the conversion option is with the counterparty, the same should not be extended to other cases where such option lies with the issuer or is a mandatorily convertible instrument. For all such cases, conversion of a liability into equity should be considered as a means of settlement of the liability as defined in Revised Schedule VI. Accordingly, the timing of such settlement would also decide the classification of such liability in terms of Current or Non-current as defined in the Revised Schedule VI.

7.5.3. As per the classification in the Revised Schedule VI and in line with the ICAI's earlier announcement with regard to the presentation and classification of net Deferred Tax asset or liability, the same should always be classified as "non-current".

8. Part I: Form of Balance Sheet and Notes 6 to General Instructions for Preparation of Balance Sheet

I. Equity and Liabilities

8.1. Shareholders' Funds

Under this head, following line items are to be disclosed:

- Share Capital;
- Reserves and Surplus;
- Money received against Share Warrants.

8.1.1. Share capital

8.1.1.1. Notes of the General Instructions require a company to disclose in the notes to accounts line items/sub-line items referred to in Notes 6 A to 6 Q. Clauses (a) to (l) of Notes 6 A deal with disclosures for Share Capital and such disclosures are required for each class of share capital (different classes of preference shares to be treated separately).

8.1.1.2. As per ICAI Guidance Note on Terms used in Financial Statements, 'Capital' refers "to the amount invested in an enterprise by its owners, e.g. paid-up share capital in a corporate enterprise. It is also used to refer to the interest of owners in the assets of the enterprise."

8.1.1.3. The said Guidance Note defines 'Share Capital' as "the aggregate amount of money paid or credited as paid on the shares and/or stocks of a corporate enterprise."

8.1.1.4. In respect of disclosure requirements for Share Capital, the Revised Schedule VI states that "different classes of preference share capital to be treated separately". A question arises whether the preference shares should be presented as share capital only or does it mean that a company compulsorily needs to decide whether a preference shares are liability or equity based on its economic substance using AS 31 Financial Instruments: Presentation principles and present the same accordingly. The Revised Schedule VI deals only with presentation and disclosure requirements. Accounting for various items is governed by the applicable Accounting

Standards. Since accounting for various items are to be governed by the applicable Accounting Standards, if a company has early adopted AS 30 Financial Instruments : Recognition and Measurement, AS 31 and AS 32 Financial Instruments: Disclosures, it will decide the liability and equity classification of preference shares based on the principles laid down in AS 31. If the application of these principles results in all or part of preference shares being classified as liability, it will use the same classification, for presentation in the Balance Sheet. However, if a company has not early adopted AS 30, AS 31 and AS 32, it should continue to classify the preference shares as part of "share capital". Section 85(1) of the Act also refers to Preference Shares as a kind of share capital.

8.1.1.5. Presently, in the Indian context, generally, there are two kinds of share capital namely - Equity and Preference. Within Equity/Preference Share Capital, there could be different classes of shares, say, Equity with or without voting rights, Compulsorily Convertible Preference Share, Optionally Convertible Preference Shares, etc. If the preference shares are to be disclosed under the head 'Share Capital', until the same are actually redeemed, they should continue to be shown under the head 'Share Capital'. Thus, though the preference shares are due for redemption under the provisions of Section 80A, but are not redeemed, they should be disclosed under the head 'Share Capital'. However, the fact that these are due for redemption under the provisions of Section 80A of the Act, should be clearly disclosed in a manner that a reader is aware of the non-compliance with the provisions of section 80A.

8.1.1.6. Clause (a) of Notes 6A - the number and amount of shares authorized :

As per the Guidance Note on Terms used in Financial Statements 'Authorised Share Capital' means "the number and par value, of each class of shares that an enterprise may issue in accordance with its instrument of incorporation. This is sometimes referred to as nominal share capital."

8.1.1.7. Clause (b) of Notes 6A - the number of shares issued, subscribed and fully paid, and subscribed but not fully paid :

The disclosure is for shares:

- Issued;
- Subscribed and fully paid;
- Subscribed but not fully paid.

> Though the disclosure is only for the number of shares, but, to make the disclosure relevant to understanding the company's share capital, even the amount for each category should be disclosed. Issued shares are those which are offered for subscription within the authorised limit. It is possible that all shares offered are not subscribed to and to the extent of unsubscribed portion, there will be difference between shares issued and subscribed. As per the Guidance Note on Terms used in Financial Statements, the expression 'Subscribed Share Capital' is referred to as "that portion of the issued share capital which has actually been subscribed and allotted."

Though there is no requirement to disclose the amount per share called, if shares are not fully called, it would be appropriate to state the amount per share called. As per the definition contained in the Guidance Note on Terms used in Financial Statements, the expression 'Paid-up Share Capital' is "that part of the subscribed share capital for which consideration in cash or otherwise has been received. This includes bonus shares allotted by the corporate enterprise."—As per the Old Schedule VI, debit balance on the allotment or call account is presented in the Balance Sheet not as an asset but by way of deduction from Called-up Capital. However, as required by Clause k of Note 6 A of the Revised Schedule VI, calls unpaid are to be disclosed separately as per the Revised Schedule VI.

8.1.1.8. Clause (c) of Notes 6A – par value per share :

Par value per share is the face value of a share as indicated in the Capital Clause of the Memorandum of Association of a company. It is also referred to as 'face value' per share. In the case of a company having share capital, (unless the company is an unlimited company), the Memorandum shall also state the amount of share capital with which the company is registered and their division thereof into shares of fixed amount as required under clause (a) to the sub-section (4) of section 13 of the Act. In the case of a company limited by guarantee, Memorandum shall state that each member undertakes to contribute to the assets of the company in the event of winding-up while he is a member or within one year after he ceases to be a member, for payment of debts and liabilities of the company, as the case may be. There is no specific mention for the disclosure by companies limited by guarantee and having share capital, and companies limited by guarantee, and not having share capital. Such companies need to modify the requirement so as to disclose the amount each member undertakes to contribute as per its Memorandum of Association.

8.1.1.9. Clause (d) of Notes 6A - a reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period :

As per the Revised Schedule VI, opening number of shares outstanding, shares issued, shares bought back, other movements, etc. during the year and closing number of outstanding shares should be shown. Though the requirement is only for a reconciliation of the number of shares, as given for the disclosure of issued, subscribed capital, etc. [Clause (b) of Note 6 A] above, to make the disclosure relevant for understanding the company's share capital, the reconciliation is to be given even for the amount of share capital. Reconciliation for the comparative previous period is also to be given. Further, the above reconciliation should be disclosed separately for both Equity and Preference Shares and for each class of share capital within Equity and Preference Shares.

8.1.1.10. Clause (e) of Notes 6A - the rights, preferences and restrictions attaching to each class of shares including restrictions on the distribution of dividends and the repayment of capital.

As per the Guidance Note on Terms used in Financial Statement, the expression 'Preference Share Capital' means "that part of the share capital of a corporate enterprise which enjoys preferential rights in respect of payments of fixed dividend and repayment of capital. Preference shares may also have full or partial participating rights in surplus profits or surplus capital." The rights, preferences and restrictions attached to shares are based on the classes of shares, terms of issue, etc., whether equity or preference. In respect of Equity Share Capital, it may be with voting rights or with differential voting rights as to dividend, voting or otherwise in accordance with such rules and subject to such conditions as may be prescribed under Companies (Issue of Share Capital with Differential Voting Rights) Rule, 2001. In respect of Preference shares, the rights to include (a) as respects dividend, a preferential right to be paid a fixed amount or at a fixed rate and, (b) as respects capital, a preferential right of repayment of amount of capital on winding up. Further, Preference shares can be cumulative, non-cumulative, redeemable, irredeemable, convertible, non-convertible. All such rights, preferences and restrictions attached to each class of preference shares, terms of redemption, etc. have to be disclosed separately.

8.1.1.11. Clause (f) of Notes 6A - shares in respect of each class in the company held by its holding capacity or its ultimate holding company including shares held by or by subsidiaries or associates of the holding company or the ultimate holding company in aggregate :

The requirement is to disclose shares of the company held by -

- Its holding company;
- Its ultimate holding company;
- Subsidiaries of its holding company;
- Subsidiaries of its ultimate holding company;
- Associates of its holding company; and
- Associates of its ultimate holding company.

Aggregation should be done for each of the above categories.

> The terms 'subsidiary', 'holding company' and 'associate' should be understood as defined under AS-21, Consolidated Financial Statements and AS-18, Related Party Disclosures. Based on the aforesaid definitions, for the purposes of the above disclosures, shares held by the entire chain of subsidiaries and associates starting from the holding company and ending right up to the ultimate holding company would have to be disclosed. Further, all the above disclosures need to be made separately for each class of shares, both within Equity and Preference Shares.

8.1.1.12. Clause (g) of Notes 6A - shares in the company held by each shareholder holding more than 5 percent shares specifying the number of shares held :

In the absence of any specific indication of the date of holding, the date for computing such percentage should be taken as the Balance Sheet date. For example, if during the year, any shareholder held more than 5% Equity shares but does not hold as much at the Balance Sheet date, disclosure is not required. Though it is not specified as to whether the disclosure is required for each class of shares or not, companies should disclose the shareholding for each class of shares both within Equity and Preference Shares. Accordingly, such percentage should be computed separately for each class of shares outstanding within Equity and Preference Shares. This information for the comparative previous period is also to be given.

8.1.1.13. Clause (h) of Notes 6A - shares reserved for issue under options and contracts/commitments for the sale of shares/ disinvestment, including the terms and amounts :

Shares under options generally arise under promoters or collaboration agreements, loan agreements or debenture deeds (including convertible debentures), agreement to convert preference shares into equity shares, ESOPs or contracts for supply of capital goods, etc. The disclosure would be required for the number of shares, amounts and other terms for shares so reserved. Such options are in respect of unissued portion of share capital.

8.1.1.14. Clause (i) of Notes 6A – For the period of five years immediately preceding the date as at which the Balance Sheet is prepared : (a) Aggregate number and class of shares allotted as fully paid up pursuant to contract(s) without payment being received in cash. (b) Aggregate number and class of shares allotted as fully paid up by way of bonus shares. (c) Aggregate number and class of shares bought back.

(a) Aggregate number and class of shares allotted as fully paid up pursuant to contract(s) without payment being received in cash.

The following allotments are considered as shares allotted for payment being received in cash and not as without payment being received in cash and accordingly, the same are not to be disclosed under this Clause:

If the subscription amount is adjusted against a bona fide debt payable in money at once by the company;

i) Conversion of loan into shares in the event of default in repayment.

(b) Aggregate number and class of shares allotted as fully paid up by way of bonus shares.

As per the Guidance Note on Terms used in Financial Statements 'Bonus shares' are defined as shares allotted by capitalization of the reserves and surplus of a corporate enterprise. The requirement of disclosing the source of bonus shares is omitted in the Revised Schedule VI.

(c) Aggregate number and class of shares bought back.

The total number of shares bought back for each class of shares need to be disclosed.

All the above details pertaining to aggregate number and class of shares allotted for consideration other than cash, bonus shares and shares bought back need to be disclosed only if such event has occurred during a period of five years immediately preceding the balance sheet date. Since disclosure is for the aggregate number of shares, it is not necessary to give the year-wise break-up of the shares allotted or bought back, but the aggregate number for the last five financial years needs to be disclosed.

8.1.1.15. Clause (j) of Notes 6A - Terms of any securities convertible into equity/preference shares issued along with the earliest date of conversion in descending order starting from the farthest such date:

This disclosure would cover securities, such as Convertible Preference Shares, Debentures/bonds, etc. – optionally or otherwise into equity.

Under this Clause, disclosure is required for any security, when it is either convertible into equity and /or preference shares. In this case, terms of such securities and the earliest date of conversion are required to be disclosed. If there are more than one dates of conversion, disclosure is to be made in the descending order of conversion. If the option can be exercised in different periods then earlier date in that period is to be considered. In case of compulsorily convertible securities, where conversion is done in fixed tranches, all the dates of conversion have to be considered. Terms of convertible securities are required to be disclosed under this Clause. However, in case of Convertible debentures/bonds, etc., for the purpose of simplification, reference may also be made to the terms disclosed under the note on Long-term borrowings where these are required to be classified in the Balance Sheet, rather than disclosing the same again under this clause.[i]

8.1.1.16. Clause (k) of Notes 6(A) - Calls unpaid (showing aggregate value of calls unpaid by directors and officers):

A separate disclosure is required for the aggregate value of calls unpaid by directors and also officers of the company. The Old Schedule VI required disclosures of calls due by directors only. The total calls unpaid should be disclosed. The terms ‘director’ and ‘officer’ should be interpreted based on the definitions in the Act.

8.1.2. Reserves and Surplus

Note 6(B) of the General Instructions deals with the disclosures of “Reserves and Surplus” in the Notes to Accounts and the classification thereof under the various types of reserves.

8.1.2.1. Reserve:

The Guidance Note on Terms used in Financial Statements defines the term ‘Reserve’ as “the portion of earnings, receipts or other surplus of an enterprise (whether capital or revenue) appropriated by the management for a general or a specific purpose other than a provision for depreciation or diminution in the value of assets or for a known liability.” ‘Reserves’ should be distinguished from ‘provisions’. For this purpose, reference may be made to the definition of the expression ‘provision’ in AS-29 Provisions, Contingent Liabilities and Contingent Assets.

As per AS-29, a ‘provision’ is “a liability which can be measured only by using a substantial degree of estimation”. A ‘liability’ is “a present obligation of the enterprise arising from past events, the settlement of which is expected to result in an outflow from the enterprise of resources embodying economic benefits.”’Present obligation’ – “an obligation is a present obligation if, based on the evidence available, its existence at the balance sheet date is considered probable, i.e. more likely than not.”

8.1.2.2. Capital Reserves :

It is necessary to make a distinction between capital reserves and revenue reserves in the accounts. A revenue reserve is a reserve which is available for distribution through the Statement of Profit and Loss. The term “Capital Reserve” has not been defined under the Revised Schedule VI as was defined in the Old Schedule VI. However, as per the Guidance Note on Terms used in Financial Statements, the expression ‘capital reserve’ is defined as “a reserve of a corporate enterprise which is not available for distribution as dividend”. Though the Revised Schedule VI does not have the requirement of “transferring capital profit on reissue of forfeited shares to capital reserve”, profit on re-issue of forfeited shares is basically profit of a capital nature, it should be credited to capital reserve.

8.1.2.3. Capital Redemption Reserve :

Under the Act, Capital Redemption Reserve is required to be created in the following two situations:

a) Under the provisions of Section 80 of the Act, where the redemption of preference shares is out of profits, an amount equal to nominal value of shares redeemed is to be transferred to a reserve called ‘capital redemption reserve’.

b) Under Section 77AA of the Act, if the buy-back of shares is out of free reserves, the nominal value of the shares so purchased is required to be transferred to capital redemption reserve from distributable profit.

8.1.2.4. Securities Premium Reserve :

The Guidance Note of Terms used in Financial Statements defines ‘Securities Premium’ as “the excess of the issue price of shares over their face value.” Though the terminology used in the Revised Schedule VI is ‘Securities Premium Reserve” the nomenclature as per the Act is “Securities Premium Account”. Accordingly, the terminology of the Act should be used.

8.1.2.5. Debenture Redemption Reserve :

According to Section 117C of the Act where a company issues debentures after the commencement of this Act, it is required to create a debenture redemption reserve for the redemption of such debentures. The company is required to credit adequate amounts, from out of its profits every year to debenture redemption reserve, until such debentures are redeemed.

On redemption of the debentures for which the reserve is created, the amounts no longer necessary to be retained in this account need to be transferred to the General Reserve.

8.1.2.6. Revaluation Reserve :

As per the Guidance Note of Terms used in Financial Statements, 'Revaluation reserve' is 'a reserve created on the revaluation of assets or net assets of an enterprise represented by the surplus of the estimated replacement cost or estimated market values over the book values thereof.' Accordingly, if a company has carried out revaluation of its assets, the corresponding amount would be disclosed as "Revaluation Reserve"

8.1.2.7. Share Options Outstanding Account :

Presently, as per the Guidance Note on Accounting for Employee Share-based Payments, Stock Options Outstanding Account is shown as a separate line-item. The Revised Schedule VI requires this item to be shown as a part of 'Reserve and Surplus'.

8.1.2.8. Other Reserves (specify the nature and purpose of reserve and the amount in respect thereof) :

Every other reserve which is not covered in (a) to (f) is to be reflected as 'Other Reserves'. However, since the nature, purpose and the amount are to be shown, each reserve is to be shown separately. This would include reserves to be created under other statutes., like Tonnage Tax Reserve to be created under the Income Tax Act, 1961.

8.1.2.9. Surplus i.e. balance in Statement of Profit & Loss disclosing allocations and appropriations such as dividend, bonus shares and transfer to/from reserves, etc.

Appropriations to the profit for the year (including carried forward balance) is to be presented under the main head 'Reserves and Surplus'. Unlike the current prevalent practice, under the Revised Schedule VI, the Statement of Profit and Loss will no longer reflect any appropriations, like dividends transferred to Reserves, bonus, etc.

8.1.2.10. Additions and deductions since the last Balance Sheet to be shown under each of the specified heads:

This requires the company to disclose the movement in each of the reserves and surplus since the last Balance Sheet.

Please refer to Para 10.9 of this Guidance note.

8.1.2.11. Debit balance in the Statement of Profit and Loss and in Reserves and Surplus:

Debit balance in the Statement of Profit and Loss, which would arise in case of accumulated losses, is to be shown as a negative figure under the head 'Surplus'. The aggregate amount of the balance of 'Reserves and Surplus', is to be shown after adjusting negative balance of surplus, if any. If the net result is negative, the negative figure is to be shown under the head 'Reserves and Surplus'. The Old Schedule VI specifically stated that "The provisions à should not exceed the amount of debts stated to be considered doubtful or bad and any surplus of such provision, if already created, should be shown at every closing under "Reserves and Surplus". Such principle should be continued with under Revised Schedule VI as well and accordingly, any provision made in excess of the doubtful amount of loans, advances or receivables should be treated as Reserves and not disclosed hereunder.

8.1.3. Money received against Share Warrants

Generally, in case of listed companies, share warrants are issued to promoters and others in terms of the Guidelines for preferential issues of SEBI (Issue of Capital and Disclosure Requirements), Guidelines, 2009. AS 20 Earning Per Share of the Companies (Accounting Standards) Rules, 2006 defines 'share warrants' as "financial instruments which give the holder the right to acquire equity shares". Thus, effectively, share warrants are nothing but the amount which would ultimately form part of the Shareholders' funds. Since shares are yet to be allotted against the same, these are not reflected as part of Share Capital but as a separate line-item – 'Money received against share warrants.' The requirement of disclosing Sinking Funds is omitted in the Revised Schedule VI.

8.2. Share Application Money pending allotment

8.2.1. Share Application money pending allotment is to be disclosed as a separate line-item on the face of Balance Sheet between "Shareholders' Funds" and "Non-current Liabilities". Share application money not exceeding the issued capital and to the extent not refundable is to be disclosed under this line-item.

8.2.2. Clause (g) of Notes 6G lists various circumstances and specifies the information to be disclosed in respect of share application money. However, amount shown as 'share application money pending allotment' will not include share application money to the extent refundable. For example, the amount in excess of issued capital, or where minimum subscription requirement is not met. Such amount will have to be shown separately under 'Other Current Liabilities'.

8.2.3. Various disclosure requirements pertaining to Share Application Money are as follows:

- terms and conditions;
- number of shares proposed to be issued;
- the amount of premium, if any;
- the period before which shares are to be allotted;
- whether the company has sufficient authorized share capital to cover the share capital amount on allotment of shares out of share application money;
- Interest accrued on amount due for refund;
- The period for which the share application money has been pending beyond the period for allotment as mentioned in the share application form along with the reasons thereof for such share application money being pending is to be disclosed.

The above disclosures should be made in respect of amounts classified under both Equity as well as Current Liabilities, wherever applicable.

8.2.4. As per power given under section 92 of the Act, a company, if so authorized by its Articles, may accept from any member the whole or a part of the amount remaining unpaid on any shares held by him, although no part of that amount has been called up. The shareholder who has paid the money in advance is not a creditor for the amount so paid as advance, as the same cannot be demanded for repayment and the company cannot pay him back unless Articles so provide. The amount of calls paid, in advance does not form part of the paid-up capital. The Department of Company Affairs has clarified that it is better to show "Calls in Advance" under the head "Current Liabilities and Provisions" (Letter No. 8/16(1)/61-PR, dated 9.5.1961). Thus, under the Revised Schedule VI, calls paid in advance are to be reflected under "Other Current Liabilities". The amount of interest which may accrue on such advance should also is to be reflected as a liability.

8.2.5. "Share Application Money pending allotment" is required to be shown as a separate line item on the face of the Balance Sheet after Shareholders' Funds. However, under "Other Current Liabilities" there is a statement that Share Application Money not exceeding the issued capital and to the extent not refundable shall be shown under the head Equity. The two requirements appear to be conflicting. However, from the format as set out in the Schedule, it appears that the Regulator's intention is to specifically highlight the amount of Share Application Money pending allotment, though they may be, in substance, in nature of Equity. Accordingly, the equity element should continue to be disclosed on the face of the Balance Sheet as a separate line item, rather than as a component of Shareholders' Funds.

8.3. Non-current liabilities

A liability shall be classified as current when it satisfies any of the following criteria:

(a) it is expected to be settled in the company's normal operating cycle;

(b) it is held primarily for the purpose of being traded;

(c) it is due to be settled within twelve months after the reporting date; or

(d) the company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities shall be classified as non-current.

Based on the above definitions, on the face of the Balance Sheet, the following items shall be disclosed under non-current liabilities.

- Long-term borrowings;
- Deferred tax liabilities (Net);
- Other Long term liabilities;
- Long-term provisions.

8.3.1. Long-term borrowings:

8.3.1.1. Long-term borrowings shall be classified as:

(a) Bonds/debentures;

(b) Term loans;

  - from banks;
  - from other parties;

(c) Deferred payment liabilities;

(d) Deposits;

(e) Loans and advances from related parties;

(f) Long term maturities of finance lease obligations;

(g) Other loans and advances (specify nature).

8.3.1.2. Borrowings shall further be sub-classified as secured and unsecured. Nature of security shall be specified separately in each case.

8.3.1.3. Where loans have been guaranteed by directors or others, the aggregate amount of such loans under each head shall be disclosed. The word "others" used in the phrase "directors or others" would mean any person or entity other than a director. Therefore, this is not restricted to mean only related parties. However, in the normal course, a person or entity guaranteeing a loan of a company will generally be associated with the company in some manner.

8.3.1.4. Bonds/debentures (along with the rate of interest and particulars of redemption or conversion, as the case may be) shall be stated in descending order of maturity or conversion, starting from farthest redemption or conversion date, as the case may be. Where bonds/debentures are redeemable by installments, the date of maturity for this purpose must be reckoned as the date on which the first installment becomes due.

8.3.1.5. Particulars of any redeemed bonds/ debentures which the company has power to reissue shall be disclosed.

8.3.1.6. Period and amount of continuing default as on the Balance Sheet date in repayment of loans and interest, shall be specified separately in each case.

8.3.1.7. The phrase "long-term" has not been defined. , However, the definition of 'non-current liability' in the Revised Schedule VI may be used as long-term liability for the above disclosure. The phrase "term loan" has also been not defined in the Revised Schedule VI. Term loans normally have a fixed or pre-determined maturity period or a repayment schedule.

8.3.1.8. As referred to in the 2005 edition of the ICAI Statement on Companies (Auditors' Report) Order, 2003 (CARO) in the banking industry, for example, loans with repayment period beyond thirty six months are usually known as "term loans". Cash credit, overdraft and call money accounts/ deposit are, therefore, not covered by the expression "terms loans". Term loans are generally provided by banks and financial institutions for acquisition of capital assets which then become the security for the loan, i.e., end use of funds is normally fixed.

> Deferred payment Liability would include any liability for which payment is to be made on deferred credit terms. E.g. deferred sales tax liability etc.

8.3.1.9. The current maturities of all long-term borrowings will be disclosed under 'Other Current Liabilities' and not under long-term borrowings and short-term borrowings. Hence, it is possible that the same bonds / debentures / term loans may be bifurcated under both long-term borrowings as well as under other current liabilities. Further, long-term borrowings are to be sub-classified as secured and unsecured giving the nature of the security for the secured position.

8.3.1.10. The Revised Schedule VI also stipulates that the nature of security shall be specified separately in each case. It is important to note that the words "shall be specified separately in each case" means that the disclosure of security must be made for each category of borrowing as classified under Long-term borrowings. A blanket disclosure of security covering all loans classified under the same head such as 'all Term Loans from Banks' will not suffice. However, where one security is given for multiple loans, the same may be clubbed together for disclosure purposes with adequate details or cross referencing.

