# Glance through

# Revised Schedule VI

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# Introduction

- MCA, vide notification **S.O. 447(E)** dated 28th Feb 2011 has carried out amendment in Schedule VI

- Central Government replaced Schedule VI with Revised Schedule VI wide its power conferred to it by Section 641 of Companies Act, 1956

- Applicable for the FY 2011-12.

- Applicable to all Companies (exception: Companies where separate statutes have been enacted ie. Banking and Insurance)

- Reference is made to the AS notified under the Companies (Accounting Standards) Rules, 2006. So, till no new notification, Converged AS will not be applicable.

- In December 2011, ICAI has issued Guidance Note on "THE REVISED SCHEDULE VI TO THE COMPANIES ACT, 1956.

# FORMAT

| | Old Schedule | Revised Schedule VI |
|---|---|---|
| **P & L Form** | No form prescribed | Form for Statement of P & L is given **in Part II** |
| **Format** | Option to use Horizontal Format | Only **Vertical format** to be used |
| **Balance sheet abstract and Company's General Business Profile** | Applicable by Part IV | Removed |
| **Schedules** | Break up of Major Head in FS are to be given in Schedules | Concept replaced by **Notes to Accounts** |
| **Liabilities and Assets classification in Balance Sheet under:** | Sources of Funds<br><br>Application of Funds | Equity & Liabilities<br><br>Assets |
| **Cross Referencing** | No such requirements | Each item on the Face of BS and P &L shall be cross reference to any related information in the Notes to accounts. |
| **Rounding off Figures** | Turnover < 100 crores, nearest **Hundred & Thousand**<br>Turnover > 100 < 500 Crores, nearest **Hundred, Thousand, Lakhs & Millions**<br>Turnover > 500 crores nearest **Hundred, Thousand, Lakhs, Millions and Crore** | Turnover < 100 crores, nearest **Hundred , Thousand, Lakhs & Millions**<br>Turnover > 100 Crores, nearest **Lakhs , Millions & Crores..** |

# Balance Sheet – Revised Format

(Rupees in..........)

| Particulars | Note No. | current reporting period | previous reporting period |
|---|---|---|---|
| I. EQUITY AND LIABILITIES | | | |
| 1) Shareholders' funds | | | |
| a) Share capital | | XX | XX |
| b) Reserves and surplus | | XX | XX |
| c) Money received against share warrants | | XX | XX |
| 2) Share application money pending allotment | | XX | XX |
| 3) Non–current liabilities | | | |
| a) Long–term borrowings | | XX | XX |
| b) Deferred tax liabilities (Net) | | XX | XX |
| **c) Other long term liabilities** | | XX | XX |
| **d) Long–term provisions** | | XX | XX |
| 4) Current liabilities | | | |
| **a) Short–term borrowings** | | XX | XX |
| b) Trade payables | | XX | XX |
| c) Other current liabilities<br>d) Short–term provisions | | XX<br>XX | XX<br>XX |
| TOTAL | | XX | XX |

# Balance Sheet – Revised Format

(Rupees in………..)

| Particulars | Note No. | current reporting period | previous reporting period |
|---|---|---|---|
| II. ASSETS | | | |
| 1) Non–current assets | | | |
| a) Fixed assets | | | |
| i) Tangible assets | | XX | XX |
| ii) Intangible assets | | XX | XX |
| iii) Capital work–in–progress | | XX | XX |
| iv) Intangible assets under development | | XX | XX |
| b) Non–current investments | | XX | XX |
| c) Deferred tax assets (net) | | XX | XX |
| **d) Long–term loans and advances** | | XX | XX |
| **e) Other non–current assets** | | XX | XX |
| 2) Current assets | | | |
| a) Current investments | | XX | XX |
| b) Inventories | | XX | XX |
| c) Trade receivables | | XX | XX |
| d) Cash and Cash Equivalents | | XX | XX |
| e) Short–term loans and advances | | XX | XX |
| f) Other current assets | | XX | XX |
| TOTAL | | XX | XX |
| See accompanying notes to the financial statements | | | |

# Statement of Profit & Loss – Revised Format

(Rupees in...........)

