

Some companies in a fix over new financial account format, may postpone earnings announcement

Securities and Exchange Board of India's recent decision mandating companies to present financial results in a new format may force some firms to work overtime or postpone their earnings announcement for the March quarter.

On April 16, the capital market regulator proposed changes in the balance-sheet disclosure format under the revised Schedule VI of the Companies Act. In February last year, the corporate affairs ministry had issued a notification revising Schedule VI, giving companies a new format to present financial statements.

The new format was to be applicable for fiscal commencing on or after April 1, 2011. Companies that follow April-March accounting year will be not much impacted as they were expected to prepare their accounts in a revised format for the year ended March as per the notification.

However, firms that have a different accounting year, for example October-September or January-December, may find it tough to announce earnings as scheduled because for them the new format was earlier to be applicable for financial statements for year ending September 2012 and December 2012.

However, following the latest Sebi circular, these companies too have to file their quarterly interim results in the revised format with immediate effect.

"The regulation does not have much of an incremental impact for companies that follow a March year-end. However, for companies that follow a financial year other than March, this could represent a challenge as they may have anticipated that they had time to comply with revised Schedule VI presentation requirements," said V Venkatraman, partner - accounting advisory services, KPMG.

The fact that the diktat has taken some firms by surprise became apparent when Sonata Software adjourned its April 19 board meeting to adopt audited financial results for March quarter. It could not consider and adopt the audited financial results due to "paucity of time especially in view of the accounts to be presented in the revised Schedule VI format and disclosures of the same to be made in the recently-amended Clause 41 format."

"While the regulator's intention to require companies to present interim results in revised Schedule VI is good, companies are finding it difficult to comply with this requirement at such a short notice," said Vinod Ambavat, partner, Ambavat Jain & Associates. "The data to be presented in the new format requires lot of reclassification, which the companies are finding difficult, as they need to publish quarterly results within 30 days, leaving them with hardly any time to collate data and present it in the new format," he said .

In an emailed query to Siemens India, which follows an October-September financial calendar, Sunil Mathur, executive director and chief financial officer - South Asia cluster, said, "There is a change in the reporting format to the stock exchanges which we have to comply. It is unfortunate that it comes this late, almost when we are ready with our Q2 numbers. We, however, ensure that all local norms and guidelines will be followed."

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