8.3.1.11. The disclosure about the nature of security should also cover the type of asset given as security e.g. inventories, plant and machinery, land and building, etc. This is because the nature of these assets may not be the same and the extent to which loan is secured may vary with the nature of asset against which it is secured.

8.3.1.12. When promoters, other shareholders or any third party have given any personal security for any borrowing, such as shares or other assets held by them, disclosure should be made thereof, though such security does not result in the classification of such borrowing as secured.

8.3.1.13. The Revised Schedule VI requires that under the head "Borrowings," period and amount of "continuing default (in case of long-term borrowing) and default (in case of short-term borrowing) as on the Balance Sheet date in repayment of loans and interest shall be specified separately in each case". The word "loan" has been used in a more generic sense. Hence, the disclosures relating to default should be made for all items listed under the category of borrowings such as bonds/ debentures, deposits, deferred payment liabilities, finance lease obligations, etc. and not only to items classified as "loans" such as term loans, or loans and advances ,etc.

8.3.1.14. Also, a company need not disclose information for defaults other than repayment of loan and interest, e.g., compliance with debt covenants. The Revised Schedule VI requires specific disclosures only for default in repayment of loans and interest and not for other defaults.

8.3.1.15. Though two different terms, viz., continuing default (in case of long-term borrowing) and default (in case of short-term borrowing) have been used, the requirement should be taken to disclose default “as on the balance sheet date” in both the cases. Pursuant to this requirement, details of any default in repayment of loan and interest existing as on the Balance Sheet date needs to be separately disclosed. Any default that had occurred during the year and was subsequently made good before the end of the year does not need to be disclosed.

8.3.1.16. Terms of repayment of term loans and other loans shall be disclosed. The term ‘other loans’ is used in general sense and should be interpreted to mean all the items listed under the heading long term borrowings. Deposits would include deposits accepted from public and inter corporate deposits.

8.3.1.17. Loans and advances from related parties are required to be disclosed. Advances under this head should include those advances which are in the nature of loans.

8.4. Other Long-term liabilities

This should be classified into:

a) Trade payables; and

b) Others.

8.4.1 A payable shall be classified as ’trade payable’ if it is in respect of amount due on account of goods purchased or services received in the normal course of business operations. As per the Old Schedule VI, the term ’sundry creditors’ included amounts due in respect of goods purchased or services received or in respect of other contractual obligations as well. Hence, amounts due under contractual obligation can no longer be included within Trade Payables. Such items may include dues payables in respect of statutory obligations like contribution to provident fund, purchase of fixed assets, contractually reimbursable expenses, interest accrued on trade payables, etc. Such payables should be classified as "others" and each such item should be disclosed nature-wise. However, Acceptances should be disclosed as part of trade payables in terms of the Revised Schedule VI.

8.4.2 The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 however, requires specified disclosures to be made in the annual financial statements of the buyer wherever such financial statements are required to be audited under any law. Though not specifically required by the revised Schedule VI, such disclosures will still be required to be made in the annual financial statements.

8.4.3 The following disclosures is required under Sec 22 of MSMED Act 2006 under the Chapter on Delayed Payments to Micro and Small Enterprises:

(a) the principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of accounting year;

(b) the amount of interest paid by the buyer under MSMED Act, 2006 along with the amounts of the payment made to the supplier beyond the due date during each accounting year;

(c) the amount of interest due and payable for the period (where the principal has been paid but interest under the MSMED Act, 2006 not paid);

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

(e) The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23.

The terms ''appointed day'', ''buyer'', ''enterprise'', ''micro enterprise'', ''small enterprise'' and ''supplier'', shall be as defined under clauses (b), (d), (e), (h), (m) and (n) respectively of section 2 of the Micro, Small and Medium Enterprises Development Act, 2006.

8.5. Long-Term Provisions

8.5.1 This should be classified into provision for employee benefits and others specifying the nature. Provision for employee benefits should be bifurcated into long-term and other current (non-current) and the long-term portion is disclosed under this para. All long-term provisions, other than those related to employee benefits should be disclosed separately based on their nature. Such items would include Provision for Warranties etc. While AS-15 Employee Benefits governs the measurement of various employee benefit obligations, their classification as current and non-current liability will be governed by the criteria laid down in the Revised Schedule VI. Accordingly, a liability is classified as current if a company does not have an unconditional right as on the Balance Sheet date to defer its settlement for

12 months after the reporting date. Each company will need to apply these criteria to its specific facts and circumstances and decide an appropriate classification of its employee benefit obligations.

8.6. Current Liabilities

This should be classified on the face of the Balance Sheet as follows:

- Short-term borrowings;
- Trade payables;
- Other current liabilities;
- Short-term provisions.

8.6.1. Short-term borrowings

8.6.1.1. (i) Short-term borrowings shall be classified as:

(a) Loans repayable on demand

- from banks;
- from other parties.

(b) Loans and advances from related parties;

(c) Deposits;

(d) Other loans and advances (specify nature).

(ii) Borrowings shall further be sub-classified as secured and unsecured. Nature of security shall be specified separately in each case.

(iii) Where loans have been guaranteed by directors or others, the aggregate amount of such loans under each head shall be disclosed.

(iv) Period and amount of default as on the Balance Sheet date in repayment of loans and interest, shall be specified separately in each case.

8.6.1.2 Loans payable on demand should be treated as part of short-term borrowings. Short-term borrowings will include all loans within a period of 12 months from the date of the loan. In the case of short-term borrowings, all defaults existing as at the date of the Balance Sheet should be disclosed (item-wise). Current maturity of long-term borrowings should not be classified as short-term borrowing, they have to be classified under Other Current Liabilities. Guidance on disclosure on various matters under this Para should also be drawn, to the extent possible, from the guidance given under Long-term borrowings.

8.6.2. Trade payables

Guidance on disclosure under this clause should be drawn from the guidance given under Other Long term borrowings to the extent applicable.

8.6.3. Other current liabilities

The amounts shall be classified as:

(a) Current maturities of long-term debt;

(b) Current maturities of finance lease obligations;

(c) Interest accrued but not due on borrowings;

(d) Interest accrued and due on borrowings;

(e) Income received in advance;

(f) Unpaid dividends;

(g) Application money received for allotment of securities and due for refund and interest accrued thereon;

(h) Unpaid matured deposits and interest accrued thereon;

(i) Unpaid matured debentures and interest accrued thereon;

(j) Other payables (specify nature).

The portion of long term debts / lease obligations, which is due for payments within twelve months of the reporting date is required to be classified under “Other Current liabilities” while the balance amount should be classified under Long-term Borrowings. Other Payables would include amounts in the nature of statutory dues such as Withholding taxes, Service Tax, VAT, Excise Duty etc.

8.6.4. Short-term provisions

The amounts shall be classified as:

(a) Provision for employee benefits;

(b) Others (specify nature).

Others would include all provisions other than provisions for employee benefits such as Provision for Dividend, Provision for Taxation, Warranty Provision, etc. These amounts should be disclosed separately specifying nature thereof.

II. Assets

8.7. Non-Current Assets

Definition & Presentation

An asset shall be classified as 'current' when it satisfies any of the following criteria:

(a) it is expected to be realized in, or is intended for sale or consumption in the company's normal operating cycle;

(b) it is held primarily for the purpose of being traded;

(c) it is expected to be realized within twelve months after the reporting date; or

(d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets shall be classified as 'non-current'.

Based on the above definition, on the face of the Balance Sheet, the following items shall be disclosed under non-current assets: -

(a) Fixed Assets

- (i) Tangible assets;
- (ii) Intangible assets;
- (iii) Capital work-in-progress;
- (iv) Intangible assets under development

(b) Non-current investments

(c) Deferred Tax assets (net)

(d) Long-term loans and advances

(e) Other non-current assets

8.7.1 Fixed Assets

Fixed asset is to be divided into:

S. No.	Particulars	Relevant Accounting Standards as notified under Companies (Accounting Standards) Rules, 2006
1.	Tangible assets	AS 10, AS 6
2.	Intangible assets	AS 26
3.	Capital work-in-progress	AS 10
4.	Intangible assets under development	AS 26

8.7.1.1 Tangible Assets

The company shall disclose the following in the notes to accounts as per 6(I) of Part I of the Revised Schedule VI.

(i) Classification shall be given as:

(a) Land;

(b) Buildings;

(c) Plant and Equipment;

(d) Furniture and Fixtures;

(e) Vehicles;

(f) Office equipment;

(g) Others (specify nature).

(ii) Assets under lease shall be separately specified under each class of asset.

The term “under lease” should be taken to mean assets given on operating lease in the case of lessor and assets held under finance lease in the case of lessee. Further, leasehold improvements should continue to be shown as a separate asset class.

(iii) A reconciliation of the gross and net carrying amounts of each class of assets at the beginning and end of the reporting period showing additions, disposals, acquisitions through business combinations and other adjustments and the related depreciation and impairment losses/reversals shall be disclosed separately.

All acquisitions, whether by way of an asset acquisition or through a business combination are to be disclosed as part of the reconciliation in the note on

Fixed Assets. Acquisitions through 'Business Combinations' need to be disclosed separately for each class of assets. Similarly, though not specifically required, it is advisable that asset disposals through demergers, etc. may also be disclosed separately for each class of assets.

The term "business combination" has not been defined in the Act or the Accounting Standards as notified under the Companies (Accounting Standards) Rules, 2006. However, related concepts have been enumerated in AS-14 Accounting for Amalgamations and AS 10. Accordingly, such terminology should be interpreted to mean an amalgamation or acquisition or any other mode of restructuring of a set of assets and/or a group of assets and liabilities constituting a business.

Other adjustments should include items such as capitalization of exchange differences where such option has been exercised by the Company and/or adjustments on account of exchange fluctuations for fixed assets under non-integral operations in accordance with AS-11 The Effects of Changes in Foreign Exchange Rates or in terms of para 4(e) of AS 16 Borrowing Costs. Such adjustments should be disclosed separately for each class of assets.

Since reconciliation is required to be presented of the Gross and Net carrying amounts of Fixed Assets, the corresponding depreciation/amortization for each class of asset should be disclosed as 'Opening Accumulated Depreciation', Depreciation/amortization for the year, Deductions/Other adjustments and Closing Accumulated Depreciation/Amortization. Similar disclosures should also be made for Impairment, if any, as applicable.

(iv) Where any amounts have been written-off on a reduction of capital or revaluation of assets or where sums have been added on revaluation of assets, every Balance Sheet subsequent to date of such write-off or addition shall show the reduced or increased figures, as applicable. Disclosure by way of a note would also be required to show the amount of the reduction or increase, as applicable, together with the date thereof for the first five years subsequent to the date of such reduction or increase.

The Revised Schedule VI has introduced office equipment as a separate line-item while dropping items like, live stock, railway sidings, etc. However, if the said items exist, the same should be disclosed separately specifying nature thereof.

AS-10 Accounting for Fixed Assets also requires a company to disclose details such as gross book value of revalued assets, method adopted to compute revalued amounts, nature of indices used, year of appraisal, involvement of external valuer as long as the concerned assets are held by the enterprise.

The Revised Schedule VI is clear that the disclosure requirements of the Accounting Standards are in addition to disclosures required under the Schedule. Also, in case of any conflict, the Accounting Standards will prevail over the Schedule. Keeping this in view, companies should make disclosures required by the Revised Schedule VI only for five years. However, details required by AS-10 will have to be given as long as the asset is held by the company.

However, it may be noted that, AS 26 Intangible Assets does not permit revaluation of intangible assets.

8.7.1.2 Intangible Assets

The company shall disclose the following in the notes to accounts as per 6(J) of Part I of the Revised Schedule VI.

(i) Classification shall be given as:

- (a) Goodwill;
- (b) Brands /trademarks;
- (c) Computer software;
- (d) Mastheads and publishing titles;
- (e) Mining rights;
- (f) Copyrights, and patents and other intellectual property rights, services and operating rights;
- (g) Recipes, formulae, models, designs and prototypes;
- (h) Licenses and franchise;
- (i) Others (specify nature).

(ii) A reconciliation of the gross and net carrying amounts of each class of assets at the beginning and end of the reporting period showing additions, disposals, acquisitions through business combinations and other adjustments and the related amortization and impairment losses/reversals shall be disclosed separately.

(iii) Where sums have been written-off on a reduction of capital or revaluation of assets or where sums have been added on revaluation of assets, every Balance Sheet subsequent to date of such write-off, or addition shall show the reduced or increased figures as applicable and shall by way of a note also show the amount of the reduction or increase, as applicable, together with the date thereof for the first five years subsequent to the date of such reduction or increase.

Classification of intangible assets (as listed above) has been introduced under the Revised Schedule VI, which did not exist earlier.

The guidance given above on Tangible Assets, to the extent applicable, is also to be used for Intangible Assets.

8.7.1.3 Capital Work-in-Progress

As per the Revised Schedule VI, capital advances should be included under long-term loans & advances and hence, cannot be included under capital work-in-progress.

8.7.1.4 Intangible Assets under Development

Intangible assets under development should be disclosed under this head provided they can be recognised based on the criteria laid down in AS 26 Intangible Assets.

8.7.2 Non-Current Investments

(i) Non-current investments shall be classified as trade investments and other investments and further classified as:

   (a) Investment property;

   (b) Investments in Equity Instruments;

   (c) Investments in preference shares;

   (d) Investments in Government or trust securities;

   (e) Investments in debentures or bonds;

   (f) Investments in Mutual Funds;

   (g) Investments in partnership firms;

   (h) Other non-current investments (specify nature).

   Under each classification, details shall be given of names of the bodies corporate (indicating separately whether such bodies are (i) subsidiaries, (ii) associates, (iii) joint ventures, or (iv) controlled special purpose entities) in whom investments have been made and the nature and extent of the investment so made in each such body corporate (showing separately investments which are partly-paid). In regard to investments in the capital of partnership firms, the names of the firms (with the names of all their partners, total capital and the shares of each partner) shall be given.

(ii) Investments carried at other than at cost should be separately stated specifying the basis for valuation thereof.

(iii) The following shall also be disclosed:

(a) Aggregate amount of quoted investments and market value thereof;

(b) Aggregate amount of unquoted investments;

(c) Aggregate provision for diminution in value of investments

If a debenture is to be redeemed partly within 12 months and balance after 12 months, the amount to be redeemed within 12 months should be disclosed as current and balance should be shown as non-current.

8.7.2.1 Trade Investment

Note 6(K)(i) of Part I requires that non-current investments shall be classified as "trade investment" and "other investments". The Revised Schedule VI does not define "trade investments" nor is this term defined in the Accounting Standards.

The term "trade investment" is, however, normally understood as an investment made by a company in shares or debentures of another company, to promote the trade or business of the first company.

8.7.2.2 Investment property

As per AS-13 Accounting for Investments, an investment property is an investment in land or buildings that are not intended to be occupied substantially for use by, or in the operations of, the investing enterprise.

8.7.2.3 Aggregate Provision for diminution in value

As per the Revised Schedule VI, this amount should be disclosed separately in the notes. However, as per AS-13 all long-term (non-current) investments are required to be carried at cost. However, when there is a decline, other than temporary, in the value of a long-term investment, the carrying amount is reduced to recognize the decline. Accordingly, the value of each long-term investment should be carried and disclosed at cost less provision for other than temporary diminution in the value thereof, with a specific disclosure of the provision netted-off for each long-term investment.

However, the aggregate amount of provision made in respect of all non-current investments should also be separately disclosed to comply with the specific disclosure requirement in Revised Schedule VI.

8.7.2.4 Controlled special purpose entities

Under investments, there is also a requirement to disclose the names of bodies corporate, including separate disclosure of investments in "controlled special purpose entities" in addition to subsidiaries, etc. The expression "controlled special purpose entities" however, has not been defined either in the Revised Schedule VI or the Accounting Standards. As per AS-21 Consolidated Financial Statements, a subsidiary is defined as an enterprise that is controlled by another enterprise. Hence, any "controlled" entity would be a subsidiary as per AS-21. Accordingly, no disclosures would be additionally required to be made under this caption.

8.7.2.5 Basis of Valuation

The Revised Schedule VI requires disclosure of the "basis of valuation" of long-term investments which are carried at other than cost. However, what should be understood by such terminology has not been clarified. Such wordings were not used in the Old Schedule VI. Hence, the same may be interpreted in the following ways:

One view is that basis of valuation would mean the market value, or valuation by independent valuers, valuation based on the investee's assets and results, or valuation based on expected cash flows from the investment, or management estimate, etc. Hence, for all investments carried at other than cost, the basis of valuation for each individual investment should be disclosed.

The other view is that, disclosure for basis of valuation should be either of:

- At Cost;
- At Cost less provision for other than temporary diminution;
- Lower of Cost or Fair Value.

However, making disclosures in line with the latter view would be sufficient compliance with the disclosure requirements.

8.7.2.6 Quoted Investments

The term quoted investments has not been defined in the Revised schedule VI. The expression "quoted investment", as defined in the Old Schedule VI, means an investment as respects which there has been granted a quotation or permission to deal on a recognized stock exchange, and the expression "unquoted investment" shall be construed accordingly.

8.7.2.7 Under each sub-classification of Investments, there is a requirement to disclose details of investments including names of the bodies corporate and the nature and extent of the investment in each such boy corporate. The term "nature and extent" should be interpreted to mean the number and face value of shares. There is also a requirement to disclose partly-paid shares. However, it is advisable to clearly disclose whether investments are fully paid or partly paid.

8.7.2.8 Disclosure relating to partnership firms in which the company has invested, etc. (under Current and Non-current Investment in the Balance Sheet

A company, as a juridical person, can enter into partnership. The present notification provides for certain disclosures where the company is a partner in partnership firms.

In the Balance Sheet, under the sub-heading "Current Investment" and "Non-current Investment, separate disclosure is to be made of any investment in the capital of partnership firm by the company. In addition, in the notes to accounts separate disclosure is required with regard to the names of the firms, along with the names of all their partners, total capital and the shares of each partner.

The disclosure in the Balance Sheet relating to the value of the investment in the capital of a partnership firm as the amount to be disclosed as on the date of the Balance sheet can give rise to certain issues, the same are discussed in the following paragraphs.

(a) In case of a change in the constitution of the firm during the year, the names of the other partners should be disclosed by reference to the position existing as on the date of the company's Balance Sheet.

(b) The total capital of the firm to be disclosed should be with reference to the amount of the capital on the date of the company's Balance Sheet In case, the firm's accounts are not made up to the same date as the date of the company's Balance Sheet, disclosure may be made by reference to the total capital of the partnership firm as on the date of the last available Balance Sheet of that firm. In such a case, the company should disclose that the total capital of the partnership firm has been stated on this basis, giving the date to which it relates.

(c) For disclosure of the share of each partner it is suggested to disclose share of each partner in the profits of the firm rather than the share in the capital since, ordinarily, the expression "share of each partner" is understood in this sense. Moreover, disclosure is already required of the total capital of the firm as well as of the company's share in that capital. The share of each partner should be disclosed as at the date of the company's Balance Sheet

(d) The Statement of investments attached to the Balance Sheet is required to disclose, inter alia, the total capital of the partnership firm in which the company is a partner. Where such a partnership firm has separate accounts for partner's capital, drawings or current, loans to or from partners, etc., disclosure must be made with regard to the total of the capital accounts alone, since this is what constitutes the capital of the partnership firm. Where, however, such accounts have not been segregated, or where the partnership deed provides that the capital of each partner is to be calculated by reference to the net amount at his credit after merging all the various accounts, the disclosure relating to the partnership capital must be made on the basis of the total effect of such accounts taken together.

Separate disclosure is required by reference to each partnership firm in which the company is a partner. The disclosure must be made along with the name of each such firm and must then indicates the total capital of each firm, the names of all the partners in each firm and the respective shares of each partner in the firm.

8.7.2.9 A Limited Liability Partnership is a body corporate and not a partnership firm as envisaged under the Partnership Act, 1932. Hence, disclosures pertaining to Investment in Partnership firms, need not be made for investments in Limited Liability Partnerships.

8.7.3 Long-Term loans & advances

(i) Long-term loans and advances shall be classified as:

- (a) Capital Advances;
- (b) Security Deposits;
- (c) Loans and advances to related parties (giving details thereof);
- (d) Other loans and advances (specify nature).

(ii) The above shall also be separately sub-classified as:

- (a) Secured, considered good;
- (b) Unsecured, considered good;
- (c) Doubtful.

(iii) Allowance for bad and doubtful loans and advances shall be disclosed under the relevant heads separately.

(iv) Loans and advances due by directors or other officers of the company or any of them either severally or jointly with any other persons or amounts due by firms or private companies respectively in which any director is a partner or a director or a member should be separately stated.

Under the Revised Schedule VI, Capital Advances are not be classified under Capital Work in Progress, since they are specifically to be disclosed under this para.

Capital advances are advances given for procurement of fixed assets which are non-current assets. Typically, companies do not expect to realize them in cash. Rather, over the period, these get converted into fixed assets which, by nature, are non-current assets. Hence, capital advances should be treated as non-current assets irrespective of when the fixed assets are expected to be received and should not be classified as Short-Term/Current.

Details of loans and advances to related parties need to be disclosed. Since the Revised Schedule VI states that the terms used therein should be interpreted based on applicable the Accounting Standards, the term “details” should be interpreted to understand the disclosure requirements contained in AS 18 Related Party Disclosure. Accordingly, making disclosures beyond the requirements of AS-18 would not be necessary.

Other loans and advances should include all other items in the nature of advances recoverable in cash or kind such as Prepaid Expenses, Advance Tax, CENVAT Receivable, VAT Receivable, Service Tax Receivable, etc. which is not expected to be realized within the next twelve months or operating cycle whichever is longer, from the Balance Sheet date.

Each item of loans and advances should be further sub-classified as a) Secured, considered good, b) Unsecured, considered good and c) Doubtful. Further, the amount of allowance for bad and doubtful loans and advances is required to be disclosed separately under the “relevant heads”. Therefore, the amount of such allowance also should be disclosed separately for each category of loans and advances.

8.7.4 Other Non-Current Assets

Other non-current assets shall be classified as:

(i) Long Term Trade Receivables (including trade receivables on deferred credit terms);

(ii) Others (specify nature)

Long term Trade Receivables, shall be sub-classified as:

(i) (a) Secured, considered good;

(b) Unsecured considered good;

(c) Doubtful

(ii) Allowance for bad and doubtful debts shall be disclosed under the relevant heads separately.

(iii) Debts due by directors or other officers of the company or any of them either severally or jointly with any other person or debts due by firms or private companies respectively in which any director is a partner or a director or a member should be separately stated.

A receivable shall be classified as 'trade receivable' if it is in respect of the amount due on account of goods sold or services rendered in the normal course of business. Whereas as per the Old Schedule VI, the terms 'sundry debtors' included amounts due in respect of goods sold or services rendered or in respect of other contractual obligations as well. Hence, amounts due under contractual obligation cannot be included within Trade Receivables. Such items may include dues in respect of insurance claims, sale of fixed assets, contractually reimbursable expenses, interest accrued on trade receivables, etc. Such receivables should be classified as "others" and each such item should be disclosed nature-wise.

Guidance in respect of above items may also be drawn from the guidance given in respect of Long-Term Loans & Advances to the extent applicable.

The Revised Schedule VI does not contain any specific disclosure requirement for the unamortized portion of expense items such as share issue expenses, ancillary borrowing cost and discount or premium relating to borrowings. The Old Schedule VI required these items to be included under the head "Miscellaneous Expenditure."

As per AS 16 Borrowing Costs ancillary borrowing costs and discount or premium relating to borrowings could be amortized over the loan period. Further, share issue expenses, discount on shares, ancillary cost-discount-premium on borrowing, etc., being a special nature item are excluded from the scope of AS 26 Intangible Assets (para 5). Keeping this in view, certain companies have taken a view that it is an acceptable practice to amortize these expenses over the period of benefit, i.e., normally 3 to 5 years. The Revised Schedule VI does not deal with any accounting treatment and the same continues to be governed by the respective Accounting Standards/practices. Further, the Revised Schedule VI is clear that additional line items can be added on the face or in the notes. Keeping this in view, can disclose the unamortized portion of such expenses as "Unamortized expenses", under the head "other current/ non-current assets", depending on whether the amount will be amortized in the next 12 months or thereafter.

8.8 Current Assets

8.8.1 Current Investments

(i) Current investments shall be classified as:

   (a) Investments in Equity Instruments;

   (b) Investment in Preference Shares

   (c) Investments in government or trust securities;

   (d) Investments in debentures or bonds;

   (e) Investments in Mutual Funds;

   (f) Investments in partnership firms

   (g) Other investments (specify nature).