| Particulars | Note No. | current reporting period | previous reporting period |
|---|---|---|---|
| I. Revenue from operations (Net) | | XX | XX |
| II. Other income | | XX | XX |
| III. Total Revenue (I+II) | | XX | XX |
| IV. Expenses: | | | |
| - Cost of raw materials consumed | | XX | XX |
| - Purchases of Stock–in–Trade | | XX | XX |
| - Changes in inventories of finished goods work–in–progress and Stock–in- Trade | | XX | XX |
| - Employee benefits expense | | XX | XX |
| - Finance costs | | XX | XX |
| - Depreciation and amortization expense | | XX | XX |
| - Other expenses | | XX | XX |
| Total Expenses | | XX | XX |
| V. Profit before exceptional and extraordinary items and tax (III–IV) | | XX | XX |
| VI. **Exceptional items** | | XX | XX |
| VII. Profit before extraordinary items and tax (V–VI) | | XX | XX |

# Statement of Profit & Loss – Revised Format

(Rupees in...........)

| Particulars | Note No. | current reporting period | previous reporting period |
|---|---|---|---|
| VII. Profit before extraordinary items and tax (V–VI) | | XX | XX |
| VIII. Extraordinary items | | XX | XX |
| IX. Profit before tax (VII– VIII) | | XX | XX |
| X. Tax Expense: | | XX | XX |
| 1) Current tax | | XX | XX |
| 2) Deferred tax | | XX | XX |
| XI. Profit/(Loss) for the period from continuing operations (IX–X) | | XX | XX |
| **XII. Profit/(loss) from discontinuing operations** | | XX | XX |
| **XIII. Tax expense of discontinuing operations** | | XX | XX |
| XIV. Profit/(loss) from Discontinuing operations (after tax) (XII–XIII) | | XX | XX |
| XV. Profit/(Loss) for the period | | XX | XX |
| XVI. Earnings per equity share: | | XX | XX |
| 1) Basic | | XX | XX |
| 2) Diluted | | XX | XX |
| See accompanying notes to the financial statements | | | |

# Important Definitions

- ***Current Assets Classification:***

- It is expected to be realized in, or is intended for sale or consumption in the company's *normal operating cycle.*
- It is held primarily for the purpose of being *traded*
- It is Expected to be *realized within 12 months* after reporting date.
- It is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability foe at least twelve months after the report date.

***Other than that all should be classified as Non Current Assets.***

- ***Current Liabilities Classification:***

- It is expected to be settled in the company's *normal operating cycle.*
- It is held primarily for the purpose of being *traded.*
- It is due to be settled *within 12 months* after the reporting date; or
- The company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

***Other than that all should be classified as Non Current Liabilities***

***Contd……..***

# Important Definitions

- ***Trade Receivables:***
- A receivable shall be classified as "Trade Receivables" if it is in respect of the amount due on accounts of goods sold or services rendered in the normal course of business
- ***Trade Payables:***
- A payable shall be classified as "Trade Payables" if it is in respect of the amount due on accounts of goods purchased or services received in the normal course of business

*Nomenclature is changed from Debtors and Creditors to Trade Receivables and Trade Payables respectively.*

# New Disclosures

**SHARE CAPITAL**

- Shares in in the company held by each shareholder *holding more than 5%* share specifying the number of share held
- A *reconciliation* of the number of shares outstanding at the beginning and at the end of the reporting period
- Unpaid calls by *directors and officers* shall be shown separately

**SHARE APPLICATION MONEY PENDING ALLOTMENT**

- To be shown after Share Capital if the same is not refundable and not exceeding Issued Share Capital
- Refundable, to be shown as part of *"Other Current Liability"*

**COMMITMENTS**

- Emphasis is on *all Kinds of Commitments* and not only Capital Commitments

*Contd……*

# New Disclosures

**<u>CURRENT AND NON CURRENT CLASSIFICATION</u>**

- According to the definition, all components of assets and liabilities on the face of Balance sheet shall be divided into Current and Non Current portion.
- *Current maturities* of the long term borrowing will be classified under the head *"Other Current Liability"*
- Classification of Long–term investment expected to be realized within 12 months from the BS date as *current investment*
- Employee Benefits like Bonus/ Incentives, Post employment obligations e.g. Gratuity and Pension, Other long–term benefits e.g. Accumulated compensated absence

**<u>ALL DEFAULT IN PAYMENT OF LOAN & INTEREST</u>**

- All types of instruments are being covered i.e. Debentures, bonds and finance lease obligations whereby any defaults in repayment of Loan & Interest shall be disclosed, while CARO restricts it to Debenture, FI and Debenture Holders
- Terms of Repayments and Conditions to be disclosed

# Modification in Disclosures

**RESERVE & SURPLUS**

- *Debit balance of Profit and Loss Account* to be shown as negative figure under the head **Surplus**. Therefore, reserve & surplus balance can be negative
- Appropriation to P & L to be shown under Reserve & Surplus

**DEBTORS / TRADE RECEIVABLES**

- Classification of Debtors outstanding for period exceeding 6 months from the *date they become due* and *not based on billing date*

**CAPITAL ADVANCES**

- Capital advances shall be shown as part of *Loans & Advances* instead of as a part of Capital Work In Progress
- Always classified as Non – Current Assets.

