Summary of Revised Schedule VI – For students

Why Revised Schedule VI??

- Evaluate existing format with respect to unwanted and outdated disclosures
- Harmonize and converge with global disclosure requirements

Not applicable to –

- Insurance Company
- Banking Company
- Supply or Generation of Electricity.

Main Elements

- Accounting standards or Law given supremacy over schedule VI
- Minimum requirements for disclosure - provides flexibility in format of financial statements to the companies
- Eliminated the concept of "Schedule‟ & such information is now to be furnished in Notes to Accounts
- Bifurcation of assets and liabilities amongst current and non- current is required
- Based on existing Accounting Standards & not Ind AS
- The upper half is referred to as Equity and Liabilities - later half is shown as Assets
- Horizontal form of Balance Sheet discarded
- Classification of assets into Current and Non-current

Rounding off

- Turnover of **<u>less than Rs.100 Crores</u>** – Rounded off to the nearest Hundreds, thousands, lakhs or **<u>millions</u>** or decimal thereof.
- Turnover of **<u>100 Crores or more</u>** – Rounded off to the nearest lakhs, millions or **<u>crores</u>**, or decimal thereof.
- Once a unit of measurement is used, it should be used uniformly in the Financial Statements.

Definition of Current Assets

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

1. it is expected to be realized in, or is intended for sale or consumption in, the company's normal operating cycle;
2. it is held primarily for the purpose of being traded;
3. it is expected to be realized within twelve months after the reporting date; or
4. 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.

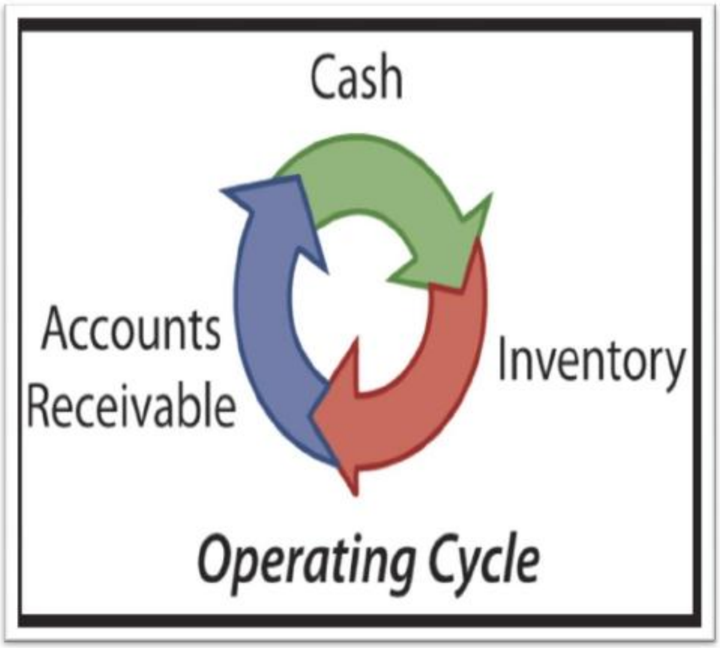
All other assets shall be classified as non-current assets.

Operating Cycle

"The time between the acquisition of assets for processing and their realization in cash or cash equivalents".

Time duration of operating cycle:

1. Normal operating cycle may be longer than 12 months (e.g. wine manufacturing company, entity produces airplanes, real estate company etc.)
2. Where time is not defined, it is assumed to be 12 Months.



Current and Non- Current Liability

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

1. it is expected to be settled in the company's normal operating cycle;
2. it is held primarily for the purpose of being traded;
3. it is due to be settled within twelve months after the reporting date; or
4. the company does not have an unconditional right to defer settlement of the liability for at least twelve
5. 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.

- **Non current Liability**: All other liabilities shall be classified as non-current.

Case studies:

1. A COMPANY holds investments in shares amounting to Rs. 10 Lakhs as at 31.03.2012. The board had passed a resolution at the time of making the investment on 1.10.2011 to hold the investment for capital appreciation. How the investment should be classified at the balance sheet date?

AS 13 – Readily realisable and intended to be held for not more than one year from date of investment – current.

Revised Schedule VI – as on the balance sheet date. Criteria –"current asset" – satisfied? If yes, Current asset.

2. A company has allocated Rs. 50 lakhs for investments in shares. The company buys and sells shares for making short term gains. The cost of investments as on 31.03.2012 is Rs. 42 lakhs.