   Under each classification, details shall be given of names of the bodies corporate (indicating separately whether such bodies are (i) subsidiaries, (ii) associates, (iii) joint ventures, or (iv) controlled special purpose entities) in whom investments have been made and the nature and extent of the investment so made in each such body corporate (showing separately investments which are partly-paid). In regard to investments in the capital of partnership firms, the names of the firms (with the names of all their partners, total capital and the shares of each partner) shall be given.

(ii) The following shall also be disclosed:

   (a) The basis of valuation of individual investments

   (b) Aggregate amount of quoted investments and market value thereof;

   (c) Aggregate amount of unquoted investments;

   (d) Aggregate provision made for diminution in value of investments.

Guidance in respect of above items may be drawn from the guidance given in respect of Non-Current Investments to the extent applicable.

Based on these criteria, If a debenture is to be redeemed partly within twelve months and balance after twelve months, the amount to be redeemed within twelve months should be disclosed as current and balance should be shown as non-current. Additionally, the Revised Schedule VI also require basis of valuation of individual investment. It is pertinent to note that there is no requirement to classify investments into trade & non-trade in respect of current investments.

8.8.2 Inventories

(i) Inventories shall be classified as:

- (a) Raw materials;
- (b) Work-in-progress;
- (c) Finished goods;
- (d) Stock-in-trade (in respect of goods acquired for trading);
- (e) Stores and spares;
- (f) Loose tools;
- (g) Others (specify nature).

(ii) Goods-in-transit shall be disclosed under the relevant sub-head of inventories.

(iii) Mode of valuation shall be stated.

As per the Revised Schedule VI, goods in transit should be included under relevant heads with suitable disclosure. Further, mode of valuation for each class of inventories should be disclosed.

The heading Finished Goods should comprise of all finished goods other than those acquired for trading purposes.

8.8.3 Trade Receivables (current)

(i) Aggregate amount of Trade Receivables outstanding for a period exceeding six months from the date they are due for payment should be separately stated.

(ii) Trade receivables shall be sub-classified as:

- (a) Secured, considered good;
- (b) Unsecured considered good;
- (c) Doubtful.

(iii) Allowance for bad and doubtful debts shall be disclosed under the relevant heads separately.

(iv) Debts due by directors or other officers of the company or any of them either severally or jointly with any other person or debts due by firms or private companies respectively in which any director is a partner or a director or a member should be separately stated.

A trade receivable will be treated as current, if it is likely to be realized within twelve months from the date of Balance Sheet or Operating Cycle of the Business.

The Old Schedule VI required separate presentation of debtors (i) outstanding for a period exceeding six months (i.e., based on billing date) and (ii) other debtors. However, the Revised Schedule VI requires separate disclosure of “trade receivables outstanding for a period exceeding six months from the date they became due for payment” only for the current portion of trade receivables.

Where no due date is specifically agreed upon, normal credit period allowed by the company should be taken into consideration for computing the due date which may vary depending upon the nature of goods or services sold and the type of customers, etc.

All other guidance given under long-term trade receivables to the extent applicable are applicable here also.

8.8.4 Cash and cash equivalents

(i) Cash and cash equivalents shall be classified as:

- (a) Balances with banks;
- (b) Cheques, drafts on hand;
- (c) Cash on hand;
- (d) Others (specify nature).

(ii) Earmarked balances with banks (for example, for unpaid dividend) shall be separately stated.

(iii) Balances with banks to the extent held as margin money or security against the borrowings, guarantees, other commitments shall be disclosed separately.

(iv) Repatriation restrictions, if any, in respect of cash and bank balances shall be separately stated.

(v) Bank deposits with more than twelve months maturity shall be disclosed separately.

The term "cash & bank balances" in the Old Schedule VI is replaced with ‘Cash & Cash Equivalents in the Revised Schedule VI.

Please also refer to the earlier discussion under the section on General Instructions for classification of items under this head.

"Other Bank Balances" would comprise of items such as balances with banks to the extent of held as margin money or security against borrowings etc, and bank deposits with more than three months maturity. Banks deposits with more than more than twelve months maturity will also need to be separately disclosed under the sub-head 'Other Bank Balances'.

The non-current portion (based on this discussion in Guidance Note Para 8.7.4 of each of the above balances will have to be classified under the head "Other Non-current Assets" with separate disclosure thereof.

8.8.5 Short-term loans and advances

(i) Short-term loans and advances shall be classified as:

   (a) Loans and advances to related parties (giving details thereof);

   (b) Others (specify nature).

(ii) The above shall also be sub-classified as:

   (a) Secured, considered good;

   (b) Unsecured, considered good;

   (c) Doubtful.

(iii) Allowance for bad and doubtful loans and advances shall be disclosed under the relevant heads separately.

(iv) Loans and advances due by directors or other officers of the company or anyof them either severally or jointly with any other person or amounts due by firms or private companies respectively in which any director is a partner or a director or a member shall be separately stated.

Examples of item that can be shown under "others" specify nature.

The guidance for disclosures under this head should be drawn from guidance given for items comprised within Long-term Loans and Advances.

8.8.6 Other current assets (specify nature)

This is an all-inclusive heading, which incorporates current assets that do not fit into any other asset categories e.g. Unbilled Revenue, Unamortised Premium on Forward Contracts etc.

8.8.7 Contingent liabilities and commitments

(i) Contingent liabilities shall be classified as:

   (a) Claims against the company not acknowledged as debt;

   (b) Guarantees;

   (c) Other money for which the company is contingently liable

(ii) Commitments shall be classified as:

(a) Estimated amount of contracts remaining to be executed on capital account and not provided for;

(b) Uncalled liability on shares and other investments partly paid

(c) Other commitments (specify nature).

8.8.7.1 The provisions of AS-29 Provisions, Contingent Liabilities and Contingent Assets, will be applied for determining contingent liabilities.

8.8.7.2 A contingent liability in respect of guarantees arises when a company issues guarantees to another person on behalf of a third party e.g. when it undertakes to guarantee the loan given to a subsidiary or to another company or gives a guarantee that another company will perform its contractual obligations. However, where a company undertakes to perform its own obligations, and for this purpose issues, what is called a "guarantee", it does not represent a contingent liability and it is misleading to show such items as contingent liabilities in the Balance Sheet. For various reasons, it is customary for guarantees to be issued by Bankers e.g. for payment of insurance premia, deferred payments to foreign suppliers, letters of credit, etc. For this purpose, the company issues a "counter-guarantee" to its Bankers. Such "counter-guarantee" is not really a guarantee at all, but is an undertaking to perform what is in any event the obligation of the company, namely, to pay the insurance premia when demanded or to make deferred payments when due. Hence, such performance guarantees and counter-guarantees should not be disclosed as contingent liabilities.

8.8.7.3 The Revised Schedule VI also requires disclosures pertaining to various commitments such as Capital commitments not provided for and Uncalled liability on shares. It also requires disclosures pertaining to 'Other Commitments', with specification of nature thereof, which was not required by the Old Schedule VI.

8.8.7.4 The word 'commitment' has not been defined in the Revised Schedule VI. The Guidance Note on Terms Used in Financial Statements issued by ICAI defines 'capital commitment' as future liability for capital expenditure in respect of which contracts have been made. Hence, drawing inference from such definition, the term 'commitment' would simply imply future liability for contractual expenditure. Accordingly, the term 'other commitments' would include all expenditure related contractual commitments apart from capital commitments such as commitments arising from long-term contracts for purchase of raw material, employee contracts, lease commitments, etc. The scope of such terminology is very wide and may include contractual commitments for purchase of inventory, services, investments, sales, employee contracts, etc. However, to give disclosure of all contractual commitments would be contrary to the overarching principle under General Instructions that “a balance shall be maintained between providing excessive detail that may not assist users of financial statements and not providing important information as a result of too much aggregation.”

8.8.7.5 Disclosures relating to lease commitments for non-cancellable leases are required to be disclosed by AS-19 Leases.

8.8.7.6 Accordingly, the disclosures required to be made for ‘other commitments’ should include only those non-cancellable contractual commitments (i.e. cancellation of which will result in a penalty disproportionate to the benefits involved) based on the professional judgement of the management which are material and relevant in understanding the financial statements of the company and impact the decision making of the users of financial statements.

Examples may include commitments in the nature of buy-back arrangements, commitments to fund subsidiaries and associates, non-disposal of investments in subsidiaries and undertakings, derivative related commitments, etc.

8.8.7.7 The Revised Schedule VI requires disclosure of the amount of dividends proposed to be distributed to equity and preference shareholders for the period and the related amount per share to be disclosed separately. It also requires separate disclosure of the arrears of fixed cumulative dividends on preference shares. The Old Schedule VI specifically required proposed dividend to be disclosed under the head “Provisions.” In the Revised Schedule VI, this needs to be disclosed in the notes. Hence, a question that arises is as to whether this means that proposed dividend is not required to be provided for when applying the Revised Schedule VI. AS-4 Contingencies and Events Occurring After the Balance Sheet Date requires that dividends stated to be in respect of the period covered by the financial statements, which are proposed or declared by the enterprise after the Balance Sheet date but before approval of the financial statements, should be adjusted. Keeping this in view and the fact that the Accounting Standards override the Revised Schedule VI, companies will have to continue to create a provision for dividends in respect of the period covered by the financial statements and disclose the same as a provision in the Balance Sheet, unless AS-4 is revised. Hence, the disclosure to be made in the notes is over and above the disclosures pertaining to a) the appropriation items to be disclosed under Reserves and Surplus and b) Provisions in the Balance Sheet.

8.8.7.8 The Revised Schedule VI requires that where in respect of an issue of securities made for a specific purpose, the whole or part of the amount has not been used for the specific purpose at the Balance Sheet date, that shall be indicated by way of note how such unutilized amounts have been used or invested. Such a requirement existed in the Old Schedule VI as well.

8.8.7.9 The Revised Schedule VI also states that if, in the opinion of the Board, any of the assets other than fixed assets and non-current investments do not have a value on realization in the ordinary course of business at least equal to the amount at which they are stated, the fact that the Board is of that opinion, shall be stated. A similar requirement existed in the Old Schedule VI as well. It is difficult to contemplate a situation where any asset other than fixed assets and non-current investments has a realizable value that is lower than its carrying value, and the same is not given effect to in the books of account, since accounting standards do not permit the same. AS-13 Accounting for Investments requires current investments to be valued at lower of cost and fair value. AS-2 Valuation of Inventories also requires inventories to be valued at the lower of cost and net realizable value. Further, Allowance for Bad and Doubtful Debts are required to be shown as a deduction from both Long Term Loans & Advances and Other Non-current Assets as well as Trade Receivables and Short-term loans and advances as per Schedule VI. Hence, a diligent application of the requirements of accounting standards and Schedule VI will normally not leave any scope for making any additional disclosures in this regard.

9. Part II – Statement of Profit and Loss

Part II deals with disclosures relating to the Statement of Profit and Loss. The format prescribed is the vertical form wherein disclosure for revenues and expenses is in various line items. Part II of the Schedule contains items I to XVI which lists items of Revenue, Expenses and Profit / (Loss). "General Instructions for Preparation of Statement of Profit and Loss" governs the other disclosure and presentation.

As per the Guidance Note 'Terms used in Financial Statements', the phrase 'Profit and Loss statement' is defined as "the financial statement which presents the revenues and expenses of an enterprise for an accounting period and shows the excess of revenues over expenses (or vice versa)."

As per Note 1 to "General Instructions for Preparation of Statement of Profit and Loss", the provisions of this part also apply to the income and expenditure account referred to in section 210(2) of the Companies Act, 1956 in the same manner as they apply to a statement of profit and loss.

As per the Framework For The Preparation and Presentation Of Financial Statements, Income and expenses are defined as follows:

(a) Income is increase in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity, other than those relating to contributions from equity participants.

(b) Expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

9.1 Revenue from Operations:

The aggregate of Revenue from Operations needs to be disclosed on the face of the Statement of Profit and Loss as per Revised Schedule VI

9.1.1 Note 2(A) to General Instructions for the preparation of Statement of Profit and Loss require that in respect of a company other than a finance company, Revenue from Operations is to be separately disclosed in the notes, showing revenue from:

(a) Sale of products

(b) Sale of services

(c) Other operating revenues

(d) Less: Excise duty

9.1.2 As per AS-9 on “Revenue Recognition”, the above disclosure in respect of Excise Duty needs to be shown on the face of the Statement of Profit and Loss. Since Accounting Standards override Revised Schedule VI, the presentation in respect of excise duty will have to be made on the face of the Statement of Profit and Loss. In doing so, a company may choose to present the elements of revenue from sale of products, sale of services and other operating revenues also on the face of the Statement of Profit and Loss instead of the Notes.

9.1.3 As per the Guidance Note on Value Added Tax, “Value Added Tax (VAT) is collected from the customers on behalf of the VAT authorities and, therefore, its collection from the customers is not an economic benefit for the enterprise and it does not result in any increase in the equity of the enterprise”. Accordingly, VAT should not be recorded as Revenue of the enterprise. At the same time, the payment of VAT should not be treated as an expense in the financial statements of the company.

9.1.4 Further, as per the definition of Revenue in the Guidance Note on Terms Used in Financial Statement, "It excludes amounts collected on behalf of third parties such as certain taxes". Accordingly, the aforesaid principles should be followed for the presentation of Sales Tax and Service Tax as well.

9.1.5. The Guidance Note on VAT further states, "Where the enterprise has not charged VAT separately but has made a composite charge, it should segregate the portion of sales which is attributable to tax and should credit the same to 'VAT Payable Account' at periodic intervals". Accordingly, the same principle should be followed for Sales Tax and Service Tax as well.

9.1.6 For non-finance companies, revenue from operations need to be disclosed separately as revenue from

(a) sale of products,

(b) sale of services and

(c) other operating revenues.

It is important to understand what is meant by the term "other operating revenues" and which items should be classified under this head vis-à-vis under the head "Other Income".

9.1.7 The term "other operating revenue" is not defined. This would include Revenue arising from a company's operating activities, i.e., either its principal or ancillary revenue-generating activities, but which is not revenue arising from the sale of products or rendering of services. Whether a particular income constitutes "other operating revenue" or "other income" is to be decided based on the facts of each case and detailed understanding of the company's activities. For instance, a group engaged in manufacture and sale of industrial and consumer products also has one real estate arm. If the real estate arm is continuously engaged in leasing of real estate properties, the rent arising from leasing of real estate is likely to be "other operating revenue". On the other hand, consider a consumer products company which owns a 10 storied building. The company currently does not need one floor for its own use and has given the same temporarily on rent. In that case, lease rent is not an "other operating revenue"; rather, it should be treated as "other income".

9.1.8 To take other examples, sale of Fixed Assets is not an operating activity of a company, and hence, profit on sale of fixed assets should be classified as other income and not other operating revenue. Similarly, sale of scrap arising from operations for a manufacturing company should be treated as Other Operating Income since the same arises on account of the company's main operating activity. .

9.1.9 Whether the net gains arising on foreign exchange fluctuations be included under the head "Other Operating Revenues" or "Other Income" is discussed below.

9.1.10 The classification of net foreign exchange gain should also be based on the principles discussed in the previous issue. Typically, for a manufacturing company, net gain arising on foreign exchange fluctuations would relate to debtors, creditors, etc. denominated in foreign currency, which are part of the operating activities of the company. Hence, these gains can be classified under the head "other operating revenues," with a separate disclosure thereof in the notes to the financial statements. However, in certain cases, where such gains are not related to the company's main operations, these should be classified as "Other Income".

9.1.11 As per Note 2(A) to General Instructions to the Statement of Profit and loss, in respect of a finance company, revenue from operations shall include revenue from

(a) Interest; and

(b) Other financial services

Revenue under each of the above heads is to be disclosed separately by way of notes to accounts to the extent applicable.

9.1.12 The term finance company is not defined under the Companies Act, 1956, or Revised Schedule VI. Hence, the same should be taken to include all companies carrying on activities which are in the nature of "business of non-banking financial institution" as defined under section 45(1) (f) of the Reserve Bank of India Act, 1935.

The same is reproduced below:

(a) ''business of a non-banking financial institution'' means carrying on of the business of a financial institution referred to in clause (c) and includes business of a non-banking financial company referred to in

(c) ''financial institution'' means any non-banking institution which carries on as its business or part of its business any of the following activities, namely:–

(i) the financing, whether by way of making loans or advances or otherwise, of any activity other than its own:

(ii) the acquisition of shares, stock, bonds, debentures or securities issued by a Government or local authority or other marketable securities of a like nature:

(iii) letting or delivering of any goods to a hirer under a hire-purchase agreement as defined in clause (c) of section 2 of the Hire-Purchase Act, 1972:

(iv) the carrying on of any class of insurance business;

(v) managing, conducting or supervising, as foreman, agent or in any other capacity, of chits or kuries as defined in any law which is for the time being in force in any State, or any business, which is similar thereto;

(vi) collecting, for any purpose or under any scheme or arrangement by whatever name called, monies in lumpsum or otherwise, by way of subscriptions or by sale of units, or other instruments or in any other manner and awarding prizes or gifts, whether in cash or kind, or disbursing monies in any other way, to persons from whom monies are collected or to any other person, but does not include any institution, which carries on as its principal business,–

(a) agricultural operations; or

(aa) industrial activity; or

(b) the purchase or sale of any goods (other than securities) or the providing of any services; or

(c) the purchase, construction or sale of immovable property, so however, that no portion of the income of the institution is derived from the financing of purchases, constructions or sales of immovable property by other persons;

Explanation.– For the purposes of this clause, ''industrial activity'' means any activity specified in sub-clauses (i) to (xviii) of clause (c) of section 2 of the Industrial Development Bank of India Act, 1964;

(f) ''non-banking financial company'' means–

(i) a financial institution which is a company;

(ii) a non-banking institution which is a company and which has as its principal business the receiving of deposits, under any scheme or arrangement or in any other manner, or lending in any manner;

(iii) such other non-banking institution or class of such institutions, as the Bank may, with the previous approval of the Central Government and by notification in the Official Gazette, specify;

9.1.13 Accordingly, applying the aforesaid definition, the term “finance company” would cover all NBFCs - Asset Finance companies, Investment companies, Leasing and Hire Purchase companies, Loan companies, Infra Finance companies, Core Investment companies, Micro-finance companies, etc. Further, Housing Finance Companies regulated by National Housing Bank should also be considered as a finance company.

9.2 Other Income:

The aggregate of ‘Other Income’ is to be disclosed on face of the Statement of Profit and Loss.

9.2.1 As per Note 4 to General Instructions for the preparation of Statement of Profit and Loss ‘Other Income shall be classified as:

(a) Interest Income (in case of a company other than a finance company);

(b) Dividend Income;

(c) Net gain / loss on sale of investments;

(d) Other non-operating income (net of expenses directly attributable to such income).

9.2.2 All kinds of interest income for a company other than a finance company should be disclosed under this head such as interest on fixed deposits, interest from customers on amounts overdue, etc.

9.2.3 Clause (a) of Note 5 (vii) requires a separate disclosure for Dividends from subsidiary companies. The Old Schedule VI specifically required parent companies to recognise dividend declared by subsidiary companies even if was declared after the Balance Sheet date if they related to the same period covered by the financial statements. The Revised Schedule VI does not prescribe any such accounting/disclosure requirement. Accordingly, dividend income from subsidiary companies should be recognized in accordance with AS-9, i.e. only when they have a right to receive the same on or before the Balance Sheet date. Normally, the right to receive is established only when the dividend is approved by the shareholders at the Annual General Meeting of the investee Company. In the first year of application of Revised Schedule

VI, dividend income recognised in the immediately preceding year based on the aforesaid requirements of Old Schedule VI should not be derecognized.

To recognize dividend based on the right to receive would constitute a change in accounting policy which should be applied prospectively as per Provisions of AS 5 Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies. Dividend approved by the shareholders of the subsidiary in the current year but already recognised by the holding company in the previous year's financial statements as per Old Schedule VI should not be again recognised in the first year of application of Revised Schedule VI.

9.2.4 Other Income items such as interest income, dividend income and Net Gain on Sale of Investments should be disclosed separately for Current as well as Long-term Investments as required by AS-13 "Accounting for Investments". If it is a net loss the same maybe classified under expenses.

9.2.5 For other non-operating income, income should be disclosed under this head net off expenses directly attributable to such income. However, the expenses so netted off should be separately disclosed.

9.3 Share of Profits/Losses in a Partnership Firm

9.3.1 Though, there is no specific requirement in the Revised Schedule VI to disclose profit or losses on investments in a partnership firm as was required by the Old Schedule VI, the same should be disclosed as discussed as under.

9.3.2 Share of profit or loss in a partnership firm accrues the moment the same is computed and credited or debited to the Capital/Current/any other account of the company in the books of the partnership firm. Hence, the same should be accordingly accounted for in the standalone books of the company.

9.3.3 Separate disclosure of profits or losses from Partnership Firms should be made. In a case where the company was a partner during the year but is not a partner at the end of the year, the disclosure should be made for the period during which the company was a partner.

9.3.4 The company's share of the profits or losses of the partnership firm should be calculated by reference to the company's own accounting year. The financial statements of the partnership for computing the share of profits and losses should be drawn up to the same reporting date. If it is not practicable to draw up the financial statements of the partnership upto such date and, are drawn up to different reporting dates, drawing analogy from AS-21 and AS-27, adjustments should be made for the effects of significant transactions or other events that occur between those dates and the date of the parent's financial statements. In any case, the difference between reporting dates should not be more than six months.

9.3.5 In case the year ending of the company and of the firm fall on different dates, the financial statements of the company should also contain a note to indicate that the accounting period of the partnership firm in respect of which the profits or losses have been accounted for in the company's books,

9.3.6 If however, a Partnership firm happens to be in the nature of a Jointly Controlled Operation as defined in AS-27, the share of incomes, expenses, assets or liabilities will have to be accounted for in the Standalone financial statements as prescribed in AS-27.

9.3.7 In case the Partnership Firm is a Subsidiary under AS-21, Associate under AS-23 or Jointly Controlled Entity/Jointly Controlled Operation under AS-27, in the Consolidated Financial Statements, the share of profit/loss from the firm should be accounted for in terms of the applicable Accounting Standard as stated above.

9.3.8 The aforesaid principles should also be applied to accounting for the share of profits and losses in an Association of Persons (AOP).

9.4 Share of Profits/Losses in a Limited Liability Partnership (LLP)

9.4.1 A Limited Liability Partnership, as per the LLP Act, is a body corporate and the share of profit/loss in the LLP does not accrue to the partners till the same is declared. Accordingly, the above accounting treatment should not be extended to the share of profits and losses in the LLP in the Standalone books of the company.

9.4.2 Depending upon the terms of agreement between the Partners, the LLP may be a Subsidiary under AS-21, Associate under AS-23 or Jointly Controlled Entity under AS-27. Hence, accounting in respect of the same in the Consolidated Financial Statements would be governed by the applicable Accounting Standards.

9.4.3 For companies rendering or supplying services, Para 5(ii)(c) requires disclosure of gross income derived from services rendered or supplied under broad heads. In normal circumstances, the disclosure is to be given for all incomes which account for 10 percent or more of the total value of income derived from services rendered or supplied.

9.5 Expenses

The aggregate of the following expenses are to be disclosed on the face of the Statement of Profit and Loss:

- Cost of materials consumed
- Purchase of Stock-in-Trade
- Changes in inventories of finished goods, work in progress and stock in trade
- Employee benefits expense
- Finance Costs
- Depreciation and amortization expense
- Other expenses

9.5.1 Cost of materials consumed

9.5.1.1 This disclosure is applicable for manufacturing companies. Materials consumed would consist of raw materials, packing materials (where classified by the company as raw materials) and other materials such as purchased intermediates and components which are 'consumed' in the manufacturing activities of the company. Where packing materials are not classified as raw materials the consumption thereof should be disclosed separately. However, intermediates and components which are internally manufactured are to be excluded from the classification:

9.5.1.2 For purpose of classification of inventories, internally manufactured components may be disclosed as below:

i. where such components are sold without further processing they are to be disclosed as 'finished products'.

ii. where such components are sold only after further processing, the better course is so disclose them as 'work-in-progress' but they may also be disclosed as 'manufactured components subject to further processing or with such other suitable description as 'semi-finished products' or 'intermediate products'.

iii. where such components are sometimes sold without further processing and sometimes after further processing it is better to disclose them as 'manufactured components').

9.5.1.3 For the purpose of interpreting the requirement to classify the raw materials, some guidance may be necessary with regard to the question as to what constitutes raw materials. According to the strict dictionary connotation of this term, raw materials would include only materials obtained in the state of nature. Such a definition would, however, be unrealistic in context of this requirement because it would exclude even a basic material such as steel. Generally speaking, the term “raw materials” would include materials which physically enter into the composition of the finished product. Materials, such as stores, fuel, spare parts etc, which do not enter physically into the composition of the finished product, would therefore, be excluded from the preview of the term “raw materials”.