# Disclosures cancelled / omitted

**BALANCE SHEET**

- Investment purchased and sold during the year
- Investment, sundry debtors and loans & advances pertaining to companies under the same Management.
- Break up of bank balances between Scheduled & Other Banks, break up between Current account, call account and deposit accounts and details of names, amounts, maximum amount with non scheduled banks
- *No head* for Miscellaneous Expenditure in the Balance Sheet

**STATEMENT OF PROFIT & LOSS**

- Commission, Brokerage and Non trade discounts

**NOTES**

- Licensed Capacity, Installed Capacity and Actual Production
- Computation of Net profits for Commission to Managerial Personnel as well remuneration part.

# Newcomer

**BALANCE SHEET**

- Introduction of new Sub head “Office Equipment” in Tangible Fixed Assets
- Introduction of new Sub head “mastheads and publishing rights”, “mining rights”, “Recipes, formulae, models, designs and prototypes” under Intangible Fixed Assets
- Introduction of Intangible Assets under development in Fixed Assets

**QUANTITATIVE DISCLSOURES**

| Nature of Company | Disclosure required |
|---|---|
| Manufacturing Companies | Raw material under broad heads, Goods purchased under broad heads |
| Trading Companies | Purchase of Goods traded under broad heads |
| Companies rendering or supplying of 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 in broad heads |

# COMPARISON HEAD WISE

| | Old Schedule | Revised Schedule VI |
|---|---|---|
| **Fixed Assets** | Shown under Fixed Assets | Shown under Non Current Assets with Classification into Tangible and Intangible Assets |
| **DTA / DTL** | Disclosed separately | To be shown under Non Current Assets / Liabilities |
| **Profit & Loss (Debit balance)** | Shown under the head Miscellaneous Expenditure & Losses | To be shown under the head "Surplus" . Total of Reserve & Surplus may be negative also. |
| **Borrowings** | Short term and long term borrowings shown together | Bifurcation is made in Current and Non Current portion and shown accordingly |
| **Finance lease obligation** | Grouped into Current Liabilities | To be grouped in Non current liabilities in Long term Borrowings |
| **Cash & Bank Balance** | Bifurcation into Scheduled & Other banks | Bank balances in relation to earmarked balances, held as margin money, deposits with more than 12 months maturity, each to be shown Separately |
| **Foreign Exchange Gain / Loss** | Gain/ Loss on foreign currency transaction to be shown under finance cost | Gain/ Loss on foreign currency transaction to be separated into finance costs and other expenses |

# Effects of Revised Schedule VI

**WORKING CAPITAL**

- Current and Non current portion of Assets and Liabilities shown separately on the face of balance sheet whereby Net Current Assets / Liabilities concept is taken back
- Balance sheet total would be increased by the portion of Non Current Liabilities as that portion is no longer deducted from Current Assets in Revised Schedule VI

**CROSS REFERENCE**

- Cross-referencing with Notes to Accounts make the FS more meaningful to reader;
- It is a way forward to alignment with IFRS requirements

**OVERRIDING EFFECT WITH THE EXAMPLE OF PROPOSED DIVIDEND**

- Accounting standard and Act have overriding effect over Revised Schedule VI. In case of conflicts, AS and Act will have supremacy. In case of **Proposed dividend,** Revised Schedule VI expressed non inclusion of provision while AS 4 expressly states to make provision for Proposed Dividend. So, Treatment shall be according to the AS and not by Revised Schedule VI

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# Effects of Revised Schedule VI

**MATERIALITY**

- Concept of materiality is observed by revising threshold limit for :

  Item of Income or Expense which exceeds 1% of the Revenue from Operations or Rs. 100,000/- whichever is higher

**NON COMPLIANCE OF DEBT COVENANT**

- In the event of breach of any debt covenants by the entity, it may *classify the Long term liability or Non-current liability to Current liability,* if it does not have any *unconditional right* to defer its settlement

**IMPACT ON RATIO**

- Ratios like Current Ratio and Debt Equity Ratio would be much impacted due to different classification of Liabilities and Assets amongst Current and Non Current Portion. *E.g. Current maturities of Loan within next 12 months would classify it as Other Current Liabilities and same will be considered in calculation for Current Ratio which would not have been considered in Old Schedule VI*

# THANK YOU ALL FOR YOUR ATTENTION !