Revised Schedule VI

Notification No. 447(E) dated 28.2.2011

Section 211: Form and contents of balance sheet and profit and loss account

- Every balance sheet must comply with following requirements:

  - True and fair view of state of affairs

  - Form set out in Part – I of Schedule VI

  - General instructions in the Notes

- Every profit and loss account of a company must:

  - give a true and fair view of the profit or loss

  - comply with the requirements of Part II of Schedule VI

INTRODUCTION

- Schedule VI of the Companies Act, 1956, prescribes the format of financial statements and disclosure requirements for corporate entities in India.
- Considering the economic and regulatory changes that have taken place globally, and being as old as the Act itself (1956), schedule VI had completely outlived its utility.
- As per notification dated 28th March, 2011 by Ministry of Corporate Affairs the revised Schedule VI is applicable to balance sheet & profit & loss account to be prepared for the financial year commencing on or from 01st April 2011.

OBJECT

- One of the Main aim of revising schedule VI was to attain compatibility and convergence with IFRS in India. …why?
  - In may 2008, MCA issued a press release in which it has committed to convergence with IFRS by April 1, 2011
  - At the G20 summit on financial Market and World Economy, then Finance Minister also committed to have convergence with IFRS in India
- Other main object of revising schedule VI was to eliminate numerous statistical and disclosure requirements which are not relevant from an investor perspective.

General instructions

<u>Compliance with the Act and/or Accounting Standards:</u>

Requirements of the Act and/or Standards will override the related requirement of Schedule VI.

Disclosures are required by the Companies Act shall be made in the notes to accounts.

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 Financial Statements.

General instructions

- Notes to the accounts shall contain information in addition to that presented in the Financial Statement and shall provide where required

  (a) narrative descriptions or disaggregation of the items recognized in those statements

  and

  (b) information about items that do not qualify for recognition in those statements.

General instructions

- Each item on the face of the Balance sheet and statement of the profit and loss shall be cross- referenced to any related information in the notes to the accounts

- Figures of previous period:

  The corresponding amounts (comparatives) for the immediately preceding reporting period for all items shown in the Financial Statements including notes shall also be given.

General instructions

- Presentation of figures:

  Where Turnover:

  < Rs. 100 crores = Figures to be in nearest hundreds, thousands, lakhs or millions or decimals thereof.

  > Rs. 100 crores = Figures to be in nearest lakhs or millions or decimals thereof.

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

TITLE

Old Schedule VI	Revised Schedule VI
Liabilities and Assets were classified under the heading of ***SOURCE OF FUNDS & APPLICATION OF FUNDS***	The Liabilities and Assets to be classified under the heading of ***EQUITY AND LIBILITIES & ASSETS***

New Disclosures in Share Capital

- A reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period
- Shares in in the company held by each shareholder holding more than 5% share specifying the number of share held
- Shares in respect of each class in the company held by
  - a) its holding company;
  - b) its ultimate holding company including shares held by or by subsidiaries;
  - c) associates of the holding company or the ultimate holding company in aggregate;
- The Rights, Preference & Restrictions attaching to each Class of Shares

RESERVES & SURPLUS

Old Schedule VI	Revised Schedule VI
P&L debit balance was shown under the head Miscellaneous expenditure & losses	Debit balance of Profit and Loss Account to be shown as negative figure under the head Surplus. Therefore, reserve & surplus balance can be negative.

Separate disclosure of Current Liability

Old Discloser	New Discloser
Earlier Current Liabilities and Provisions are shown by deducting from Current Assets under the Head of **APPLICATION OF FUNDS**	Now it is to be shown separately as Non Current Liabilities and Current Liabilities under the Head **EQUITY AND LIBILITIES**

Criteria for classifying Current Liability

- 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 twelve 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

Borrowings

Old Schedule VI	Revised Schedule VI
Short term & long term borrowings are grouped together under the head Loan funds sub-head Secured / Unsecured	Long term borrowings to be shown under non-current liabilities and short term borrowings to be shown under current liabilities. Borrowings shall further be sub - classified as Secured and Unsecured. Period and amount of continuing default as on the balance sheet date in repayment of loans and interest to be separately specified

Deferred Tax Assets / Liabilities

Old Schedule VI	Revised Schedule VI
Deferred Tax assets / liabilities were not specified.	Deferred Tax assets / liabilities to be disclosed under non-current assets / liabilities as the case may be.

Sundry Creditors

Old Schedule VI	Revised Schedule VI
Creditors were broken up in to micro & small suppliers and other creditors	Classified under Current liabilities as Trade Payables or under other Long Term Liabilities as the case may be.