9.5.1.4 The requirement is silent with regard to containers and packaging materials. It is, therefore, open to question whether such materials constitute a category of “raw materials” for the purpose of the classification. The matter should be decided in the light of the facts and circumstances of each case, the nature of the containers and packaging materials, their relative value in comparison to the raw materials consumed, and other similar considerations. Where, however, packaging materials, because of their nature are included in raw materials it is preferable to show the description as “raw materials” including packaging materials consumed.

9.5.1.5 Since in case of company which falls under the category of manufacturing or manufacturing and trading company, disclosure is required with regard to raw materials consumed, care should be taken to ensure that the figures relate to actual consumption rather than “derived consumption”. The latter figure is ordinarily obtained by deducting the closing inventory from the total of the opening inventory and purchases, but this figure may not always represent a fair indication of actual consumption because it might conceal losses and wastages. On the other hand, if the figure of actual consumption can be compiled from issue records or other similar data, it is likely to be more accurate. Where this is not possible, the derived figure of consumption may be shown and it is left to the company, according to the circumstances of each case to determine whether any foot-note is required to indicate that the consumption disclosed is on the basis of derived figures rather than actual records of issue.

9.5.1.6 Where the consumption is disclosed on the basis of actual records of issue, a further question arises with regard to the treatment of shortages, losses and wastages. In most manufacturing companies, these are inevitable. It is, therefore, suggested that the company should itself establish reasonable norms of acceptable margins. Any shortages, losses or wastages which are within these norms may be regarded as an ordinary incidence of the manufacturing process and may, therefore, be included in the figure of consumption. On the other hand, any shortages, losses or wastages which are beyond the permitted margin or when they are known to have occurred otherwise than in the manufacturing process, should not be included in the consumption figures. Whether or not such abnormal variations need to be separately disclosed in the accounts would depend upon the facts and circumstances of each case, the General Instructions for preparation of Statement of Profit and Loss does not require any specific disclosures.

9.5.1.7 In the case of industries there are several processes, materials may move from process to process, so that the finished product of one department constitutes the raw materials of the next. Since the disclosure requirement provides only for disclosure of raw material under broad heads and goods purchased under broad heads and also having regard to the fact that the consumption of raw materials for production of such intermediates would have to be accounted as raw materials consumed, it follows that internal transfers from one department to another should be disregarded in determining the consumption figures to be disclosed.

9.5.1.8 In case there has been sale of raw material by the company, care should be taken to exclude the cost of raw material sold from the figure of consumption.

9.5.2 Purchase of Stock in Trade

Stock-in trade refers to goods purchased normally with the intention of resale or trade in. In case, any semi-finished goods/materials are purchased with an intention of doing further processing activities on the same, the same should be included in 'cost of materials consumed' rather than under this item.

9.5.3 Changes in inventories of finished goods, work in progress and stock in trade

This requires disclosure of difference between opening and closing inventories of finished goods, work in progress and stock in trade. The difference should be disclosed separately for finished goods, work in progress and stock in trade.

9.5.4 Employee benefits expense [Para 5(i)(a)]

This requires disclosure of the following details:

9.5.4.1 Salaries and wages

The aggregate amounts paid/payable by a company for payment of salaries and wages are to be disclosed here. Expenses on account of bonus, gratuity, leave encashment, compensation and other similar payments also need to be disclosed here. Where a separate fund is maintained for Gratuity payouts, contribution to Gratuity fund should be disclosed under the sub-head Contribution to provident and other funds.

The term employee should be deemed to include directors who are either in whole-time or part-time employment of the company. It will, exclude those directors who attend only Board meetings and are not under a contract of service with the company. Those who act as consultants or advisers without involving the relationship of master and servant with the company should also be excluded. A distinction should be made between persons engaged under a contract of service and those engaged under a contract for services. Only the former are to be included in the computation. Whether part-time employees are to be included would depend on the facts and circumstances of each case - the basic criterion being whether they are employed under a contract of service or a contract for services.

9.5.4.2 Contribution to provident and other funds

The aggregate amounts paid/payable by a company on account of contributions to provident fund and other funds like Gratuity Fund, ESIC, Superannuation fund, Labour welfare fund, etc. are to be disclosed here.

Contributions for such funds for contract labour may also be separately disclosed here. However, penalties and other similar amounts paid to the statutory authorities are not strictly in the nature of 'contribution' and should not be disclosed here.

9.5.4.3 Expense on Employee Stock Option Scheme (ESOP) and Employee Stock Purchase Plan (ESPP)

The amount of expense under this head should be determined in accordance with the Guidance Note on Accounting for Employee Share Based Payments and/or the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as applicable. All disclosures required by the aforesaid Guidance Note should be made here.

9.5.4.4 Staff welfare expense

The total expenditure on Staff Welfare is to be disclosed herein.

9.5.5 As per Note 3 of to the General Instructions to the Statement of Profit and Loss, disclosure of Finance costs is to be bifurcated under the following:

(A) Interest expense

(B) Other borrowing costs

(C) Applicable net gain/loss on foreign currency transactions and translation

A) Interest expense

This would cover interest paid on borrowings from banks and others, on debentures, bonds or similar instruments etc. Finance charges on finance leases are in the nature of interest expense and hence should also be classified as interest expense. In the absence of any bifurcation required for interest paid on fixed period loans and other borrowings as required under the old Schedule VI, the same need not be given.

B) Other Borrowing costs

Other Borrowing costs would include commitment charges, loan processing charges, guarantee charges, loan facilitation charges, discounts/premium on borrowings, other ancillary costs incurred in connection with borrowings, or amortization of such costs, etc.

C) Applicable net gain/loss on foreign currency transactions and translation

As per Para 4(e) of AS-16, borrowing costs also include exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. Any such exchange differences would need to be disclosed under this head.

9.5.6 Depreciation and amortization expense [para 5(i)(b)]

A company has to disclose depreciation provided on fixed assets and amortization of intangible assets under this head.

9.5.7 Other Expenses

All other expenses not classified under other heads will be classified here. For this purpose, Any item of expenditure which exceeds one percent of the revenue from operations or ₹ 1,00,000, whichever is higher (as against the requirement of Old Schedule VI of 1 percent of total revenue or Rs, 5,000 whichever is higher), needs to be disclosed separately.

Further Note 5(vi) requires a separate disclosure of each of the following items, which will also be classified under 'Other Expenses'

- Consumption of stores and spare parts;
- Power and fuel;

- Rent;
- Repairs to buildings;
- Repairs to machinery;
- Insurance;
- Rates and taxes, excluding taxes on income;
- Miscellaneous expenses.

9.6 Exceptional Items

The term 'Exceptional Items' is not defined in Revised Schedule VI. However, AS-5 "Net Profit or Loss for the period, Prior period items and changes in Accounting Policies" has a reference to such items of Paras 12, 13 and 14.

"Para 12: When items of income and expense within profit or loss from ordinary activities are of such size, nature or incidence that their disclosure is relevant to explain the performance of the enterprise for the period, the nature and amount of such items should be disclosed separately."

"Para 13: Although the items of income and expense described in paragraph 12 are not extraordinary items, the nature and amount of such items may be relevant to users of financial statements in understanding the financial position and performance of an enterprise and in making projections about financial position and performance. Disclosure of such information is sometimes made."

"Para 14: Circumstances which may give rise to the separate disclosure of items of income and expense in accordance with paragraph 12 include: the write-down of inventories to net realisable value as well as the reversal of such write-downs; a restructuring of the activities of an enterprise and the reversal of any provisions for the costs of restructuring;

- ✓ disposals of items of fixed assets;
- ✓ disposals of long-term investments;
- ✓ legislative changes having retrospective application;
- ✓ litigation settlements; and
- ✓ other reversals of provisions.

In case the company has more than one such item of income / expense of the above nature, the aggregate of such items should be disclosed on the face of the Statement of Profit and Loss. Details of the all individual items should be disclosed in the Notes. [Note 5 (i) (k) to the General Instructions to the Statement of Profit & Loss]"

9.7 Extra ordinary Items

The term 'Extraordinary Items' is not defined in Revised Schedule VI. However, AS 5 "Net Profit or Loss for the period, Prior period items and changes in Accounting Policies'" at para 4.2 defines 'extraordinary items' as: 'Extraordinary items are income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the enterprise and, therefore, are not expected to recur frequently or regularly. Further para 8 of AS-5 discusses about the disclosure of extraordinary items as below:

Extraordinary items should be disclosed in the statement of profit and loss as a part of net profit or loss for the period. The nature and the amount of each extraordinary item should be separately disclosed in the statement of profit and loss in a manner that its impact on current profit or loss can be perceived."

Hence, in case the company has extraordinary items, the aggregate of such items should be disclosed on the face of the Statement of Profit and Loss. Details of individual items should be disclosed in the Notes. [Note 5 (i) (k) to the General Instructions to the Statement of Profit & Loss.]

9.8 Tax Expense:

This is to be disclosed on the face of the Statement to Profit and Loss and bifurcated into:

(1) Current tax and

(2) Deferred tax

9.8.1 Current tax

9.8.1.1 The term 'Current Tax' has been defined under AS-22 "Accounting for Taxes" on Income as the amount of income tax determined to be payable (recoverable) in respect of the taxable income (tax loss) for a period. Hence, details of all taxes on income payable under the applicable taxation laws should be disclosed here.

9.8.1.2 Presentation for Minimum Alternate Tax (MAT) credit should be made as prescribed by the ICAI Guidance Note on "Accounting for Credit available in respect of Minimum Alternative tax under Income Tax Act, 1961'. The relevant portion is as under:

9.8.1.3 "Profit and Loss Account:

15. According to paragraph 6 of Accounting Standards Interpretation (ASI) 6, 'Accounting for Taxes on Income in the context of Section 115JB of the Income-tax Act, 1961', issued by the Institute of Chartered Accountants of India, MAT is the current tax. Accordingly, the tax expense arising on account of payment of MAT should be charged at the gross amount, in the normal way, to the profit and loss account in the year of payment of MAT. In the year in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in this Guidance Note, the said asset should be created by way of a credit to the profit and loss account and presented as a separate line item therein."

The Disclosure in this regard should be made as under :

Current tax (MAT) payable	XX
Less : MAT credit entitlement	(XX)
Net Current tax liability	XX

9.8.1.4 Any interest on shortfall in payment of advance income-tax is in the nature of finance cost and hence should not be clubbed with the Current Tax. The same should be classified as Interest Expense under Finance Costs. However, such amount should be separately disclosed.

9.8.1.5 Any penalties levied under Income Tax laws should not be classified as Current Tax. Penalties which are compensatory in nature should be treated as interest and disclosed in the manner explained above. Other tax penalties should be classified under Other Expenses.

9.8.1.6 Wealth tax payable by a company on assets liable for wealth tax should not be included within current ax since the same is not a tax on income. Accordingly, wealth tax should be included in Rates and Taxes under Other Expenses.

9.8.1.1 Excess/Short provision of Current tax relating to earlier years should be separately disclosed.

9.8.2 Deferred tax

9.8.2.1 Any charge/credit for deferred taxes needs to be disclosed separately on the face of the statement of Profit and Loss.

9.8.2.1 AS22 "Accounting for Taxes on Income" defines 'Deferred tax' as the tax effect of timing differences.

"Timing differences are defined as differences between taxable income and accounting income for a period that originate in one period and are capable of reversal in one or more subsequent periods."

9.9 Profit / (loss) for the period from Discontinuing Operations

9.9.1 The term 'Discontinuing Operations' is defined in Accounting Standard 24 "Discontinuing Operations" as a component of an enterprise:

a. that the enterprise, pursuant to a single plan, is:

   (i) disposing of substantially in its entirety, such as by selling the component in a single transaction or by demerger or spin-off of ownership of the component to the enterprise's shareholders; or

   (ii) disposing of piecemeal, such as by selling off the component's assets and settling its liabilities individually; or

   (iii) terminating through abandonment; and

b. that represents a separate major line of business or geographical area of operations; and

c. that can be distinguished operationally and for financial reporting purposes.

9.9.2 Profit or Loss from Discontinuing Operations needs to be separately disclosed on the face of Statement of Profit and Loss. This disclosure is in line with the disclosure requirement of AS-24 Para 32(a) which requires the amount of pre-tax profit or loss from ordinary activities attributable to the discontinuing operation during the current financial reporting period, and the income tax expense related thereto to be disclosed on the face of the Statement of Profit and Loss.

9.9.3 Further, AS-24 Para 32(b) requires the following disclosure to be made on the face of the Statement of Profit and Loss as well:

"(b) the amount of the pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to the discontinuing operation."

Accordingly, such disclosures for Discontinuing Operations should be made wherever applicable.

9.10 Tax expense of discontinuing operations

In case there are any taxes payable / tax credits available on profits / losses of discontinuing operations, the same needs to be disclosed as a separate line item on the Statement of Profit and Loss.

9.11 Earnings per equity share

Computation of Basic and Diluted Earnings Per Share should be made in accordance with AS-20. It is pertinent to note that the nominal value of equity shares should be disclosed along with the Earnings Per Share figures as required by the AS-20.

10 Other additional information to be disclosed by way of Notes to Statement of Profit and Loss

Besides the above disclosures, Para 5 of the general instructions for Preparation of Statement of Profit and Loss also require disclosure on the following items:

10.1 Adjustments to the carrying amount of investments [Clause (h) of Para 5(i)]

In case there are any adjustments to carrying amount of investments pursuant to diminution in value of the investment (or reversal thereof) in conformity with Accounting Standard 13 "Accounting for Investments", the same should be disclosed here.

10.2 Net gain or loss on foreign currency translation (other than considered as finance cost) Clause (i) of Para 5(i)

Any gains / losses on account of foreign exchange fluctuations are to be disclosed separately. The said gain / loss should normally arise from settlement / restatement of monetary items. Under this head, exchange differences to the extent classified as borrowing costs as per Para 4(e) of AS-16 should not be disclosed. Refer para 6.3.5 [Para 3(c) of Revised Schedule VI].

10.3 Payments to the auditor [Clause (j) of Para 5(i)]

Payments covered here should be for payments made to the firm of Statutory Auditors. Expenses incurred towards such auditors remuneration should be disclosed under each of the following sub-heads as follows:

As : Auditor,

(a) For taxation matters,

(b) For company law matters,

(c) For management services,

(d) For other services,

(e) For reimbursement of expenses;

10.4 Prior period items [Clause (l) of Para 5 (i)]

The term 'Prior period Items' is not defined in Revised Schedule VI. AS 5 "Net Profit or Loss for the period, Prior period items and changes in Accounting Policies", in para 4.2 defines 'Prior period items' as "Prior period items are income or expenses which arise in the current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods".

10.5 The Revised Schedule VI requires the following additional information to be given by way of notes:

Nature of company	Disclosures required
Manufacturing companies	Raw materials under broad heads Goods purchased under broad heads
Trading companies	Purchases of goods traded under broad heads
Companies rendering or supplying services	Gross income derived from services rendered under broad heads
Company that falls in more than one category	It will be sufficient compliance with the requirements, if purchases, sales and consumption of raw material and the gross income from services rendered are shown under broad heads.

10.6 The disclosure requirements to be made for the above in the financial statements as discussed as under:

Apparently, the disclosures required as above are not very clear and give rise to the following questions:

(a) Whether a company is required to disclose quantitative details or not?

(b) Whether a manufacturing company will disclose purchase, sale or consumption of raw materials?.

(c) What is meant by "good purchased" in case of manufacturing companies?

(d) While there is a requirement to disclose gross income in case of a service company and sales in case of a company falling in more than one category, there is no requirement to disclose sales for a manufacturing or a trading company.

(e) With regard to a company falling in more than one category different interpretations seem possible. One interpretation is that it should disclose purchase, sale and consumption for raw material. The other interpretation is that purchase relates to traded goods, sale relates to all goods sold (both manufactured goods and traded goods) and for raw material, only consumption needs to be disclosed.

10.7 Since the Revised Schedule VI gives a note stating that "Broad heads shall be decided taking into account the concept of materiality and presentation of true and fair view of financial statements", a company may consider the following in deciding the disclosures required:

(a) Apparently, there is no need to give quantitative details for any of the items.

(b) Considering the ambiguity and on a conservative interpretation, a manufacturing company may disclose the following under broad heads:

  (i) Consumption of major items of raw materials (including other items classified as raw material such as intermediates/ components/packing material)

  (ii) Goods purchased for trading (if any)

  (iii) Though the Revised Schedule VI does not specifically require, it is also suggested to disclose major items of opening and closing stock.

  (iv) Considering the requirement to disclose gross income in case of a service company and sales in case of a company falling in more than one category, disclosure of sales of finished goods is also under broad heads.

(c) The term "broad heads" may be interpreted to mean broad categories of raw materials, goods purchased, etc. These categories should be decided based on the nature of each business and other facts and circumstances. Normally, 10 percent of total value of sales/services, purchases of trading goods and consumption of raw material is considered as an acceptable threshold for determination of broad heads. Any other threshold can also be considered taking into account the concept of materiality and presentation of true and fair view of financial statements.

(d) Similar principle may be followed to decide disclosure requirement in other cases.

10.8 Based on the above perspectives, given below is a suggested format for making this disclosure:

10.8.1 Manufacturing company

(Amount in ₹)

Particulars	Consumption
Raw materials	
Raw material A	XX (YY)
Raw material B	XX (YY)
Others	XX (YY)
Total	XX (YY)

Particulars	Purchases
Goods purchased	
Traded item A	XX (YY)
Traded item B	XX (YY)
Others	XX (YY)
Total	XX (YY)

Particulars	Sales values	Closing Inventory	Opening Inventory
Manufactured goods			
Finished goods A	XX (YY)	<u>XX</u>	<u>XX</u>
Finished goods B	XX (YY)	XX	XX
Others	XX (YY)	XX	XX
Total	XX (YY)	XX	XX

Traded goods			
Traded goods A	XX (YY)	XX	XX
Traded goods B	XX (YY)	XX	XX
Others	XX (YY)	XX	XX
Total	XX (YY)	XX	XX

Particulars	WIP
Work in Progress	
Goods A WIP	XX (YY)
Goods B WIP	XX (YY)
Others	XX (YY)
Total	XX (YY)

10.8.2 Trading company

Particulars	Purchase	Sales
Traded goods		
Traded goods A	XX (YY)	XX (YY)
Traded goods B	XX (YY)	XX (YY)
Others	XX (YY)	XX (YY)
Total	XX (YY)	XX (YY)

10.8.3 Service Company

Particulars	Amount
Services rendered	
Service A	XX (YY)
Service B	XX (YY)
Others	XX (YY)
Total	XX (YY)

Note : Figures in brackets represent previous year figures.

A company falling in more than one category will make the above disclosures, to the extent relevant.

10.9 The aggregate, if material, of any amounts set aside or proposed to be set aside, to reserve [Clause (a) of Para 5(iv)]

Cross reference to this Guidance should be made in the relevant explanation under para 8.1.2 under Reserves and Surplus.

10.9.1 Disclosure is required for amounts set aside or proposed to be set aside to reserves out of the profits for the period. The said transfers can be in terms of the applicable statute under which the financial statements are prepared i.e., the Companies Act, 1956 or any other applicable statute e.g. Income Tax Act, 1961, or RBI Act, 1932 etc. Further, profits may also be appropriated to free reserves as deemed appropriate by the management.

10.9.2 The transfer to reserves as above should however do not include provisions made to meet any specific liability, contingency or commitment known to exist at the date as to which the balance sheet is made up.

10.10 The aggregate, if material, of any amounts withdrawn from such reserves [Clause (b) of Para 5 (iv): In case the company has any withdrawals from any reserves created in terms of Clause (a) of para 5(iv) above, the same is to be disclosed separately.

It may be noted that such setting aside as well as withdrawal from reserves is to be disclosed under applicable Line item of Reserves and Surplus, and not under the Statement of Profit and Loss since the same is an appropriation of profits and not a charge against revenue.

10.11 The aggregate, if material, of the amounts set aside to provisions made for meeting specific liabilities, contingencies or commitments and amounts withdrawn from such provisions, as no longer required [Clause (a) of para 5(v) and Clause (b) of para 5(v)]

The amounts in respect of the items under this requirement should be separately disclosed as a charge to the Statement of Profit and Loss. Provisions no longer required should be credited to the Statement of Profit and Loss.

10.12 Clause (b) of para 5(vii) requires disclosure for 'Provisions for losses of subsidiary companies'.

However, as per AS-13, a provision in respect of losses made by subsidiary companies is made only when the same results in an other than temporary diminution in the value of investments in the subsidiary. Accordingly, the aforesaid disclosure should be made separately only where such a provision has been made in respect of the investment in such loss-making subsidiary.

11 Other Disclosures

The Statement of Profit and Loss shall also contain by way of a note the following information, namely:-

(a) Value of imports calculated on C.I.F basis by the company during the financial year in respect of –

   I. Raw materials;

   II. Components and spare parts;

   III. Capital goods;

(b) Expenditure in foreign currency during the financial year on account of royalty, know-how, professional and consultation fees, interest, and other matters;

(c) Total value if all imported raw materials, spare parts and components consumed during the financial year and the total value of all indigenous raw materials, spare parts and components similarly consumed and the percentage of each to the total consumption;

(d) The amount remitted during the year in foreign currencies on account of dividends with a specific mention of the total number of non-resident shareholders, the total number of shares held by them on which the dividends were due and the year to which the dividends related;

(e) Earnings in foreign exchange classified under the following heads, namely:-

   - Export of goods calculated on F.O.B. basis;

- Royalty, know-how, professional and consultation fees;
- Interest and dividend;
- Other income, indicating the nature thereof

11.1 Value of imports calculated on C.I.F. basis by the company during the financial year [Clause (a) of Para 5(viii)]

The above disclosure is to be given in respect of –

Raw materials;

Components and spare parts;

Capital goods.

11.1.1 One of the requirements of disclosure as a note to the Statement of Profit and Loss is the value of imports of raw materials calculated on C.I.F. basis. The manner in which the term "raw materials" can be interpreted for such disclosure, for this purpose, is already discussed earlier in para 9.5.1.3 (Refer page no 62-63) of this Guidance Note.

11.1.2 Disclosure is also required to be made as to the value of imports of components and spare parts and capital goods respectively. The term "components" may be interpreted in the same manner as the term "intermediates or components" in connection with the requirement, discussed earlier in para 9.5.1.2 (Refer Page No 62) of this Guidance Note, to disclose the consumption of purchased components or intermediates. The term "spare parts" would ordinarily relate to spare parts for plant and machinery and other capital equipment. The total value of imports of components and spare parts may be disclosed in the aggregate. While it may be appropriate to sub-classify the value of imports between components and spare parts, respectively, similar such separate classification is not a mandatory requirement of the Notification.

11.1.3 As regards "capital goods", disclosure would be involved in respect of imported plant and machinery, furniture and fixtures, transport equipment, intangible assets and other types of expenditure which is treated as capital expenditure in the books of account. It is undoubtedly anomalous to disclose the value of imports of capital goods by way of a note on the Statement of Profit and Loss, since by the very definition, capital assets do not form part of the Profit and Loss Account. However, since this is the specific requirement of the Notification, it would have to be observed as such. Also, in view of this specific requirement, it would not be advisable to disclose the imports of capital goods by way of a footnote on the schedule of fixed capital expenditure, even though it would be more appropriate to do so.

11.1.4 It is significant that this requirement covers only imported spare parts. It apparently does not apply to goods imported for sale, imported stores, etc. However, the practice followed by most companies is that imported stores are been clubbed with imported spare parts for the purposes of this disclosure. This is probably due to the practical difficulty involved in separating stores from spare parts. Hence, where it is not possible to segregate the two owing to practical difficulties, the total value of imports of stores and spare parts may be shown against a caption which clearly indicates that the value shown relates to both the stores as well as the spare parts.

11.1.5 The disclosure in respect of imports of the foregoing items is to be made on accrual basis. This is because disclosure is required in respect of the value of imports "during the financial year". Consequently, if the particular item has been imported during the accounting year, it should be disclosed as such, even though the payment is not made in that year.

11.1.6 It is also to be noted that the disclosure under this requirement relates to the imports as such. It is not linked with the consumption of the material or utilization of capital goods.

11.1.7 While a subsequent requirement relates to expenditure in foreign currency for designated items, the requirement presently under discussion is not linked with any particular expenditure in foreign currency or local currency. Consequently, the value of imports of raw materials, components and spare parts and capital goods is to be disclosed irrespective of whether or not such imports have resulted in an expenditure in foreign currency. It is possible that imports may have been arranged on rupee-payment terms without involving any foreign currency expenditure but even so, the value of the imports would have to be suitably disclosed.

11.1.8 Disclosure under this para is to be made in Indian currency. Where the imports involve foreign currency expenditure, the amount be disclosed would be the corresponding rupee value of the imports as translated in the books of account on normal principles relating to the translation of foreign currencies.

11.1.9 The value of the imports is to be calculated on C.I.F. basis – that is inclusive of cost, insurance and freight. It is possible that the imported materials may have been shipped by an Indian carrier and the insurance may have been arranged with an Indian insurer, so that, really, there is no element of import of services with regard to the insurance and freight. Even so, the notification requires the value of the imports to be disclosed on a C.I.F. basis, and while this may be anomalous in the types of situations indicated above, the requirement should ordinarily be complied with. If for any reason, there is some practical difficulty in disclosing the value of the imports on C.I.F. basis, a footnote should be appended to the statement indicating the precise method by which the value of imports has been arrived at. For example, it may be stated that, because of practical difficulties in disclosing the value of imports on C.I.F. basis, such disclosure has been made on F.O.B. basis. Without attempting to particularize the various circumstances under which it may be difficult to disclose the value of imports on a C.I.F. basis, one example may be cited. A company may have standing arrangements with a shipping line or with an insurer so that all imports are covered through such a standing arrangement, In that case, it may be difficult to allocate the insurance or freight to each specific shipment. Similarly, if a company is a self insurer, or if it owns its own fleet of ships, disclosure of the value of imports cannot be made on a C.I.F. basis. In situations of this kind the matter should be covered by a suitable explanatory note but otherwise, wherever possible, the value of imports should be disclosed on a C.I.F. basis. It may be noted that the requirement to disclose the value on a C.I.F. basis relates to the method of computation of the value, rather than the terms of the import contract. It is not to be implied that this method of valuation is restricted to a case where the import contract is itself on a C.I.F. basis.

11.1.10 Disclosure is required with regard to the value of imports "by the company". This implies that only direct imports by the company are involved in the disclosure. If the company purchases imported materials in the open market, no disclosure would be necessary under this requirement. Similarly, if the company canalized its imports through another agency such as the State Trading Corporation, no disclosure would be required, since it is the latter agency which is the importing entity. On the other hand, if a company purchases import entitlements and thereafter imports materials on the basis of those entitlements, the value of such imports would need to be disclosed, since they are the imports of the company, irrespective of the manner in which the company procured the import entitlements. Within this rather broad statement of the case, it is apprehended that practical difficulties may arise in determining whether or not a particular import has been made "by the company".

11.1.11 For the purpose of this requirement, only direct imports are to be taken into consideration. Imported materials purchased locally, and imports canalized through other sources, need not be disclosed. While this distinction may be clear in the large majority of cases, problems may arise in individuals cases. In particular, in the case of indirect imports, care should be taken to determine whether the source from which the imports have been obtained represent an agency or an independent principal. If a company has appointed a person or a company as its agent for the purpose of securing the import of raw materials, etc., the imports through such agent must be regarded as the company's imports, and the value of such imports should be disclosed pursuant to the requirement under this Note On the other hand, if another person or company has already imported the materials and the company in question merely purchases such imported materials, on a principal to principal basis, the value of such imports should be ignored by the latter company, and included by the former.

11.1.12 Depending on circumstances, an exception may perhaps be made in a case where, although the transaction is on a principal to principal basis, the person or company importing the materials has done so under the specific requisition of the company which requires those materials. Ignoring the legal façade, in favour of the real substance of the transaction, it may be considered more appropriate in such a case to disclose the value of such imports in the accounts of the latter company rather than of the former, even though this may not be regarded as mandatory under the strict letter of the legal requirement. In such a case, the determination of the C.I.F. value of the imports by the latter company would be difficult, if not impossible. Accordingly, it may be a reasonable compliance with the law if the disclosure is made by the latter company on the basis of the cost as per the invoice it receives from the importing company with a suitable note to explain the basis. In most cases, however, imports on a principal to principal basis should be included only by the importing company and excluded by the company which acquires the imported materials second-hand from the direct importer.

11.1.13 The value of imports should also include goods which are in transit on the balance sheet date, provided that the property in those goods has already passed to the purchasing company. For the purpose of determining whether or not the property has passed, reference may be made to the terms of the import contract, and recognized legal principles, relating to this matter. Conversely, goods-in-transit at the beginning of the year should be excluded on a similar basis so that they do not form part of the value of the current year's imports or succeeding year's for the purpose of the same disclosure relating to the value of imports.

11.1.14 Since the requirement is to disclose the value of imports during the accounting year, it may be necessary to determine when the title to the goods has passed from the overseas exporter to the Indian importer in accordance with the well recognized legal principles relating to this matter, irrespective of the fact whether or not the goods have been physically received.

11.1.15 A particular problem may, however, arise in the case of import of capital goods where delivery is to be made in installments through part shipments from time to time. The contract may provide for the total value of the entire shipment and it may, therefore, be difficult to determine the separate value of the part shipments received during the accounting year. Since the disclosure which is required is in respect of imports during the accounting year, it may be necessary to estimate, on a reasonable basis, the separate value of part shipments. If such estimates are reasonable, no objection need be taken thereto.

11.1.16 It follows from this that, in appropriate cases, the disclosure would include the value of goods in transit at the end of the year if the property in such goods has already passed to the Indian importer. Conversely, it may be necessary to exclude the value of the opening inventory in transit if the title to such inventory had already passed to the Indian importer prior to the end of the previous year.

11.1.17 For the purpose of working out the C.I.F. value of imports, it may be necessary to make approximations in suitable cases. For example, a company may be actually importing materials on the basis of F.O.B. contracts so that the values directly available from its records would be those relating to F.O.B. terms. In such cases, apply a standard formula in order to convert the F.O.B. values to C.I.F. for example, the company's accountant may calculate that a loading of, say, eleven per cent on the F.O.B. values is ordinarily adequate and correct in order to convert the F.O.B. values to C.I.F. If such approximations are reasonable, no objection should ordinarily be taken thereto.

11.2 Expenditure in foreign currency during the financial year [Clause (b) of para 5(viii)]

The above is to be disclosed for expenditure incurred on account of royalty, know-how, professional and consultation fees, interest and other matters;

11.2.1 In addition to the requirement discussed earlier relating to the disclosure of the value imported materials, and the disclosure relating to the consumption of imported materials as compared to indigenous materials, there is also a further requirement to disclose expenditures in foreign currency on account of royalty, know-how, professional consultation fees, interest, and other matters.

11.2.2 In this particular case, the disclosure is to be made with regard to the expenditure in foreign currency. Consequently, if no foreign currency expenditure is involved, no disclosure would be required, even though the specific services covered by this requirement have been imported free of cost or against Rupee payment or against any other method of payment or adjustment not involving the expenditure of foreign currency. Although the disclosure is required to be made with regard to items involving expenditure in foreign currency, the amount to be disclosed would be the Indian Rupee amount. It should be noted that every company is required to follow accrual system of accounting and the requirement refers to 'expenditure', the disclosure should be on the basis of the expenditure incurred and recorded in the books of account and not on the basis of remittance. The appropriate Rupee figure can be obtained by converting the foreign exchange figure through the application of a rate of exchange which is suitable for that purpose, having regard to normal principles of foreign currency translation/conversion in accounts. If so desired, the foreign currency figure may also be given as additional information but this cannot be regarded as mandatory.

11.2.3 While the requirement relating to the disclosure of imports clearly specifies the different heads under which the disclosure is to be made, and while the requirement relating to foreign exchange earnings also similarly indicates the specific heads under which the disclosure is to be classified, there is no such requirement with regard to the disclosure of expenditure in foreign currency. It is true that the specific items in respect of which such disclosure is to be made have been indicated, but this does not by itself imply that the disclosure is to be classified with reference to those items. At the same time, since such classification should not be difficult, it is advisable to classify the foreign currency expenditure between royalty, know-how, professional consultation fess, interest and other matters. In other words, the classification as between these items is certainly desirable but is probably not mandatory, having regard to the precise terms of the Notification. It may also be noted that under old Schedule VI, for the same requirement, the practice has been to classify between different heads and disclose.

11.2.4 The various items specified above do not call for any particular comments since they are expressed through well understood terms. The residual item relating to "other matters" appears to be sufficiently exhaustive so as to cover any items for which foreign currency expenditure is involved. It is necessary to point out that disclosure is required with regard to "other matters" rather than with regard to "other similar matters". Consequently, it would not be reasonable to infer that disclosure is limited to items of a nature similar to royalty, know-how, professional consultation fees and interest. At the same time, however, it would be unreasonable to suggest that disclosure should be made once again with regard to the expenditure involved in foreign currency for an item whose import value has already been disclosed in response to the earlier requirement. Ordinarily, the requirement presently under discussion relates to expenditure on intangible items rather than on the import of tangible goods. However, if any foreign currency expenditure on the import of tangible goods has not been disclosed pursuant to the earlier requirements, it would need to be disclosed under this requirement. For example, foreign currency expenditure on the import of stores may not have been disclosed on the basis that the earlier requirement necessitates disclosure only with regard to the value of imports of "components and spare parts". In that case, the foreign currency expenditure involved in the import of stores would need to be disclosed under the requirement presently under discussion since this requirement covers "expenditure in foreign currency" on account of royalty, know-how, professional consultation fees, interest and other matters. Disclosure would also be involved under this requirement of any foreign currency expenditure in the payment of taxes in an overseas country on income earned in that country in a case where the payment of such taxes involves actual remittance from India. Where, however, the payment of taxes in the overseas country is made through deduction at source rather than by actual remittance from India, the method of disclosure has been suggested in a subsequent paragraph of this Note dealing with foreign exchange earnings where it has been recommended that foreign exchange earnings received subject to deduction of tax at source should be disclosed both gross and net.

11.2.5 The disclosure of expenditure in foreign currency is to be made on accrual basis since all the items in the Statement of Profit and Loss are stated on an accrual basis.

11.2.6 A further question which needs to be resolved is whether the disclosure is to be made of the gross amount of the expenditure, or of the net amount after tax deduction at source, in a case where such deduction is involved. So far as the company in concerned the gross expenditure is the amount of expenditure incurred in foreign currency even though a part of it may have been paid in rupees to the Government to meet the statutory obligation of deducting tax at source. Deduction of tax at source by itself is not the finality of the matter and is merely a preliminary stage towards settlement of tax liability of the non-resident. Ultimately, on assessment of the non-resident, the full amount of tax deducted at source may have to be refunded. In view of this, the preferable course seems to be to disclose the gross expenditure that has been incurred by the company.

11.2.7 Disclosure is to be limited only to those cases where the company itself incurs a foreign currency expenditure. Where an expenditure involves foreign currency but the original payment by the company itself is in Rupees, no disclosure is necessary. For instance, if a company has borrowed a loan from a Government agency and incurs expenditure in payment of interest on that loan, the company may be aware that the interest paid by it to the Government agency to a foreign lender. However, since the company itself does not incur any foreign expenditure, no disclosure is required in its accounts.

11.3 Total value of all imported raw materials, spare parts and components consumed during the financial year and the total value of all indigenous raw materials, spare parts and components similarly consumed and the percentage of each to the total consumption; [Clause (c) of Para 5(viii)]

11.3.1 Apart from the disclosure relating to the C.I.F. value of imports, separate disclosure is also required with reference to the value of imported raw materials, spare parts and components consumed during the accounting year. There is no guidance, for the purpose of this requirement, as to the manner in which the imported materials are to be evaluated i.e., C.I.F. basis or F.O.B. basis or any other basis. Even though the value of materials imported by the company itself is required to be stated on a C.I.F. basis, it does not follow that this basis is necessarily appropriate to the disclosure of the value of imported materials consumed. In the latter case, it would be more appropriate to make the disclosure on the basis of the actual cost to the company of the imported materials which have been consumed, since it is this cost which enters into the company's accounts. Consequently, the value of imported materials consumed should include not only their cost but also incidental expensed directly related to the purchase of such materials. There is another reason for this suggestion and that is based on the fact that the value imported materials consumed is required to be compared with the value of indigenous materials consumed. Moreover, in the company's accounts, the total figure shown for consumption of materials (inclusive of indigenous and imported materials) would ordinarily be based on the value inclusive of the cost of such materials and various incidental charges. Therefore, in order to facilitate correlation with the total amount shown for consumption of materials in the profit and loss accounts as well as in order to facilitate comparison between the value of indigenous consumption and imported consumption, it is desirable that the value of imported materials consumed should be stated on a similar and consistent basis by including the cost of such materials and various incidental charges.

11.3.2 On the fact of it, it would appear that this requirement duplicates the earlier requirement relating to the disclosure of the value of imports of raw materials, components and spare parts. However, there is a difference. The earlier requirement relates to the disclosure of the value of imports per se irrespective of whether or not the materials imported have been consumed in the company's operations. The latter requirement, on the other hand relates only to the value of the imported materials consumed in the company's operation.

11.3.3 As in the case of earlier requirement, it is not relevant to consider whether or not the imported materials which have been consumed have necessitated an expenditure in foreign currency. Even if no foreign currency expenditure is involved, the value of consumption of imported materials is still required to be disclosed.

11.3.4 The disclosure is to be made in Indian currency by applying normal methods for the translation of foreign currencies where the original expenditure was incurred in a foreign currency.

11.3.5 A question may arise whether to include the consumption of locally purchased materials of foreign origin. Apart from the difficulties of ascertaining which locally purchased materials are of imported origin, it is logical to interpret this requirement as requiring disclosure only of materials imported directly or indirectly by the company. This would include materials imported directly by the company as well as indirect imports made to be company's knowledge or at its request through canalizing agents such as the State Trading Corporation.

11.3.6 It is not entirely clear whether the requirement herein implies that the value of imported raw materials, spare parts and components should be separately disclosed for each of these three items, or whether a composite discloser for all the three items taken together is sufficient. The latter part of this clause states that "the percentage of each to the total consumption" is also to be disclosed. This may be taken to imply that the consumption is to be shown separately for raw materials, spare parts and components respectively.

11.3.7 While raw materials are undoubtedly consumed in the course of operations, this term is hardly appropriate to spare parts and components. Spare parts may be utilized for repairs and maintenance or for other similar purposes, and components may be assembled into the finished product. In either case, the spare parts and components can hardly be said to have been "consumed". However, without going into the semantics relating to the word "consumed", the intention appears to be reasonably clear and disclosure may, therefore, be made on the basis of indicating the value of imported spare parts and components utilized in the company's operations.

11.3.8 In addition to disclosing the value of imported raw materials spare parts and components consumed during the accounting year, disclosure is also required with regard to the value of indigenous raw materials, spare parts and components similarly consumed during that year. In both cases, the value of the consumption should be determined on the same identical basis, so that like is compared with like. Thereafter, it is also required that the relative percentages of consumption value in respect of imported items and indigenous items should be stated as a percentage of total consumption for each of the categories of raw materials, spare parts and components respectively.

11.3.9 Care should be taken to ensure that the total consumption agrees with the figures in the Profit and Loss Account. In the case of consumption of raw materials, the separate figure for such consumption is generally disclosed in one figure in the Profit and Loss Account in which case the total consumption classified as between imported and indigenous should agree with this figure. Sometimes, however, the total consumption of raw materials is not shown in one figure in the Profit and Loss Account. Instead, a note may be given indicating the consumption of raw materials shown under another head of account. In that case, care should be taken to ensure that the total figure for consumption of raw materials analysed as between imported and indigenous agrees with the total consumption shown in the Statement of Profit and Loss Account inclusive of the figure of consumption charged to other heads of account.

11.3.10 The term "spare parts" for the purpose of the foregoing requirements would refer to spares for plant and machinery and other items of a similar nature or intended for a similar purpose. This term would not ordinarily include stores. The term "stores" refers to materials and supplies which assist the manufacturing process but which do not directly enter into the furnished product. It is a term of wider import than "spare parts" and ordinarily, the term "stores" would include "spare parts". Since the present requirement is limited to spare parts, it would appear to be unnecessary to disclose the separate figures relating to the consumption of stores – imported and indigenous. It is somewhat curious that disclosure should be required with regard to spare parts and not with regard to stores, but this is nevertheless, the logical interpretation of the words used in the relevant clause. Where the segregation between stores and spare parts is not possible owing to practical difficulties, the value of consumption of imported and indigenous stores and spare parts may be shown against a caption which clearly indicates that the value shown relate to both stores and spare parts.

11.3.11 As regards spare parts, the substantive requirement of Revised Schedule VI (Other Expenses para 9.5.7), requires a composite figure to be disclosed in respect of consumption of stores and spare parts, whereas the analysis here is required only in respect of consumption of spare parts. Consequently, the total figure analysed for consumption of spare parts may not agree directly with the figure disclosed in the Profit and Loss Account for consumption of stores and spare parts, unless in the Profit and Loss Account, these two figures are separately itemized. In any case, however, a reconciliation statement should be kept on the company's working paper files to indicate that the figures have been agreed.

11.3.12 As regards components, the clause does not indicate clearly whether the classification of imported and indigenous components is to be restricted to purchased components, or whether it would also include components manufactured internally. Normally, imported components would in any case be restricted to those which are purchased, with the possible exception of a rare case in which components are fabricated outside India by a branch or department of the same factory and are then shipped to India for incorporation into the finished product. Ignoring such an exception, it would appear that if imported components are to be restricted to those which are purchased, indigenous components would also have to be similarly restricted, otherwise the comparison would be vitiated. Consequently, it is suggested that this requirement may be interpreted in a manner whereby the classification of components between imported and indigenous would be limited to purchased components, ignoring any components which are manufactured internally.

11.3.13 Under some systems accounting, the consumption is originally charged in the accounts on the basis of standard or pre-determined rates. Periodically, an adjustment is made in the total consumption account in order to accord with the actual rates at which relevant materials may have been purchased. A problem may arise with reference to the classification of the total net debit or credit for such price adjustment as between imported and indigenous consumption. The most obvious method of solving this difficulty – which should be acceptable in most cases – is to allot the total debit or credit adjustment between imported and indigenous consumption, in the same ratio as the figure for imported and indigenous consumption prior to such debit or credit adjustment. A similar procedure may also be followed in the case of any other special debit or credit adjustment which are entered in the consumption accounts to reflect adjustments to the total consumption figure. On a slightly different context, a similar problem arises where the same item is partly purchased locally and partly imported and stocks are not physically kept separate. In such cases, it appears to be permissible to assume that consumption is on a pro-rata basis, e.g., in the ratio of opening stock plus purchase.

11.4 Total amount remitted during the year in foreign currencies on account of dividends with a specific mention of the total number of non-resident shareholders, the total number of shares held by them on which the dividends were due and the year to which the dividends related [Clause (d) of Para 5(viii)];

11.4.1 The requirement is to the disclosure with regard to the amount remitted to non-resident shareholders on account of dividends. This disclosure is to be made with reference to the amount remitted during the accounting year in foreign currencies. Consequently, if the dividend has been paid to a non-resident shareholder in Indian Rupees, disclosure would not appear to be necessary. Also, if a non-resident shareholder has indicated that all dividends payable to him are to be deposited in a Rupee account with his bankers in India, and if such deposit is actually made on the basis of the necessary sanctions form the Reserve Bank of India, no disclosure would be required because such a deposit does not constitute any payment in foreign currency remittances out of his Rupee bank account but this would be no concern of the company which pays the dividends into his Rupee bank account. However, by way of additional information, deposits reading such dividends paid in the bank account may be given, indicating the fact.

11.4.2 As in the case of other disclosure relating to imports, exports, foreign exchange expenditure and earnings, etc. the amount to be disclosed in respect of foreign currency dividends is to be stated in Indian Rupees. If so desired, additional information may be furnished with regard to the foreign currency equivalent to the dividend, which has been remitted, but the basic requirement is to disclose the rupee amount. Disclosure of the foreign currency equivalent is not mandatory.

11.4.3 Since disclosure is required with regard to the “amount remitted during the year”, it would appear that the information is to be furnished in the year of actual payment of dividend rather than in the year in which the dividend is proposed or declared. In other words, the disclosure should be made on a cash basis, contrary to the fact that the other disclosures are to be made on accrual basis.

11.4.4 In addition to the disclosure relating to the amount of dividends remitted in foreign currency, further disclosure is also required with regard to the number of non-resident shareholders to whom the dividends were remitted, the number of shares held by them, and the year to which the dividends relate. These requirements should not be difficult to comply with and no particular problem in likely to be encountered.

11.4.5 A question may arise as to whether or not any information is to be furnished with regard to the number of non-resident shareholders and the number of shares held by them, in particular year in which no dividend has been remitted to the non-resident shareholders. The answer is in negative, since, as already indicated earlier, the information relating to the number of non-resident shareholders and the number of shares held by them is intended to be linked to the basic information relating to the dividends remitted to non-resident shareholders.

11.5 Earnings in Foreign Exchange [Clause (e) of Para 5 (viii)]

11.5.1 Foreign exchange earnings have to be classified under the following heads:-

(i) export of goods calculated on F.O.B. basis;

(ii) royalty, know-how, professional and consultation fees;

(iii) interest and dividends; and

(iv) other income (indicating the nature thereof).

11.5.2 In this case also, as in the case of disclosure relating to foreign currency expenditure, the question arises as to whether foreign currency earnings have to be disclosed on a cash basis or on a mercantile basis. The considerations relating to this aspect of the matter are similar to those discussed earlier in connection with the requirement relating to the disclosure of foreign currency expenditure. Since the Statement of Profit and Loss is prepared on a mercantile basis, it may be suggested that foreign currency earnings should also be disclosed on a similar basis.

11.5.3 Since, foreign exchange earnings are to be disclosed on an accrual basis, the subsequent receipt of foreign exchange in a later year should be ignored, as otherwise the same earnings would be disclosed twice.

11.5.4 A further question which arises is whether the foreign exchanging earnings should be disclosed gross of tax or whether they should be disclosed net of any tax deducted at source in the overseas country in which earnings have arisen. One way of looking at the matter is that the actual amount of earnings is the amount received after deduction of overseas of overseas tax at source, where such deduction is involve. On the other hand, the tax which is deducted at source in the overseas country is available by way of credit against the tax payable in that country. But for this credit, actual or constructive remittance may be involved from India to the overseas country for the purpose of meeting the tax liability in that country. It is, therefore, suggested that the more appropriate basis of disclosure would be gross of tax with a mention of the net of tax earnings and tax deducted of tax at source. A further advantage of this method of disclosure is that the amount which is so disclosed would agree with the financial accounts, since, in the books of accounts kept in India, the gross amount of the foreign exchange earnings would be credited to revenue, while the tax deducted at source would be debited to an appropriate account relating to payment of taxes.

11.5.5 While the requirement relating to the disclosure of imports requires the "value of imports" to be disclosed, the disclosure of exports requires the "earnings from export of goods" to be disclosed. It would probably have been more consistent if the relevant clause had required the value of exports to be disclosed, rather than the earnings.

11.5.6 Considerations that apply in determining whether a purchase is an import by the company will also apply in determining whether sales is an export by the company. Any sales made direct by the company through an agent to any overseas buyer is an export by the company. However, goods sold to any canalizing agent like the State Trading Corporation for export is not the company's export.

12 Multiple Activity Companies

12.1 In the case of company with multiple activities, it is necessary to determine, in the first place, the basic classification to which the company belongs. For instance, a company which is basically a manufacturing company may purchase a relatively small quantity of finished goods in the open market for direct sale to its customers in conjunction with the goods of its own manufacture. Depending upon the relative proportion of such trading activity, it may be necessary to determine whether the basic character of the company continues to remain that of a manufacturing company. If the answer is in the affirmative, the disclosure requirements applicable to a manufacturing company should govern the application of the provisions of the disclosure requirements in Part II of Schedule VI.

12.2 In the case of company, which falls under more than one category, purchases of traded items and consumption of raw materials should be shown under broad heads. Similarly income from services rendered also should be shown under broad heads.

13. Problems of doubtful interpretation

13.1 Although this Note attempts to clarify some of the doubts which may arise when interpreting the provisions of Revised Schedule VI, it is inevitable that various situations will arise in actual practice, which is not covered by the discussion contained in this Note. Problems may arise owing to the fact that the requirement is not clear on several matters. Vagueness of drafting in the amending Notification is, therefore, bound to lead to difficulty in interpretation. Since it is impossible to eliminate this type of difficulty altogether, it may be useful to offer members a few broad guidelines with regard to the problem of doubtful interpretation and the manner in which such problems should be resolved in actual practice.

13.2 In the first place, it needs to be appreciated that the basic responsibility for preparing the accounts rests with the management, and it is, therefore, for management to decide upon their interpretation of a doubtful or ambiguous provision. If the auditor is consulted with regard to the interpretation to be applied, he may offer advice to the best of his ability but where the auditor is not so consulted, his principal concern would be to ensure that the interpretation applied by the management is not unreasonable and is not contrary to the facts and circumstances of the case. If there is a choice between acceptable or available alternatives, the most appropriate method of interpretation should be adopted which is in keeping with the exact nature of the situation. Artificial or contrived interpretations should be avoided.