LONG TERM DEBT – CURRENT MATURITY

Old Schedule VI	Revised Schedule VI
No specific mention for separate disclosure of Current maturities of long term debt	Current maturities of long term debt to be disclosed under other current liabilities

Fixed Assets

Old Schedule VI	Revised Schedule VI
There was no bifurcation required of tangible & intangible assets on the face of the Balance sheet.	Fixed assets to be shown under non-current assets and it has to be bifurcated in to Tangible & intangible assets on the face of the Balance Sheet. Assets under lease shall be separately specified under each class of asset.

Investments

Old Schedule VI	Revised Schedule VI
Both current & non-current investments to be disclosed under the head investments	➢ Current and non-current investments are to be disclosed separately under current assets & non-current assets respectively. ➢ Under each classification, details 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.

Non-current investments

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

- 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

Criteria for classifying Current Assets

- 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 for at least twelve months after the report date.

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

Loans & Advances

Old Schedule VI	Revised Schedule VI
Loans & Advance are disclosed along with current assets	Loans & Advances to be broken up in long term & short term and to be disclosed under non-current & current assets respectively
	And further bifurcation with capital advances, security deposits, loans & advances to related parties, etc.

Deposits

Old Schedule VI	Revised Schedule VI
Lease deposits are part of loans & advances	Lease deposits to be disclosed as long term loans & advances under the head non-current assets

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.

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.

Cash & Bank Balances

Old Schedule VI	Revised Schedule VI
Bank balance to be bifurcated in scheduled banks & others	Bank balances in relation to earmarked balances, held as margin money against borrowings, deposits with more than 12 months maturity, each of these to be shown separately. **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).

PROFIT & LOSS – EXPENSES

Old Schedule VI	Revised Schedule VI
Any item under which expense exceeds one per cent of the total revenue of the company or5,000 which ever is higher; was disclosed separately	• Any item of income / expense which exceeds one per cent of the revenue from operations or1,00,000, which ever is higher; to be disclosed separately • Broad heads shall be decided taking into account the concept of materiality and presentation of true and fair view of financial statements. • The items to be disclosed under Revenue from Operations have been specifically indicated for both finance companies and others.

Finance Cost

Old Schedule VI	Revised Schedule VI
Finance cost to be classified in fixed loans & other loans	Finance cost shall be classified as interest expense, other borrowing costs & Gain / Loss on foreign currency transaction & translation

Rounding off of Figures appearing in financial statement

Old Schedule VI	Revised Schedule VI
Turnover of less than 100 Crores - R/off to the nearest **Hundreds, thousands** or decimal thereof	Turnover of less than 100 Crores - R/off to the nearest **Hundreds, thousands, lakhs or millions** or decimal thereof
Turnover of 100 Crores or more but less than500 Crores - R/off to the nearest **Hundreds, thousands, lakhs or millions** or decimal thereof	Turnover of 100 Crores or more - R/off to the nearest **lakhs, millions or crores,** or decimal thereof
Turnover of 500 Crs or more - R/off to the nearest **Hundreds, thousands, lakhs, millions or crores**, or decimal thereof	

Purchases

Old Schedule VI	Revised Schedule VI
The purchase made and the opening & closing stock, giving break up in respect of each class of goods traded in by the company and indicating the quantities thereof.	Goods traded in by the company to be disclosed in broad heads in notes. Disclosure of quantitative details of goods is diluted

Profit & Loss Statement

- Exceptional and extraordinary items need to be disclosed separately on the face of the Statement of Profit and Loss. The details of the same as also of any prior period items should be disclosed in the notes.

- Profit / loss before and after tax from discontinuing operations and the tax expense from discontinuing operations need to be disclosed separately on the face of the Statement of Profit and Loss.

- Removed
  - Commission paid to sole selling agents (sec.294)
  - Commission paid to other selling agents
  - Quantitative information of licensed, installed capacity, actual production
  - TDS amount along with interest income etc..
  - Income from investment to be classified between trade and other investments
  - Payment to directors and detailed calculations under section 198
  - Computation of profit u/s 349 with details of calculation of commission by percentage of profits
  - Amount reserved for repayment of share capital, repayment of loan

Part I – Format of Balance Sheet

Name of the Company……………………

Balance Sheet as at………………………

(Rupees in……….)

Particulars	Note No.	Figures as at the end of the current reporting period	Figures as at the end of the previous reporting period

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

Non-current assets

(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) 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

PART II – Format of Statement of Profit & loss

Name of the Company……………………..

Profit and loss statement for the year ended ………………………

(Rupees in…………)

Particulars	Note No.	Figures for the current reporting period	Figures for the current reporting period
I. Revenue from operations			
II. Other income			
III. Total Revenue (I + II)			
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

V. Profit before exceptional and extraordinary items and tax (III-IV)

VI. Exceptional items

VII. Profit before extraordinary items and tax (V - VI)

VIII. Extraordinary Items

IX. Profit before tax (VII- VIII)

X. Tax expense:

(1) Current tax

(2) Deferred tax

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

Thank You