13.3 If the auditor is consulted with regard to the interpretation to be adopted, he should ordinarily advise his clients to comply with the spirit of the requirement rather than to be unduly technical in applying an interpretation which places a contrived meaning on the words. However, if the auditor is not consulted with regard to the interpretation to be adopted, and if the management itself takes this responsibility, it may not be possible for the auditor to object to an interpretation which is not contrary to the law or the facts even though the auditor himself may have preferred another interpretation.

13.4 Subject to foregoing generalisation, matters of doubt should be resolved by selecting an interpretation which is fair and appropriate to the facts and circumstances of the case, and which is not contrary to any established legal precedent or authoritative pronouncement. The interpretations offered in this Note are to be regarded, for this purpose, as preferred interpretations, rather than as establishing a binding precedent. However, the Institute expects that its members would ordinarily uphold the interpretations suggested in this Note, unless there are reasonable grounds for doing otherwise.

(Regarding the current authoritative status of this Statement, refer to the section titled 'Announcements of the Council regarding various documents issued by the Institute of Chartered Accountants of India' appearing at the beginning of this Note). Having decided upon the interpretation to be applied, the member concerned should also ensure that such interpretation is applied consistently from year to year. Changes in interpretation should be permitted only where they are reasonably necessary, and even in such cases, the changes may necessitate disclosure if the effect of the changes is material or significant).

13.5 The member concerned may also consider whether, in doubtful cases, he should ensure that the interpretation adopted by the company is duly disclosed by way of note or otherwise, so that no doubt is created in the minds of the reader. To say this, however, is not to suggest that such disclosure is mandatory in all cases and under all circumstances, nor would it be fair to suggest that the mere act of disclosure would excuse an unfair or inappropriate interpretation. All that is suggested is that, in cases of real doubt, disclosure of the method adopted may be a rational solution to the problem of ensuring that those who read the financial statements are made aware of the basis on which doubtful provisions of disclosure requirement have been interpreted.

14. Format for furnishing information

14.1 Much of the additional information required to be furnished pursuant to the requirements of Revised Schedule VI can be usefully linked with the monetary information already being disclosed in the Balance Sheet or Profit and Loss Account. Wherever it is possible to do so, companies should be encouraged to develop an integrated approach to the disclosure requirements.

14.2 The disclosure requirements under Revised Schedule VI are to be made by way of notes attached to the financial statements. The disclosure can however be more meaningful and useful if the information furnished in compliance with the requirement of disclosure, wherever possible, could be linked with information in respect of similar matters already contained in the financial statements. Similarly, when furnishing the information under the disclosure requirements of Revised Schedule VI, matters of a similar nature could be grouped together in some useful form of tabulation.

14.3 It is neither possible nor desirable in a Note of this type to suggest any particular form of tabulated disclosure relating to the new requirements. Companies should develop the forms of disclosure which are best suited to their own particular circumstances. All that can be suggested in this Note is that a requirement relating to disclosure has both a quantitative and a financial aspect. While the legal requirement is satisfied by disclosing the information required under the Companies Act, companies should increasingly strive for the best possible method of making the disclosure so that it is meaningful to shareholders and so that similar items are linked together, thereby presenting a composite picture of the company's activities in quantitative as well as financial terms.

14.4 Particular care should be taken to ensure that the disclosure pursuant to the requirements of Revised Schedule VI, wherever possible, agrees with the disclosure in the financial statements. In addition to ensuring that the disclosure pursuant to the Companies Act agrees with the financial accounts, care should also be taken to ensure that it agrees with any separate certificates which may have been furnished by the company or by its auditors to various public authorities. Without attempting to be exhaustive, the following are some examples where such agreement should be ensured before the financial accounts are signed:

(a) the information relating to imports and exports and the information relating to foreign currency expenditure and earnings should agree with returns or certificates furnished to various import or export trade authorities, Reserve Bank of India, etc.;

(b) the information relating to imported materials consumed should agree with statements or certificates furnished to import control authorities.

14.5 While the foregoing suggestions may appear to be trite and obvious, it is necessary to recognise that, quite often, information in respect of similar matters is compiled at different points of time, and sometimes, also by different departments or employees. Unless co- ordinated efforts are made to ensure the similarity of the information at different times and for different purposes, embarrassment may result if unexplained differences are brought to light in respect of the information furnished regarding the same basic matters.

14.6 It is emphasised that the primary responsibility for the accuracy of the information which is furnished rests with the management. However, the auditor has no specific responsibility with regard to the additional information furnished pursuant to the requirements of the Companies Act apart from his general responsibility as evidenced by the audit report which he submits to the members of the company. In keeping with this general responsibility, it is for the auditor to decide the extent to which he should examine the records and ensure their correlation. He may also have regard to the company's internal control system, the representations given to him by the directors, the information and explanations furnished to him by the management, and other similar matters.

Annexure A

Notification on Revised Schedule VI

"NOTIFICATION NO. S.O. 447(E), DATED 28-2-2011 [AS AMENDED BY NOTIFICATION NO. F.NO. 2/6/2008-CL-V, DATED 30-3-2011]

Whereas the Central Government in consultation with the National Advisory Committee on Accounting Standards framed the Companies (Accounting Standards), Rules, 2006 vide G.S.R. No. 739(E), dated the 7th December, 2006 and was subsequently amended vide notification numbering (i) G.S.R. 212(E), dated the 27th March, 2008 (ii) G.S.R. 225(E), dated the 31st March, 2009, in exercise of the powers conferred by clause (a) of sub-section (1) of section 642, read with sub-section (1) of section 210A and sub-section (3C) of section 211 of the Companies Act, 1956 (1 of 1956);

Now, therefore, in exercise of the powers conferred by sub-section (1) of section 641 of the

Companies Act, 1956 (1 of 1956), the Central Government hereby replace the existing Schedule

VI to the said Act by the following Schedule VI, namely:-

"SCHEDULE VI" (See section 211)"

The New Schedule VI will come into effect for all accounts prepared for accounting year commencing on or after 01.04.2011 as per the following notification.

NOTIFICATION [F. NO. 2/6/2008-C.L-V], DATED 30-3-2011.

In exercise of the powers conferred by clause (a) of sub-section (1) of section 642 read with sub section(1) of section 210A and sub-section (3C) of section 211 of the Companies Act,1956, (1 of

1956), the Central Government hereby makes the following amendment to paragraph 2 of the notification No.447(E) dated the 28th February, 2011:-

"The notification shall come into force for the Balance Sheet and Profit and Loss Account to be prepared for the financial year commencing on or after 1.4.2011".

SCHEDULE VI

(See section 211)

GENERAL INSTURCTIONS FOR PREPARATION OF BALANCE SHEET AND STATEMENT OF PROFIT AND LOSS OF A COMPANY IN ADDITION TO THE NOTES INCORPORATED ABOVE THE HEADING OF BALANCE SHEET UNDER

GENERAL INSTRUCTIONS

1. Where compliance with the requirements of the Act including Accounting Standards as applicable to the companies require any change in treatment or disclosure including addition, amendment, substitution or deletion in the head/sub-head or any changes interse, in the financial statements or statements forming part thereof, the same shall be made and the requirements of the Schedule VI shall stand modified accordingly.
2. The disclosure requirements specified in Part I and Part II of this Schedule are in addition to and not in substitution of the disclosure requirements specified in the Accounting Standards prescribed under the Companies Act, 1956. Additional disclosures specified in the Accounting Standards shall be made in the notes to accounts or by way of additional statement unless required to be disclosed on the face of the Financial Statements. Similarly, all other disclosures as required by the Companies Act shall be made in the notes to accounts in addition to the requirements set out in this Schedule.
3. Notes to accounts shall contain information in addition to that presented in the Financial Statements and shall provide where required (a) narrative descriptions or disaggregations of items recognized in those statements and (b) information about items that do not qualify for recognition in those statements.

   Each item on the face of the Balance Sheet and Statement of Profit and Loss shall be cross-referenced to any related information in the notes to accounts. In preparing the Financial Statements including the notes to accounts, a balance shall be maintained between providing excessive detail that may not assist users of financial statements and not providing important information as a result of too much aggregation.
4. Depending upon the turnover of the company, the figures appearing in the Financial Statements may be rounded off as below:

Turnover	Rounding off
(i)less than one hundred crore rupees	To the nearest hundreds, thousands, lakhs or millions, or decimals thereof.
(ii) one hundred crore rupees or more	To the nearest, lakhs, millions or crores, or decimals thereof.

Once a unit of measurement is used, it should be used uniformly in the Financial Statements.

5. Except in the case of the first Financial Statements laid before the Company (after its incorporation) the corresponding amounts (comparatives) for the immediately preceding reporting period for all items shown in the Financial Statements including notes shall also be given.
6. For the purpose of this Schedule, the terms used herein shall be as per the applicable Accounting Standards.

Notes

This part of Schedule sets out the minimum requirements for disclosure on the face of the Balance Sheet, and the Statement of Profit and Loss (hereinafter referred to as "Financial Statements" for the purpose of this Schedule) and Notes. Line items, sub-line items and sub-totals shall be presented as an addition or substitution on the face of the Financial Statements when such presentation is relevant to an understanding of the company's financial position or performance or to cater to industry/sector-specific disclosure requirements or when required for compliance with the amendments to the Companies Act or under the Accounting Standards.

PART I – Form of BALANCE SHEET

Particulars	Note No.	Figures as at the end of current reporting period	Figures as at the end of the previous reporting period
1	2	3	4
I. EQUITY AND LIABILITIES (1) Shareholders' funds (a) Share capital (b) Reserves and surplus (c) Money received against share warrants			

(2) Share application money pending allotment (3) Non-current liabilities (a)Long-term borrowings (b) Deferred tax liabilities (Net) (c) Other Long term liabilities (d) Long-term provisions (4) Current liabilities (a) Short-term borrowings (b) Trade payables (c) Other current liabilities (d) Short-term provisions TOTAL			
II. ASSETS (1) Non-current assets (a) Fixed assets (i) Tangible assets (ii) Intangible assets (iii) Capital work-in-progress (iv)Intangible assets under development (b) Non-current investments (c) Deferred tax assets (net) (d) Long-term loans and advances (e) Other non-current assets (2) Current assets (a) Current investments (b) Inventories (c) Trade receivables (d) Cash and cash equivalents (e) Short-term loans and advances (f) Other current assets TOTAL			

See accompanying notes to the financial statements

<u>Notes</u>

GENERAL INSTRUCTIONS FOR PREPARATION OF BALANCE SHEET

1. An asset shall be classified as current when it satisfies any of the following criteria:
   (a) it is expected to be realized in, or is intended for sale or consumption in, the company's normal operating cycle;
   (b) it is held primarily for the purpose of being traded;
   (c) it is expected to be realized within twelve months after the reporting date; or
   (d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

   All other assets shall be classified as non-current.
2. An operating cycle is the time between the acquisition of assets for processing and their realization in cash or cash equivalents. Where the normal operating cycle cannot be identified, it is assumed to have a duration of 12 months.
3. A liability shall be classified as current when it satisfies any of the following criteria:
   (a) it is expected to be settled in the company's normal operating cycle;
   (b) it is held primarily for the purpose of being traded;
   (c) it is due to be settled within twelve months after the reporting date; or
   (d) the company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

   All other liabilities shall be classified as non-current.
4. A receivable shall be classified as a 'trade receivable' if it is in respect of the amount due on account of goods sold or services rendered in the normal course of business.
5. A payable shall be classified as a 'trade payable' if it is in respect of the amount due on account of goods purchased or services received in the normal course of business.
6. A company shall disclose the following in the notes to accounts:

A. Share Capital

   for each class of share capital (different classes of preference shares to be treated separately):
   (a) the number and amount of shares authorized;

(b) the number of shares issued, subscribed and fully paid, and subscribed but not fully paid;
(c) par value per share;
(d) a reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period;
(e) the rights, preferences and restrictions attaching to each class of shares including restrictions on the distribution of dividends and the repayment of capital;
(f) shares in respect of each class in the company held by its holding company or its ultimate holding company including shares held by or by subsidiaries or associates of the holding company or the ultimate holding company in aggregate;
(g) shares in the company held by each shareholder holding more than 5 percent shares specifying the number of shares held;
(h) shares reserved for issue under options and contracts/commitments for the sale of shares/disinvestment, including the terms and amounts;
(i) For the period of five years immediately preceding the date as at which the Balance Sheet is prepared:
    - Aggregate number and class of shares allotted as fully paid up pursuant to contract(s) without payment being received in cash.
    - Aggregate number and class of shares allotted as fully paid up by way of bonus shares.
    - Aggregate number and class of shares bought back.
(j) Terms of any securities convertible into equity/preference shares issued along with the earliest date of conversion in descending order starting from the farthest such date.
(k) Calls unpaid (showing aggregate value of calls unpaid by directors and officers)
(l) Forfeited shares (amount originally paid up)

B. Reserves and Surplus
(i) Reserves and Surplus shall be classified as:
    (a) Capital Reserves;
    (b) Capital Redemption Reserve;
    (c) Securities Premium Reserve;
    (d) Debenture Redemption Reserve;
    (e) Revaluation Reserve;
    (f) Share Options Outstanding Account;
    (g) Other Reserves – (specify the nature and purpose of each reserve and the amount in respect thereof);

(h) Surplus i.e. balance in Statement of Profit & Loss disclosing allocations and appropriations such as dividend, bonus shares and transfer to/from reserves etc.

(Additions and deductions since last balance sheet to be shown under each of the specified heads)

(ii) A reserve specifically represented by earmarked investments shall be termed as a 'fund'.

(iii) Debit balance of statement of profit and loss shall be shown as a negative figure under the head 'Surplus'. Similarly, the balance of 'Reserves and Surplus', after adjusting negative balance of surplus, if any, shall be shown under the head 'Reserves and Surplus' even if the resulting figure is in the negative.

C. Long-Term Borrowings

(i) Long-term borrowings shall be classified as:

(a) Bonds/debentures.

(b) Term loans

- From banks
- From other parties

(c) Deferred payment liabilities.

(d)Deposits.

(e)Loans and advances from related parties.

(f)Long term maturities of finance lease obligations

(g)Other loans and advances (specify nature).

(ii) Borrowings shall further be sub-classified as secured and unsecured. Nature of security shall be specified separately in each case.

(iii) Where loans have been guaranteed by directors or others, the aggregate amount of such loans under each head shall be disclosed.

(iv) Bonds/debentures (along with the rate of interest and particulars of redemption or conversion, as the case may be) shall be stated in descending order of maturity or conversion, starting from farthest redemption or conversion date, as the case may be. Where bonds/debentures are redeemable by installments, the date of maturity for this purpose must be reckoned as the date on which the first installment becomes due.

(v) Particulars of any redeemed bonds/ debentures which the company has power to reissue shall be disclosed.

(vi) Terms of repayment of term loans and other loans shall be stated.

(vii)Period and amount of continuing default as on the balance sheet date in repayment of loans and interest, shall be specified separately in each case.

D. Other Long Term Liabilities

Other Long term Liabilities shall be classified as:

(a) Trade payables
(b) Others

E. Long-term provisions

The amounts shall be classified as:

(a) Provision for employee benefits.
(b) Others (specify nature).

F. Short-term borrowings

(i) Short-term borrowings shall be classified as:
    (a) Loans repayable on demand
        - From banks
        - From other parties
    (b) Loans and advances from related parties.
    (c) Deposits.
    (d) Other loans and advances (specify nature).
(ii) Borrowings shall further be sub-classified as secured and unsecured. Nature of security shall be specified separately in each case.
(iii) Where loans have been guaranteed by directors or others, the aggregate amount of such loans under each head shall be disclosed.
(iv) Period and amount of default as on the balance sheet date in repayment of loans and interest, shall be specified separately in each case.

G. Other current liabilities

The amounts shall be classified as:

(a) Current maturities of long-term debt;
(b) Current maturities of finance lease obligations;
(c) Interest accrued but not due on borrowings;
(d) Interest accrued and due on borrowings;
(e) Income received in advance;
(f) Unpaid dividends
(g) Application money received for allotment of securities and due for refund and interest accrued thereon. Share application money includes advances towards allotment of share capital. The terms and conditions including the number of shares proposed to be issued, the amount of premium, if any, and the period before which shares shall be allotted shall be disclosed. It shall also be disclosed whether the company has sufficient authorized capital to cover the share capital amount resulting from allotment of shares out of such share application money. Further, the period for which

the share application money has been pending beyond the period for allotment as mentioned in the document inviting application for shares along with the reason for such share application money being pending shall be disclosed. Share application money not exceeding the issued capital and to the extent not refundable shall be shown under the head Equity and share application money to the extent refundable i.e., the amount in excess of subscription or in case the requirements of minimum subscription are not met, shall be separately shown under 'Óther current liabilities'

(h) Unpaid matured deposits and interest accrued thereon
(i) Unpaid matured debentures and interest accrued thereon
(j) Other payables (specify nature);

H. Short-term provisions

The amounts shall be classified as:

(a) Provision for employee benefits.
(b) Others (specify nature).

I. Tangible assets

(i) Classification shall be given as:
  (a) Land.
  (b) Buildings.
  (c) Plant and Equipment.
  (d) Furniture and Fixtures.
  (e) Vehicles.
  (f) Office equipment.
  (g) Others (specify nature).
(ii) Assets under lease shall be separately specified under each class of asset.
(iii) A reconciliation of the gross and net carrying amounts of each class of assets at the beginning and end of the reporting period showing additions, disposals, acquisitions through business combinations and other adjustments and the related depreciation and impairment losses/reversals shall be disclosed separately.
(iv) Where sums have been written off on a reduction of capital or revaluation of assets or where sums have been added on revaluation of assets, every balance sheet subsequent to date of such write-off, or addition shall show the reduced or increased figures as applicable and shall by way of a note also show the amount of the reduction or increase as applicable together with the date thereof for the first five years subsequent to the date of such reduction or increase.

J. Intangible assets

(i) Classification shall be given as:
   (a) Goodwill.
   (b) Brands /trademarks.
   (c) Computer software.
   (d) Mastheads and publishing titles.
   (e) Mining rights.
   (f) Copyrights, and patents and other intellectual property rights, services and operating rights.
   (g) Recipes, formulae, models, designs and prototypes.
   (h) Licenses and franchise.
      (i) Others (specify nature).
      (ii) A reconciliation of the gross and net carrying amounts of each class of assets at the beginning and end of the reporting period showing additions, disposals, acquisitions through business combinations and other adjustments and the related amortization and impairment losses/reversals shall be disclosed separately.
      (iii) Where sums have been written off on a reduction of capital or revaluation of assets or where sums have been added on revaluation of assets, every balance sheet subsequent to date of such write-off, or addition shall show the reduced or increased figures as applicable and shall by way of a note also show the amount of the reduction or increase as applicable together with the date thereof for the first five years subsequent to the date of such reduction or increase.

K. Non-current investments
   (i) Non-current investments shall be classified as trade investments and other investments and further classified as:
      (a) Investment property;
      (b) Investments in Equity Instruments;
      (c) Investments in preference shares
      (d) Investments in Government or trust securities;
      (e) Investments in debentures or bonds;
      (f) Investments in Mutual Funds;
      (g) Investments in partnership firms
      (h) Other non-current investments (specify nature)

   Under each classification, details shall be given of names of the bodies corporate (indicating separately whether such bodies are (i) subsidiaries, (ii) associates, (iii) joint ventures, or (iv) controlled special purpose entities) in whom investments have been made and the nature and extent of the investment so made in each such body corporate (showing separately investments which are partly-paid). In regard to investments in the capital of partnership firms, the names of the firms (with the names of all their partners, total capital and the shares of each partner) shall be given.

(ii) Investments carried at other than at cost should be separately stated specifying the basis for valuation thereof.

(iii) The following shall also be disclosed:

(a) Aggregate amount of quoted investments and market value thereof;

(b) Aggregate amount of unquoted investments;

(c) Aggregate provision for diminution in value of investments

L. Long-term loans and advances

(i) Long-term loans and advances shall be classified as:

(a)Capital Advances;

(b)Security Deposits;

(c)Loans and advances to related parties (giving details thereof);

(d)Other loans and advances (specify nature).

(ii) The above shall also be separately sub-classified as:

(a)Secured, considered good;

(b)Unsecured, considered good;

(c)Doubtful.

(iii) Allowance for bad and doubtful loans and advances shall be disclosed under the relevant heads separately.

(iv) Loans and advances due by directors or other officers of the company or any of them either severally or jointly with any other persons or amounts due by firms or private companies respectively in which any director is a partner or a director or a member should be separately stated.

M. Other non-current assets

Other non-current assets shall be classified as:

(i) Long Term Trade Receivables (including trade receivables on deferred credit terms);

(ii) Others (specify nature)

(iii) Long term Trade Receivables, shall be sub-classified as:

(i) (a) Secured, considered good;

(b)Unsecured considered good;

(c)Doubtful

(ii) Allowance for bad and doubtful debts shall be disclosed under the relevant heads separately.

(iii) Debts due by directors or other officers of the company or any of them either severally or jointly with any other person or debts due by firms or private companies respectively in which any director is a partner or a director or a member should be separately stated.

N. Current Investments

(i) Current investments shall be classified as:

(a) Investments in Equity Instruments;
(b) Investment in Preference Shares
(c) Investments in government or trust securities;
(d) Investments in debentures or bonds;
(e) Investments in Mutual Funds;
(f) Investments in partnership firms
(g) Other investments (specify nature).

Under each classification, details shall be given of names of the bodies corporate (indicating separately whether such bodies are (i) subsidiaries, (ii) associates, (iii) joint ventures, or (iv) controlled special purpose entities) in whom investments have been made and the nature and extent of the investment so made in each such body corporate (showing separately investments which are partly-paid). In regard to investments in the capital of partnership firms, the names of the firms (with the names of all their partners, total capital and the shares of each partner) shall be given.

(ii) The following shall also be disclosed:

(a) The basis of valuation of individual investments
(b) Aggregate amount of quoted investments and market value thereof;
(c) Aggregate amount of unquoted investments;
(d) Aggregate provision made for diminution in value of investments.

O. Inventories

(i) Inventories shall be classified as:

(a)Raw materials;
(b)Work-in-progress;
(c)Finished goods;
(d)Stock-in-trade (in respect of goods acquired for trading);
(e)Stores and spares;
(f)Loose tools;
(g)Others (specify nature).

(ii) Goods-in-transit shall be disclosed under the relevant sub-head of inventories.

(iii) Mode of valuation shall be stated.

P. Trade Receivables

(i) Aggregate amount of Trade Receivables outstanding for a period exceeding six months from the date they are due for payment should be separately stated.

(ii) Trade receivables shall be sub-classified as:
   (a) Secured, considered good;
   (b) Unsecured considered good;
   (c) Doubtful.

(iii) Allowance for bad and doubtful debts shall be disclosed under the relevant heads separately.

(iv) Debts due by directors or other officers of the company or any of them either severally or jointly with any other person or debts due by firms or private companies respectively in which any director is a partner or a director or a member should be separately stated.

Q. Cash and cash equivalents

(i) Cash and cash equivalents shall be classified as:
   (a) Balances with banks;
   (b) Cheques, drafts on hand;
   (c) Cash on hand;
   (d) Others (specify nature).

(ii) Earmarked balances with banks (for example, for unpaid dividend) shall be separately stated.

(iii) Balances with banks to the extent held as margin money or security against the borrowings, guarantees, other commitments shall be disclosed separately.

(iv) Repatriation restrictions, if any, in respect of cash and bank balances shall be separately stated.

(v) Bank deposits with more than 12 months maturity shall be disclosed separately.

R. Short-term loans and advances

(i) Short-term loans and advances shall be classified as:
   (a) Loans and advances to related parties (giving details thereof);
   (b) Others (specify nature).

(ii) The above shall also be sub-classified as:
   (a) Secured, considered good;
   (b) Unsecured, considered good;
   (c) Doubtful.

(iii) Allowance for bad and doubtful loans and advances shall be disclosed under the relevant heads separately.

(iv) Loans and advances due by directors or other officers of the company or any of them either severally or jointly with any other person or amounts due by firms or private companies respectively in which any director is a partner or a director or a member shall be separately stated.

S. Other current assets (specify nature).
This is an all-inclusive heading, which incorporates current assets that do not fit into any other asset categories.

T. Contingent liabilities and commitments
(to the extent not provided for)
   (i) Contingent liabilities shall be classified as:
      (a)Claims against the company not acknowledged as debt;
      (b)Guarantees;
      (c)Other money for which the company is contingently liable
   (ii) Commitments shall be classified as:
      (a) Estimated amount of contracts remaining to be executed on capital account and not provided for;
      (b) Uncalled liability on shares and other investments partly paid
      (c) Other commitments (specify nature).

U. The amount of dividends proposed to be distributed to equity and preference shareholders for the period and the related amount per share shall be disclosed separately. Arrears of fixed cumulative dividends on preference shares shall also be disclosed separately.

V. Where in respect of an issue of securities made for a specific purpose, the whole or part of the amount has not been used for the specific purpose at the balance sheet date, there shall be indicated by way of note how such unutilized amounts have been used or invested.

W. If, in the opinion of the Board, any of the assets other than fixed assets and non-current investments do not have a value on realization in the ordinary course of business at least equal to the amount at which they are stated, the fact that the Board is of that opinion, shall be stated

PART II – Form of STATEMENT OF PROFIT AND LOSS

Particulars	Note No.	Figures for the current reporting period	Figures for the previous reporting period
I. Revenue from operations		xxx	xxx
II. Other income		xxx	xxx

III. Total Revenue (I + II)		xxx	xxx
IV. Expenses: Cost of materials consumed Purchases of Stock-in-Trade Changes in inventories of finished goods work-in-progress and Stock-in-Trade Employee benefits expense Finance costs Depreciation and amortization expense Other expenses Total expenses		xxx xxx xxx xxx	xxx xxx xxx xxx
V. Profit before exceptional and extraordinary items and tax (III-IV)		xxx	xxx
VI. Exceptional items		xxx	xxx
VII. Profit before extraordinary items and tax (V - VI)		xxx	xxx
VIII. Extraordinary Items		xxx	xxx
IX. Profit before tax (VII- VIII)		xxx	xxx
X Tax expense: (1) Current tax (2) Deferred tax		xxx xxx	xxx xxx
XI. Profit (Loss) for the period from		Xxx	xxx

continuing operations (VII-VIII)			
XII Profit/(loss) from discontinuing operations		Xxx	xxx
XIII. Tax expense of discontinuing operations		Xxx	xxx
XIV. Profit/(loss) from Discontinuing operations (after tax) (XII-XIII)		Xxx	xxx
XV. Profit (Loss) for the period (XI + XIV)		xxx	xxx
XVI. Earnings per equity share: (1) Basic (2) Diluted		xxx xxx	xxx xxx

See accompanying notes to the financial statements

GENERAL INSTRUCTIONS FOR PREPARATION OF STATEMENT OF PROFIT AND LOSS

1. The provisions of this Part shall apply to the income and expenditure account referred to in sub-section (2) of Section 210 of the Act, in like manner as they apply to a statement of profit and loss.

2. (A) In respect of a company other than a finance company revenue from operations shall disclose separately in the notes revenue from
   (a) sale of products;
   (b) sale of services;
   (c) other operating revenues;
   Less:
   (d) Excise duty.

   (B) In respect of a finance company, revenue from operations shall include revenue from
   (a) Interest; and
   (b) Other financial services

Revenue under each of the above heads shall be disclosed separately by way of notes to accounts to the extent applicable.

3. Finance Costs

Finance costs shall be classified as:

(a) Interest expense;

(b) Other borrowing costs;

(c) Applicable net gain/loss on foreign currency transactions and translation.

4. Other income

Other income shall be classified as:

(a) Interest Income (in case of a company other than a finance company);

(b) Dividend Income;

(c) Net gain/loss on sale of investments

(d) Other non-operating income (net of expenses directly attributable to such income).

5. Additional Information

A Company shall disclose by way of notes additional information regarding aggregate expenditure and income on the following items:-

(i) (a) Employee Benefits Expense [showing separately (i) salaries and wages, (ii) contribution to provident and other funds, (iii) expense on Employee Stock Option Scheme (ESOP) and Employee Stock Purchase Plan (ESPP), (iv) staff welfare expenses].

(b) Depreciation and amortization expense;

(c) Any item of income or expenditure which exceeds one per cent of the revenue from operations or Rs.1,00,000, whichever is higher;

(d) Interest Income;

(e) Interest Expense;

(f) Dividend Income;

(g) Net gain/ loss on sale of investments;

(h) Adjustments to the carrying amount of investments;

(i) Net gain or loss on foreign currency transaction and translation (other than considered as finance cost);

(j) Payments to the auditor as (a) auditor,(b) for taxation matters, (c) for company law matters, (d) for management services, (e) for other services, (f) for reimbursement of expenses;

(k) Details of items of exceptional and extraordinary nature;

(l) Prior period items;

(ii) (a) In the case of manufacturing companies,-

(1) Raw materials under broad heads.

(2) goods purchased under broad heads.

(b) In the case of trading companies, purchases in respect of goods traded in by the company under broad heads.

(c) In the case of companies rendering or supplying services, gross income derived form services rendered or supplied under broad heads.

(d) In the case of a company, which falls under more than one of the categories mentioned in (a), (b) and (c) above, it shall be sufficient compliance with the requirements herein if purchases, sales and consumption of raw material and the gross income from services rendered is shown under broad heads.

(e) In the case of other companies, gross income derived under broad heads.

(iii) In the case of all concerns having works in progress, works-in-progress under broad heads.

(iv) (a) The aggregate, if material, of any amounts set aside or proposed to be set aside, to reserve, but not including provisions made to meet any specific liability, contingency or commitment known to exist at the date as to which the balance-sheet is made up.

(b) The aggregate, if material, of any amounts withdrawn from such reserves.

(v) (a) The aggregate, if material, of the amounts set aside to provisions made for meeting specific liabilities, contingencies or commitments.

(b) The aggregate, if material, of the amounts withdrawn from such provisions, as no longer required.

(vi) Expenditure incurred on each of the following items, separately for each item:-

(a) Consumption of stores and spare parts.
(b) Power and fuel.
(c) Rent.
(d) Repairs to buildings.
(e) Repairs to machinery.
(g) Insurance.
(h) Rates and taxes, excluding, taxes on income.
(i) Miscellaneous expenses,

(vii) (a) Dividends from subsidiary companies.

(b) Provisions for losses of subsidiary companies.

(Viii) The profit and loss account shall also contain by way of a note the following information, namely:-

a) Value of imports calculated on C.I.F basis by the company during the financial year in respect of –
   I. Raw materials;
   II. Components and spare parts;
   III. Capital goods;
b) Expenditure in foreign currency during the financial year on account of royalty, know-how, professional and consultation fees, interest, and other matters;
c) Total value if all imported raw materials, spare parts and components consumed during the financial year and the total value of all indigenous raw materials, spare parts and components similarly consumed and the percentage of each to the total consumption;
d) The amount remitted during the year in foreign currencies on account of dividends with a specific mention of the total number of non-resident shareholders, the total number of shares held by them on which the dividends were due and the year to which the dividends related;
e) Earnings in foreign exchange classified under the following heads, namely:-
   I. Export of goods calculated on F.O.B. basis;
   II. Royalty, know-how, professional and consultation fees;
   III. Interest and dividend;
   IV. Other income, indicating the nature thereof

Note:-Broad heads shall be decided taking into account the concept of materiality and presentation of true and fair view of financial statements,".

Annexure B

A comparative study - Schedule VI of the Companies Act, 1956.

Old v/s Revised (2011)

Schedule VI (OLD)	Schedule VI (Revised – 2011)
PART I BALANCE – SHEET	
I. SOURCES OF FUNDS	I. EQUITY & LIABILITIES
(1) Shareholders' Funds (a) Capital (b) Reserves & Surplus	(1) Shareholders' Funds (a) Share Capital (b) Reserves & Surplus (c) Money received against share warrants
(2) Loan Funds (a) Secured Loans (b) Unsecured Loans	(2) Share application money pending allotment
(3) Deferred Tax Liabilities (Net)	(3) Non-current Liabilities (a) Long-term borrowings (b) Deferred tax liabilities (Net) (c) Other long term liabilities (d) Long-term provisions
(4) Current Liabilities & Provisions (Reclassified) (a) Liabilities (b) Provisions	(4) Current Liabilities (a) Short-term borrowings (b) Trade payables (c) Other current liabilities (d) Short-term provisions
TOTAL	TOTAL

II. APPLICATION OF FUNDS	II. ASSETS
(1) Fixed Assets (a) Gross Block (b) Less: depreciation (c) Net Block (d) Capital Work-in-Progress	(1) (a) Fixed Assets (i) Tangible Assets (ii) Intangible Assets (iii) Capital Work-in-Progress (iv) Intangible Assets under development (b) Non-current Investments (c) Deferred tax assets (net) (d) Long-term loans and advances (e) Other non-current assets
(2) Investments (Long term and Current)	(2) Current Assets (a) Current Investments (b) Inventories (c) Trade Receivables (d) Cash and Cash equivalents (e) Short-term loans and advances (f) Other current assets
(3) Deferred Tax Assets (Net)	
(4) Current Assets, Loans and advances (a) Inventories (b) Sundry debtors (c) Cash and Bank balances (d) Loans & Advances (e) Other current Assets	
(5) (a) Miscellaneous expenditure to the extent not written off or adjusted. (b) Profit and Loss Account	
TOTAL	TOTAL

PART I	
I. SOURCES OF FUNDS	I. EQUITY & LIABILITIES
➢ Permitted both Vertical and Horizontal forms of presentation.	➢ Permits only VERTICAL form of presentation.
➢ Used "Sources" and "Application of Funds" as Headings in the Vertical Form.	➢ Uses "Equity & Liabilities" and "Assets" as Headings.
SHAREHOLDERS' FUNDS	
(1) Shareholders' funds were classified as - a. Capital b. Reserves & Surplus	(1) Shareholders' funds are classified as – a. Share Capital b. Reserves & Surplus c. Money received against Share Warrant.
(a) Share Capital For each class of Capital – (a) Authorized (b) Issued (c) Subscribed (d) Par value per share (e) Calls unpaid ➢ By Directors ➢ By Others (f) Forfeited shares (Amount originally paid – up). Any Capital profit on reissue of Forfeited shares should be transferred to Capital Reserve. (g) Terms of redemption or conversion (if any) of any redeemable preference Capital to be stated, together with the earliest date of redemption. Particulars of the different classes of Preference shares to be given. (h) In case of Subsidiary companies, the number of shares held by the holding	(a) Share Capital For each class of Capital – (a) Authorized (b) Issued (c) Subscribed & Fully paid up (d) Subscribed & not fully paid up (e) Par value per share (f) Calls unpaid ➢ By Directors ➢ By Officers (g) Forfeited shares (amount originally paid-up) (h) A reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period. (i) The rights, preferences and restrictions attaching to each class of shares including restrictions on the distribution of dividends and the repayment of capital. Terms of any securities convertible into equity/

company as well as by the ultimate holding company and its subsidiaries must be separately stated. (i) Shares allotted as fully paid, pursuant to a contract, for consideration other than cash, should be separately shown. Shares allotted as fully paid-up, by way of Bonus shares (specifying the source from which such Bonus shares are issued e.g., Capitalization of Profits or Reserves or from Share Premium Account)	preference shares issued along with the earliest date of conversion in descending order starting from the farthest such date. (j) Shares in respect of each class in the company held by its holding company or its ultimate holding company including shares held by subsidiaries or associates of the holding company or the ultimate holding company in aggregate. (k) Shares in the company held by each shareholder holding more than 5 percent shares specifying the number of shares held. (l) Shares reserved for issue under options and contracts/ commitments for sale of shares/disinvestment, including the terms and amounts. (m) For the period of five years immediately preceding the date as at which the Balance Sheet is prepared: ➢ Aggregate number and class of shares allotted as fully paid up pursuant to contract(s) without payment being received in cash. ➢ Aggregate number and class of shares allotted as fully paid up by way of bonus shares. ➢ Aggregate number and class of shares bought back.
(b) Reserves and Surplus (a) Capital Reserves (b) Capital Redemption Reserve (c) Share Premium Account (d) Other Reserves specifying	(b) Reserves and Surplus (a) Capital Reserves (b) Capital Redemption Reserve (c) Securities Premium Reserve (d) Debenture Redemption

the nature of each Reserve and the amount in respect thereof. ➢ Surplus i.e. the balance in the Profit and Loss Account after providing for proposed allocation, viz. Dividend, Bonus or Reserves. ➢ Debit balance in the Profit & Loss Account shall be shown as a deduction from the uncommitted reserves, if any. If debit balance of Profit & Loss is in excess of uncommitted reserves, the same shall be shown under "ASSETS" as Profit & Loss. ➢ Additions and deductions since the last balance-sheet to be shown under each of the specified heads. ➢ SINKING FUND The word "fund" in relation to any "Reserve" should be used only where such Reserve is specifically represented by earmarked Investments. ➢ Proposed additions to Reserve.	Reserve (e) Revaluation Reserve (f) Share Options Outstanding Account (g) Other Reserves – (specify the nature and purpose of each reserve and the amount in respect thereof) ➢ Surplus i.e. the balance in the balance in the statement of Profit & Loss disclosing allocations and appropriations such as dividends, bonus shares and transfer to/from reserves etc. ➢ Debit balance of statement of profit and loss shall be shown as a negative figure under the head 'Surplus'. Similarly, the balance of "Reserves and Surplus", after adjusting negative balance of surplus, if any, shall be shown under the head "Reserves and Surplus" even if the resulting figure is in the negative. ➢ Additions and deductions since the last balance-sheet to be shown under each of the specified heads. ➢ A reserve specifically represented by earmarked investments shall be termed as a 'fund'.
(2)	(2) Share application money pending allotment
LIABILITIES	
➢ Secured Loans (SL) ➢ Unsecured Loans (UL) ➢ Current Liabilities and Provisions (CLP)	➢ Non – Current Liabilities (NCL) ➢ Current Liabilities (CL) (See note below)

(3) Secured Loans; Unsecured Loans; Current Liabilities & Provisions.	(3) Non–Current Liabilities	(4) Current Liabilities
	(a) Long term borrowings (sub-classify as Secured Loans/ Unsecured loans)	(a) Short term borrow-ings
(a) Debentures (SL/UL)	(a) Bonds/ Debentures	
(b) Loans & Advances (SL) ➢ From Banks ➢ From Others Short-term Loans and Advances (UL) ➢ From Banks ➢ From Others	(b) Term Loans ➢ From Banks ➢ From Others	Loans Repayable on Demand ➢ From Banks ➢ From Others
	(c) Deferred Payment Liabilities	
(d) Fixed Deposits (UL)	(d) Deposits	Deposits
(e) Loans and Advances from Subsidiary (SL/UL)	(e) Loans and Advances from Related Parties	Loans and Advances from Related Parties
	(f) Long term maturities of Finance lease obligations	
(g) Other Loans & Advances (SL/UL) – Specify Nature	(g) Other Loans & Advances (Specify Nature)	Other Loans & Advances (Specify Nature)
	<u>NOTE:</u> A liability shall be classified as current when it satisfies any of the following criteria: (a) It is expected to be settled in	

	the company's normal operating cycle; (b) It is held primarily for the purpose of being traded; (c) It is due to be settled within twelve months after the reporting date; or (d) The company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. All other liabilities shall be classified as non-current.
EXPLANTIONS (a) Loans are classified under Secured and Unsecured. Nature of security to be specified in each case. (b) Loans guaranteed by the director – a mention thereof shall also be made and also the aggregate amount of such loan under each head. Loans from Directors and Managers to be shown separately. (c) Terms of Redemption or conversion (if any) of debentures issued to be stated together with the earliest date of redemption or conversion. (d) Particulars of any redeemed debentures which the company has power to issue must be shown.	EXPLANATIONS (a) Borrowings to be sub classified as Secured and Unsecured. Nature of security shall be specified separately in each case. (b) Loans guaranteed by the directors and others – aggregate amount of such loans under each head shall be disclosed. (c) Bonds/debentures (along with the rate of interest and particulars of redemption or conversion, as the case may be) shall be stated in descending order of maturity or conversion, starting from farthest redemption or conversion date, as the case may be. Where bonds/ debentures are redeemable by installments, the date of

	maturity for this purpose must be reckoned as the date on which the first installment becomes due. (d) Particulars of any redeemed bonds/ debentures which the company has power to reissue shall be disclosed. (e) Terms of repayment of term loans and other loans shall be stated. (f) Period and amount of continuing default as on the balance sheet date in repayment of loans and interest, shall be specified separately in each case.	
(b) Deferred Tax Liabilities (Net) As a separate line item after unsecured loan.	(b) Deferred Tax Liabilities (Net) Under the head Non-Current Liabilities.	
(c) Current Liabilities	(c) Other Long Term Liabilities	(c) Other Current Liabilities
(a) Creditors (CL) ➢ MSMED ➢ Others (b) Acceptances (c) Interest Accrued but not due on loans (CL) (d) Interest accrued and due (SL/UL) to be included under appropriate sub-heads. (e) Advance payments and unexpired discounts for the portion for which value has to be given (CL) (f) Unpaid dividend (CL) (g) Unpaid application money received by the companies for allotment of securities and due for payment. (CL)	(a) Trade Payable - A payable shall be classified as a trade payable if it is in respect of the amount due on account of goods purchased or services rendered in the normal course of business. (b) Others	(a) Current maturities of long-term debt (b) Current maturities of finance lease obligations (c) Interest Accrued but not due on borrowing (d) Income accrued and due on borrowings. (e) Income received in

(h) Unpaid matured deposits (CL) (i) Unpaid matured debentures (CL) (j) Interest accrued on the above (f-i) (CL) (k) Other liabilities		advance (f) Unpaid dividend (g) Application money received for allotment & securities and due for refund & interest accrued thereon. (h) Unpaid matured deposits and interest accrued thereon. (i) Unpaid matured debentures & interest accrued thereon. (k) Other Payables (specify Nature)
PROVISIONS		
(d) Provisions	(d) Long term Provisions	(d) Short term Provisions
(a) Provident Fund Scheme (b) Insurance, Pension and other similar staff benefit schemes (c) Provision for Taxation (d) Proposed Dividend (e) For Contingencies	(a) Provision for employees' benefits. (b) Others (Specify Nature)	(a) Provision for employees' benefits. (b) Others (Specify Nature)

II. APPLICATION OF FUNDS	II. ASSETS
	Non-Current Assets
(1) (a) Fixed Assets	(1) (a) Fixed Assets
	(i) Tangible Assets-Classification
Land Building Plant & Machinery Furniture & Fitting Vehicles Railway Sidings Development Property Live Stock Leasehold	Land Building Plant & Machinery Furniture & Fitting Vehicles Office Equipments Others (Specify Nature) Note: Assets under lease shall be separately specified for each class of Assets.
	(ii) Intangible Assets-Classification
Goodwill Trademarks Patents	Goodwill Brands/Trademarks Computer Software Mastheads & Publishing Titles Mining Rights Copyrights & Patents Recipes, Formulae Licenses & Franchise Others (Specify Nature)
Capital Work-in-Progress	(iii) Capital Work-in-Progress
	(iv) Intangible Assets under development
EXPLANATIONS (a) Where any sum has been written off on a reduction of capital or revaluation of assets, every balance sheet subsequent to such reduction or revaluation shall show the reduced figures and the date of the reduction. For a period of five	EXPLANATIONS Where sums have been written off on a reduction of capital or revaluation of assets or where sums have been added on revaluation of assets, every balance sheet subsequent to date of such write-off, or addition shall show the

years, the amount of the reduction made shall also be stated. (b) Where sums have been added by writing up the asset, each subsequent balance sheet should show the increased figures with the date of the increase. For a period of five years, the amount of the increase shall also be stated.	reduced or increased figures as applicable and shall by way of a note also show the amount of the reduction or increase as applicable together with the date thereof for the first five years subsequent to the date of such reduction or increase.
PRESENTATION	
<u>Gross:</u> Opening Balance Additions Less: Disposals ______ Gross Block at year end ______ Total Depreciation written off/ Provided ______ upto the year end Net Block ______	<u>Gross:</u> Opening Balance Additions Acquisitions through Business combination Other Adjustments ______ Sub-total Less: Disposals ______ Gross block at year end ______ Less: Depreciation/ Amortization Opening depreciation/ amortization Depreciation/Amortization of the year Impairment loss/Reversal of Impairment Loss ______ Total depreciation at year end ______ Net Carrying Value
INVESTMENTS	
(b) Investments	(b) Non-Current Investments
Investments were classified as: 1. Trade Investments 2. Other Investments – and further classified as:- (a) Immovable Property (b) Investment in shares-	Non-current Investments to be classified as: 1. Trade Investments 2. Other Investments – and further classified as:- (a) Investment Property

Distinguishing the different classes of shares. (c) Investment in Government or Trust Securities. (d) Invests in Bonds/Debentures (e) (f) Investment in Capital of Partnership Firms Balance of unutilized monies raised in issues.	(b) Investment in Equity Instruments (c) Investment in Preference Shares (d) Investment in Government or trust securities. (e) Investments in debentures or bonds. (f) Investments in Mutual Funds (g) Investment in Partnership firms. Other Non-current Investments (Specify Nature)
NOTES	
(a) A statement of Investments (whether shown under 'Investment' or under 'Current Assets', a stock-in-trade) separately classifying trade investments and other investments should be annexed to the balance-sheet, showing the names of the bodies corporate (indicating separately the names of the bodies corporate under the same management) in whose shares or debentures, investments have been made (including all investments, whether existing or not, made subsequent to the date as at which the previous balance-sheet was made out) and the nature and extent of the investment so made in each such body corporate; provided that in case of an investment company, that is to say, a company whose principal	(a) Under each classification, details shall be given of names of the bodies corporate (indicating separately whether such bodies are (i) subsidiaries, (ii) associates, (iii) joint ventures, or (iv) controlled special purpose entities) in whom investments have been made and the nature and extent of the investment so made in each such body corporate (showing separately investments which are partly-paid). In regard to investments in the capital of partnership firms, the names of the firms (with the names of all their partners, total capital and the shares of each partner) shall be given.

	business is the acquisition of shares, stock, debentures or other securities, it shall be sufficient if the statement shows only the investments existing on the date as at which the balance has been made out. In regard to the investments in the capital of partnership firms, the names of the firms, (with names of all their partners, total capital and the shares of each partner) shall be given in the statement.		
(b)	Investments: Mode of Valuation – For example, COST or MARKET VALUE	(b)	Investments carried at other than COST should be separately stated specifying the basis for valuing them.
(c)	The following shall also be disclosed:	(c)	The following shall also be disclosed:
(i)	Aggregate amount of company's quoted investments and also the market value thereof shall be shown.	(i)	Aggregate amount of quoted investments and market value thereof;
		(ii)	Aggregate amount of unquoted investments;
(ii)	Aggregate amount of company's unquoted investments shall also be shown.	(iii)	Aggregate provision for diminution in value of investments
(d)	All unutilized monies out of the issue must be separately disclosed in the Balance Sheet of the company indicating the form in which such unutilized funds have been invested.	(d)	Where in respect of an issue of securities made for a specific purpose, the whole or part of the amount has not been used for the specific purpose at the balance sheet date, there shall be indicated by way of note how such unutilized amounts have been used or invested.
(c)	Deferred Tax Assets (Net)	(c)	Deferred Tax Assets (Net)

As a separate line item after Investments.	Under the head Non-Current Assets.
(d) Current Assets, Loans & Advances (c)(i) Loans and Advances to Subsidiaries (ii) Advances and Loans to partnership firms in which the company or any of its subsidiaries is a partner.	(d) Long Term Loans & Advances (a) Capital Advances (b) Security Deposits (c) Loans and Advances to Related Parties (giving details thereof) (d) Other Loans & Advances (Specify Nature)
NOTES	
Particulars to be given separately of: (a) Secured, considered good (b) Unsecured, considered good (c) Doubtful or Bad	To be separately sub-classified as: (a) Secured, considered good (b) Unsecured, considered good (c) Doubtful Allowances for bad and doubtful loans & Advances shall be disclosed under relevant heads separately.
Loans & Advances due from directors or other officers of the company or any of them either severally or jointly with any other person or debts due by firms or by private companies respectively in which any director is a partner or a director or a member, to be separately stated. Loans & Advances due from other companies under the same management within the meaning of sub-section (1-B) of section 370, to be disclosed with the names of the Companies. The maximum amount due by directors or other officers of the company at any time during the year to be shown by way of a note.	Loans and advances due by directors or other officers of the company or any of them either severally or jointly with any other persons or amounts due by firms or private companies respectively in which any director is a partner or a director or a member should be separately stated.

(e) Sundry Debtors	(e) Other Non-Current Assets (i) Long term Trade Receivable (Including trade receivable on defined credit terms) (ii) Others (Specify Nature)
NOTE	
CLASSIFICATION Particulars to be given separately of: (a) Secured, considered good (b) Unsecured, considered good (c) Doubtful or Bad	CLASSIFICATION To be separately sub-classified as (a) Secured, considered good (b) Unsecured, considered good (c) Doubtful Allowances for bad and doubtful debts shall be disclosed under relevant heads separately
(2)	(2) Current Assets (See Note Below)
	(a) Current Investments Current Investments to be classified as: (a) Investment in Equity Instrument (b) Investment in Preference Shares (c) Investment in Government or trust securities (d) Investments in debentures or bonds. (e) Investments in Mutual Funds (f) Investment in Partnership firms. (g) Other Investments (Specify Nature) Under each classification, details shall be given of names of the bodies corporate (indicating separately whether such bodies are (i) subsidiaries, (ii) associates, (iii) joint ventures, or (iv) controlled special purpose entities) in whom

	investments have been made and the nature and extent of the investment so made in each such body corporate (showing separately investments which are partly-paid). In regard to investments in the capital of partnership firms, the names of the firms (with the names of all their partners, total capital and the shares of each partner) shall be given. The following shall also be disclosed: (a) The basis of valuation of individual investments (b) Aggregate amount of quoted investments and market value thereof (c) Aggregate amount of unquoted investments (d) Aggregate provision made for the diminution in value of investments.
	NOTE: An asset shall be classified as current when it satisfies any of the following criteria: (a) It is expected to be realized in, or is intended for sale or consumption in, the company's normal operating cycle; (b) It is held primarily for the purpose of being traded; (c) It is expected to be realized within twelve months after the reporting date; or (d) It is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve

	months after the reporting date. All other assets shall be classified as non-current.
(b) Inventories	(b) Inventories
CLASSIFICATION (a) Raw-Materials (b) Work-in-Progress (c) (d) Stock-in-Trade (e) Stores and Spare Parts (f) Loose-tools NOTES: (i) (ii) Mode of valuation shall be stated.	CLASSIFICATION (a) Raw-Materials (b) Work-in-Progress (c) Finished Goods (d) Stock-in-Trade (in respect of goods acquired for trading) (e) Stores and Spares (f) Loose tools (g) Others (Specify Nature) NOTES: (i) Goods in transit shall be disclosed under the relevant sub-head of inventories. (ii) Mode of valuation shall be stated.
(c) Sundry Debtors	(c) Trade Receivables
(i) Debts outstanding for a period exceeding six months (ii) Sundry Debtors particulars to be given separately of: (a) Secured-Considered good (b) Unsecured-Considered good (c) Doubtful or Bad. (iii) (iv) Debts due by the directors or other officers of the company or any of them either severally or jointly with any other person or debts due by firms or private companies respectively in which any director is a partner or a director or a member to be separately stated.	(i) Aggregate amount of Trade Receivable outstanding for a period exceeding six months from the date they are due for payment should be separately shown. (ii) Trade-Receivable shall be sub-classified as (a) Secured-Considered good (b) Unsecured-Considered good (c) Doubtful (iii) Allowances for bad and doubtful debts shall be disclosed under the relevant heads separately. (iv) Debts due by directors or other officers of the company or any of them either severally

Debts due from other companies under the same management within the meaning of sub-section (1-B) of section 370, to be disclosed with the names of the Companies. The maximum amount due by directors or other officers of the company at any time during the year to be shown by way of a note. The amount to be shown under sundry debtors shall include the amounts due in respect of goods sold or services rendered or in respect of other contractual obligations but shall not include the amounts which are in the nature of loans or advances.	or jointly with any other person or debts due by firms or private companies respectively in which any director is a partner or a director or a member should be separately stated. A receivable shall be classified as a "Trade Receivable" if it is in respect of the amount due on account of goods sold or services rendered in the normal course of business.
(d) Cash and Bank Balances	(d) Cash and Cash Equivalents
Classified as (a) Bank Balances: (I) with scheduled banks • Current account • Call account • Deposit account (II) With others (with names) • Current Account • Call account • Deposit account (b) (c) Cash balance on hand (d)	Classified as: (a) Balances with Bank • Unpaid Dividend • Margin Money • Bank deposits with more than 12 months maturity (b) Cheque, Drafts on hand. (c) Cash-on-Hand (d) Others (Specify)
Note: The name of the bankers other than scheduled banks and maximum amount outstanding at any time during the year from each such banker. The nature of the interest, if any, of any director or his relative in each of the bankers (other than Scheduled Banks).	

(e) Loans & Advances	(e) Short-Term Loans & Advances
(a) (i) Advances and loans to subsidiaries (ii) Advances and Loans to partnership firms in which the company or any of its subsidiaries is a partner. (b) (i) Bills Of Exchange (ii) Advances recoverable in cash or kind or for value to be received, e.g., Rates, Taxes, Insurance etc. (iii) Balances on current account with Managing Agents or Secretaries and Treasurers. (iv) Balances with Customs, Port Trust, etc. (where payable on demand) Some particulars to be disclosed: (i) Loans & Advances particulars to be given separately of: (a) Secured-Considered good (b) Unsecured-Considered good (c) Doubtful or Bad. (ii) (iii) Loans & Advances due by the directors or other officers of the company or any of them either severally or jointly with any other person or debts due by firms or private companies respectively in which any director is a partner or a director or a member to be separately stated.	(a) Loans and advances to related parties (giving details thereof) (b) Others (specify name) Sub-classification: (i) The above loans & advances shall be sub-classified as (a) Secured-Considered good (b) Unsecured-Considered good (c) Doubtful (ii) Allowances for bad and doubtful loans & advances shall be disclosed under the relevant heads separately. (iii) Loans & Advances due by directors or other officers of the company or any of them either severally or jointly with any other person or debts due by firms or private companies respectively in which any director is a partner or a director or a member should be separately stated.

Debts due from other companies under the same management within the meaning of sub-section (1-B) of section 370, to be disclosed with the names of the Companies) The maximum amount due by directors or other officers of the company at any time during the year to be shown by way of a note.	
(f) Other Current Assets • Interest accrued on investment.	(f) Other Current Assets • Incorporates current assets that do not fit into any other asset category. (Specify Nature)
Miscellaneous Expenditure (to the extent not written off or adjusted) (a) Preliminary expenses (b) Expenses including commission or brokerage on underwriting or subscription of shares or debentures (c) Discount allowed on the issue of shares or debentures (d) Interest paid out of capital during construction (also stating the rate of interest) (e) Development expenditure not adjusted (f) Other items (specifying nature)	
Profit & Loss Account Footnotes to the Balance Sheet	Contingent Liabilities and Commitments (to the extent not provided for)
A footnote to the balance-sheet may be added to show separately (a) Claims against the company	(i) Contingent Liabilities Contingent liabilities classified as: (a) Claims against the company

not acknowledged as debts. (b) (c) Other money for which the company is contingently liable. The amount of any guarantees given by the company on behalf of directors or other officers of the company shall be stated and where practicable, the general nature and amount of each such contingent liability, if material shall also be specified. (d) Estimated amount of contracts remaining to be executed on Capital account & not provided for. (e) Uncalled liability on shares partly paid.	not acknowledged as debt. (b) Guarantees. (c) Other money for which the company is contingently liable. (ii) Commitments to be classified separately as: (a) Estimated amount of Contracts remaining to be executed on Capital Account and not provided for. (b) Uncalled liability on shares and other investments which are partly paid. (c) Other commitments (Specify Nature)
Arrears of fixed cumulative dividends	The amount of dividend proposed to be distributed to equity and preference shareholders for the period and the related amount per share shall be disclosed separately. Arrears of fixed cumulative dividends on preference shares shall also be disclosed separately.
If in the opinion of the Board, any of the current assets, loans and advances have not a value on realization in the ordinary course of business at least equal to amount at which they are stated, the fact that the Board is of that opinion shall be stated.	If, in the opinion of the Board, any of the assets other than fixed assets and non-current investments do not have a value on realization in the ordinary course of business at least equal to the amount at which they are stated, the fact that the Board is of that opinion, shall be stated.

PART II

Schedule VI (OLD)	Schedule VI (Revised – 2011)
PROFIT AND LOSS ACCOUNT	STATEMENT OF PROFIT AND LOSS
(I) The Profit and Loss Account shall set out the various items relating to the income and expenditure of the company engaged under the most convenient heads and in particular shall disclose the following information in respect of the period covered by the account :- (i) Turnover, i.e. the aggregate amount for which Sales are affected by the company, giving the amount of Sales in respect of each class of goods dealt with by the company, indicating the quantities of such sales for each class separately. In case of companies rendering or supplying services, the gross income derived from services rendered or supplied. In case of other companies, the gross income derived under different heads.	Form of Statement of Profit & Loss (I) Revenue from Operations (i) Revenue from operations in respect of non-finance company: (a) Sale of Products (b) Sale of Services (c) Other Operating Revenues Less: Excise Duties (ii) Revenue from operations in respect to Finance company: (a) Interest (b) Other Financial Services Revenue under each of the above heads shall be disclosed separately by way of notes to Accounts to the extent applicable. In case of company rendering or supplying services, gross income derived from services rendered or supplied under broad-head. In case of other companies, gross income derived from broad heads.
II. Other Income (a) Interest Income, specifying nature of the income. (b) Dividend from subsidiary company. (c) (i) Profit or Loss on investments (showing distinctly profit/loss earned/incurred from partnership firm) (ii) Amount of income from investments, distinguishing between Trade Investments and	II. Other Income (a) Interest income (other than a finance company) (b) (i) Dividend from subsidiary companies (c) (ii) Dividend Income (d) Net Gain/Loss on sale of investment. (e) Other non-operating income (net of expenses directly attributable to such income)

other investments. (d) Profit or Losses in respect of transactions of a kind, not usually undertaken by the company. (e) Miscellaneous income NOTE: 1. Amount of income-tax deducted on (a) and (c) above, if the gross income is stated. 2. Dividends declared by the subsidiary companies after the date of balance-sheet should not be included unless they are in respect of period which closed on or before the date of balance-sheet.	(f) Adjustments to the carrying value of investments (Write-back) (g) Net gain/loss on foreign currency translation and transaction (other than considered as finance cost)
(IV) EXPENSES	
(i) In case of manufacturing companies,- The value of the raw materials consumed, giving item-wise break-up and indicating the quantities thereof. In this break-up, as far as possible, all important basic raw materials shall be shown separately. The intermediates or components procured from other manufacturers may, if their list is too large to be included in the break-up, be grouped under suitable headings without mentioning the quantities, provided all those items which in value individually account for 10 per cent or more of the total value of raw material consumed shall be shown as separate and distinct items with quantities thereof in the break-up. In this case, if a company falls under	(i) Cost of Materials consumed (Manufacturing Companies) – Raw Materials under broad heads. In this case, if a company falls under more than one category, it shall be sufficient compliance with the requirements, if purchases, sales and consumption of raw material and gross income from services rendered is shown under broad-heads. (ii) Goods purchased (Trading Companies) – goods traded in by the company under the broad-head. (iii) In case, if a company falls under more than one category, it shall be sufficient compliance with the requirements, if purchases , sales and consumption of raw materials and gross income

more than one category, it shall be sufficient compliance with the requirements, if the total amounts are shown in respect of the opening and closing stocks, Purchases, Sales and Consumption of raw materials with value and quantitative break-up and the gross income from services rendered is shown. (ii) In case of trading companies, the purchases made and the opening and the closing stocks, giving break-up in respect of each class of goods traded in by the company and indicating the quantities thereof. (iii) In case, if a company falls under more than one category, it shall be sufficient compliance with the requirements, if the total amounts are shown in respect of opening and closing stocks, purchases, sales and consumption of raw materials, with value and quantitative break-up and the gross income from services rendered is shown. (iv) In case of Work-in-Progress, the amounts for which such works have been completed at the commencement and at the end of the accounting period. Note 1: The quantities of raw materials purchases, stocks and the turnover shall be expressed in quantitative denominations in which these are normally purchased or sold in the market. Note 2: For the purpose of items for	from services rendered is shown under broad heads. (iv) In case of Work-in Progress, Work-in-Progress under broad heads.

which the company is holding separate industrial licences shall be treated as a separate class of goods, but where a company has more than one industrial licence for production of the same item at different places or for expansion of the licensed capacity, the item covered by all such licences shall be treated as one class. Note 3: In giving the break-up of purchases, stocks and turnover, items like spare parts and accessories, the list of which is too large to be included in the break-up, may be grouped under suitable headings without quantities, provided all those items, which in value individually account for 10 per cent or more of the total value of the purchases, stocks or turnover, as the case may be, are shown as separate and distinct items with quantities thereof in the break-up.	
Expenditure incurred on each of the following items, separately for each item:- (a) Salaries, Wages & Bonus (b) Contribution to Provident & other funds. (c) (d) Workmen & Staff Welfare expenses.	Employee benefits expense shall disclose information regarding aggregate expenditure on:- (a) Salaries and Wages (b) Contribution to Provident & Other Funds (c) Expense on employee stock option scheme (ESOP) and Employee Stock Purchase Plan (ESPP) (d) Staff Welfare Expenses.
Amount of Interest (a) On company's debentures (b) On other fixed loans (c) Interest paid to the managing director and to the manager, if any.	Finance Cost (a) Interest Expense (b) Other borrowing costs (c) Applicable net gain/loss on foreign currency translations & transactions.
Expenses on each of the following items, separately for each item:	Expenses on each of the following items, separately for each item:

(a) Consumption of Stores & Spares. (b) Power & Fuel (c) Rent (d) Repairs to Building (e) Repairs to Machinery (f) Insurance (g) Rates & Taxes (excluding Income Tax) (h) Miscellaneous Expenditure Note: Any item under which expenses exceed 1 per cent of total revenue or ₹ 5,000 whichever is higher, shall be shown separately and distinct item against an appropriate account head in P&L account and shall not be combined with any other item under" Miscellaneous Expenditure"	(a) Consumption of Stores & Spares. (b) Power & Fuel (c) Rent (d) Repairs to Building (e) Repairs to Machinery (f) Insurance (g) Rates & Taxes (excluding Income Tax) (h) Miscellaneous Expenditure Note: Any item under which income or expenses exceed 1 per cent of revenue from operations or ₹ 1,00,000 whichever is higher, shall be shown separately and distinct item against an appropriate account head in P&L account and shall not be combined with any other item. (i) Net loss on foreign currency transaction and translation (other than considered as finance cost)
(i) Payment to Auditor • As Auditor • Taxation Matters • Company Law Matters • Management Services • In any other manner • For Expenses	(j) Payment to Auditors • As Auditor • For Taxation Matters • For Company Law Matters • For Management Services • For Other Services • For reimbursement of expenses. (k) Provision for losses of Subsidiary companies.
(j) (i) The aggregate, if material, of any amounts set aside or proposed to be set aside, to reserve, but not including provisions made to meet any specific liability, contingency or commitment known to exist at the date as to which the balance-sheet is	(l) Adjustment to the carrying amount investments. (m) Net loss on sale of investments. (n) Details of exceptional and extraordinary items.

made up. (ii) The aggregate, if material, of any amounts withdrawn from such reserves. (k) (i) The aggregate, if material, of the amounts set aside to provisions made for meeting specific liabilities, contingencies or commitments. (ii) The aggregate, if material, of the amounts withdrawn from such provisions, as no longer required.	(o) Prior period items (p) (i) The aggregate, if material, of any amounts set aside or proposed to be set aside, to reserve, but not including provisions made to meet any specific liability, contingency or commitment known to exist at the date as to which the balance-sheet is made up. (q) (ii) The aggregate, if material, of any amounts withdrawn from such reserves. (r) (s) (i) The aggregate, if material, of the amounts set aside to provisions made for meeting specific liabilities, contingencies or commitments. (t) (ii) The aggregate, if material, of the amounts withdrawn from such provisions, as no longer required.	
STATEMENT OF PROFIT & LOSS (FACE REPORTING)		
	Profit before exceptional and extraordinary items and tax	XXX
Shall disclose every material feature, including credits or receipts and debits or expenses in respect of non-recurring transactions or transactions of an exceptional nature.	Exceptional items	(XXX)
	Profit before extraordinary items and tax	XXX
	Extraordinary items	(XXX)
	Profit Before Tax	XXX
The amount of charge for Indian Income tax and other Indian taxation	Tax Expense a. Current Tax XXX	(XXX)

on profits, including, where practicable, with Indian income-tax any taxation imposed elsewhere to the extent of the relief, if any, from Indian Income tax and distinguishing where practicable, between income tax and other taxation.	b. Deferred Tax XXX	
	Profit/(Loss) for the period from continuing operations.	XXX
	Profit/(Loss) from discontinuing Operations	XXX
	Tax expense on discontinuing operations	(XXX)
	Profit/(Loss) from discontinuing Operations (after tax)	XXX
	Profit/(Loss) for the period	XXX
	Earnings per equity share 1. Basic 2. Diluted	 XXX XXX
BY WAY OF A NOTE the following information shall be disclosed. a) Value of imports calculated on C.I.F basis by the company during the financial year in respect of – I. Raw materials; II. Components and spare parts; III. Capital goods; b) Expenditure in foreign currency during the financial year on account of royalty, know-how, professional and consultation fees, interest, and other matters; c) Value of all imported raw materials, spare parts and	BY WAY OF A NOTE the following information shall be disclosed. a) Value of imports calculated on C.I.F basis by the company during the financial year in respect of – I. Raw materials; II. Components and spare parts; III. Capital goods; b) Expenditure in foreign currency during the financial year on account of royalty, know-how, professional and consultation fees, interest, and other matters;	

components consumed during the financial year and the value of all indigenous raw materials, spare parts and components similarly consumed and the percentage of each to the total consumption; d) The amount remitted during the year in foreign currencies on account of dividends, with a specific mention of the number of non-resident shareholders, the number of shares held by them on which the dividends were due and the year to which the dividends related; e) Earnings in foreign exchange classified under the following heads, namely:- I. Export of goods calculated on F.O.B. basis; II. Royalty, know-how, professional and consultation fees; III. Interest and dividend; IV. Other income, indicating the nature thereof	c) Total value of all imported raw materials, spare parts and components consumed during the financial year and the total value of all indigenous raw materials, spare parts and components similarly consumed and the percentage of each to the total consumption; d) The amount remitted during the year in foreign currencies on account of dividends, with a specific mention of the total number of non-resident shareholders, the total number of shares held by them on which the dividends were due and the year to which the dividends related; e) Earnings in foreign exchange classified under the following heads, namely:- I. Export of goods calculated on F.O.B. basis; II. Royalty, know-how, professional and consultation fees; III. Interest and dividend; IV. Other income, indicating the nature thereof
OTHER DISCLOSURES	
(a) Commission paid to sole selling agents within the meaning of section 294 of the act. (b) Brokerage and discount on sales, other than the usual trade discount. (c) The amount provided for depreciation, renewals or	

diminution in value of fixed assets. If such provision is not made by means of a depreciation charge, the method adopted for making such provision. If no provision is made for depreciation, the fact that no provision has been made shall be stated and the quantum of arrears of depreciation computed in accordance with section 205(2) of the Companies Act shall be disclosed by way of a note. (d) The profit & Loss account shall also contain or give by way of a note detail information showing separately, the following payments provided or made during the financial year, to the directors (including managing directors or managers, if any, by the company, the subsidiaries of the company and any other person):- (1) The managerial remuneration u/s 198 of the act paid/payable during the financial year to the directors (including managing directors or manager, if any) (2) Other allowances and commissions including guarantee commission. (3) Any other perquisites or benefits in cash or in kind. (4) (i) Pensions (ii) Gratuities (iii) Payment from Provident funds, in excess of own subscriptions	

and interest thereon. (iv) Compensation for loss of office (v) Consideration in connection with retirement fron office. (e) The Profit & Loss account shall contain or give by way of a note, a statement showing the computation of net profits in accordance with section 349 of the act with relevant details of the calculation of the commissions payable by way of percentage of such profits to the directors (including managing directors) or manager, if any. (f) The amounts reserved for- • Repayment of share capital and • Repayment of loans. (g) The aggregate amount of the dividends paid, and proposed, and stating whether such amounts are subject to deduction of income-tax or not. (h) Amount, if material, by which any items shown in the profit and loss statement, is affected by any change in the basis of accounting. (i) In case of manufacturing companies, the profit and loss account shall also contain, by way of a note in respect of each class of goods manufactured, detailed quantitative information in regard to the following namely:- (i) The licensed capacity (where license is in force) (ii) The installed capacity and (iii) The actual production	(g) The amount of dividends proposed to be distributed to equity and preference shareholders for the period and the related amount per share shall be disclosed separately.

Note-1: The licensed capacity and the installed capacity of the company as on the last date of the year to which the profit and loss account relates, shall be mentioned against items (i) and (ii) above respectively. Note-2: Against item (iii), the actual production in respect of the finished products meant for sale shall be mentioned. In cases where semi-processed products are also sold by the company, separate details thereof shall be given. Note-3: For the purpose of this paragraph, the items for which the company is holding separate industrial licenses shall be treated as separate classes of goods but where a company has more than one industrial licence for production of the same item at different places or for expansion of the licensed capacity, the item covered by all such licences shall be treated as one class. (j) The Central government may direct that a company shall not be obliged top show the amount set aside to provisions other than those relating to depreciation, renewal or diminution in value of assets, if the Central Government is satisfied that the information should not be disclosed in the public interest and would prejudice the company, but subject to the condition that in any heading stating an amount arrived at after taking into account the amount set aside as such, the provision shall be so	(k) Except in the case of the first Financial Statements laid before the Company (after its incorporation) the corresponding amounts (comparatives) for the immediately preceding reporting period for all items shown in the Financial Statements including notes shall also be given. (l) Turnover Rounding off • Less than one hundred crore to the nearest hundreds, thousands, rupees lakhs or millions, or decimals thereof. • One hundred crore rupees or more to the nearest, lakhs, millions or crores, more or decimals thereof. Once a unit of measurement is used, it should be used

framed or marked as to indicate that fact. (k) Except in the case of the first profit and loss account laid before the company after the commencement of the Companies Act, the corresponding amounts for the immediately preceding financial year for all items shown in the profit and loss account shall also be given in the profit and loss account. (l) The figures in the balance sheet may be rounded off as under: • Less than ₹ 100 crores : to the nearest hundreds or thousands or decimal thereof • Between ₹ 100 crore or more, but less than ₹ 500 crores : to the nearest hundreds, thousands, lakhs or millions or decimal thereof • ₹ 500 crores or more, to the nearest hundreds, thousands, lakhs, millions or crores or decimal thereof.	uniformly in the Financial Statements.
PART III – Interpretations	
PART IV – Balance Sheet abstract and a company's general business profile	

Annexure C

An illustrative list of disclosures required under the Companies Act 1956

1. Section 77A

Where a company purchases its own shares out of free reserves, then a sum equal to the nominal value of the share so purchased shall be transferred to the capital redemption reserve account referred to in clause (d) of the proviso to sub-section (1) of section 80 and details of such transfer shall be disclosed in the balance-sheet.

2. Section 211

(3A) Every profit and loss account and balance sheet of the company shall comply with the accounting standards.

(3B) Where the profit and loss account and the balance sheet of the company do not comply with the accounting standards, such companies shall disclose in its profit and loss account and balance sheet, the following, namely :-

(a) the deviation from the accounting standards;

(b) the reasons for such deviation; and

(c) the financial effect, if any, arising due to such deviation.

3. Section 293A

Every company shall disclose in its profit and loss account any amount or amounts contributed by it to any political party or for any political purpose to any person during the financial year to which that account relates, giving particulars of the total amount contributed and the name of the party or person to which or to whom such amount has been contributed.

4. Section 293B

1) The Board of directors of any company or any person or authority exercising the powers of the Board of directors of a company, or of the company in general meeting, may, notwithstanding anything contained in sections 293 and 293A or any other provision of this Act or in the memorandum, articles or any other instrument relating to the company, contribute such amount as it thinks fit to the National Defence Fund or any other Fund approved by the Central Government for the purpose of national defence.

(2) Every company shall disclose in its profits and loss account the total amount or amounts contributed by it to the Fund referred to in sub-section (1) during the financial year to which the amount relates.

Annexure- D

List of Accounting Standards as on 31st August, 2011 u/s 211 (3) (c) of Companies (Accounting Standards) Rules, 2006:

1. Disclosure of accounting policies:
2. Valuation Of Inventories:
3. Cash Flow Statements
4. Contingencies and events Occurring after the Balance sheet Date
5. Net Profit or loss For the period, Prior period items and Changes in accounting Policies.
6. Depreciation accounting.
7. Construction Contracts.
8. Accounting for Research and Development
9. Revenue Recognition.
10. Accounting For Fixed Assets.
11. The Effect of Changes In Foreign Exchange Rates.
12. Accounting For Government Grants.
13. Accounting For Investments.
14. Accounting For Amalgamation.
15. Employee Benefits.
16. Borrowing Cost.
17. Segment Reporting.
18. Related Party Disclosures.
19. Accounting For Leases.
20. Earning Per Share.
21. Consolidated Financial Statement.
22. Accounting For Taxes on Income.
23. Accounting for Investment in associates in Consolidated Financial Statement.
24. Discontinuing Operation.

25. Interim Financial Reporting.
26. Intangible assets.
27. Financial Reporting on Interest in joint Ventures.
28. Impairment Of assets.
29. Provisions, Contingent, liabilities and Contingent assets.