- AS 13 – Readily realisable and intended to be held for not more than one year from date of investment – Current.
- Revised Schedule VI – as on the balance sheet date Criteria –"current asset" – satisfied?
- Primarily for Trading Expected to be realized within 12 months after the reporting date- then current asset

3. A COMPANY holds investments in shares amounting to Rs. 10 Lakhs as at 31.03.2012. The board had passed a resolution at the time of making the investment on 1.05.2010 to hold the investment for capital appreciation. At the board meeting held on 1.12.2011 the board decided to realise the investments in the next six months and utilize the same for its operational purposes. How the investment should be classified at the balance sheet date?

- AS 13 – Readily realisable and intended to be held for not more than one year from date of investment – Current
- Revised Schedule VI – as on the balance sheet date
- Criteria –"current asset" – satisfied?
    - Expected to realise within 12 M from reporting date

4. A company had invested in the debentures of X Ltd and Y Ltd during the year 2008-09. The debentures of X Ltd are redeemable at the end of 7 years from the date of investment. The debentures of Y Ltd are redeemable equally at the end of the 4th and 5th years. How should they be classified as at 31.03.2012.

- AS 13 – Readily realisable and intended to be held for not more than one year from date of investment – Current.
- Revised Schedule VI – as on the balance sheet date Criteria –"current asset" – satisfied?
- Primarily for Trading Expected to be realized within 12 months after the reporting date- then current asset
- Criteria of "current asset" – satisfied?
    - X Ltd – No- hence Non-current (Please write assumptions clearly in examinations)
    - Y Ltd – Criteria is satisfied – for first installment – current. Rest is Noncurrent.

5. A company has allocated Rs. 50 lakhs for investments in shares. The company buys and sells shares for making short term gains. The cost of investments as on 31.03.2012 is Rs. 42 lakhs. Out of this investments costing Rs.4.50 lakhs were held by the company for more than12 M as at the balancesheet date.

- AS 13 – Readily realisable and intended to be held for not more than one year from date of investment –
- current
- Revised Schedule VI – as on the balancesheet date
- Criteria –"current asset" – satisfied?
    - Primarily for Trading
    - Expected to be realised within 12 months after the reporting date.

6. A Ltd is a manufacturing company. It takes 9 months for the company to roll out its finished products. It takes a further period of 2 months to make delivery. Payments are received after 6 months from delivery. What is the operating cycle? How should the following be presented in the financials for 2012?

a) Raw materials
b) Consumable stores and spares
c) Work in progress
d) Finished Stock

- Intended for sale or consumption in the normal operating cycle (OC)
- OC can be more than 12 M
- So all of the above are Current Assets

7. The operating cycle of a company is 10 months. As on 31.03.2012 the company carries certain non moving or slow moving stock as follows:

a. Raw materials – 15 months – Rs. 12 lakhs
b. Stores and consumables – 24 months – 2 lakhs
c. Finished goods – 18 months – 4 lakhs.

- Intended for sale or consumption in the normal operating cycle
- Slow/non moving/ obsolete/ damaged stocks – not relevant for classification- (but relevant for valuation).

8. A Ltd is a manufacturing company. It takes 9 months for the company to roll out its finished products. It takes a further period of 2 months to make delivery. Payments are received after 6 months from delivery. How should the receivables be presented in the financials for 2012?

- Expected to be realised in the normal operating cycle – Current asset

9. A Ltd is a manufacturing company. It takes 9 months for the company to roll out its finished products. It takes a further period of 2 months to make delivery. Payments are received after 12 months from delivery. How should the receivables be presented in the financials for 2012?

- Expected to be realised in the normal operating cycle- Current asset

10. A Ltd has receivables to the tune of Rs. 24 crores as at 31.03.2012. This includes an amount of Rs. 4.50 crores due from one of the main customers of the company. The age of this debt is more than 12M and the company does not expect payment for another 12M in view of the recession in European countries. The company is of the view that the amounts are good and are fully realisable. The operating cycle of the company is 12M

- Criteria 1 not satisfied
- Criteria 3 not satisfied
- So, Non current

11. A Ltd has receivables to the tune of Rs. 10 crores as at 31.03.2012. This includes an amount of Rs. 1.50 crores due from one of the Old customers of the company. In view of the long standing relationship with the customer and the difficulties faced by the customer, the company has granted an installment scheme for payment of dues. The dues are payable in 15 equal monthly installments. The company is of the view that the amounts are good and are fully realisable.

- Expected to be realised within 12 M after the reporting date or within the operating cycle- Current asset
- Else– Non current.

12. B Ltd made a fixed deposit for 15 Months of its surplus funds on 1.07.2011. The amount of deposit made was Rs. 2.50 crores. How should this be presented in the balancesheet as at 31.03.2012?

- Cash and cash equivalent generally shown as Current Assets unless restricted from being exchanged or used to settle a liability for at least 12M after the reporting date.
- Original maturity is 15M – Irrelevant for classification purpose
- As on Balance sheet date it is exchangeable within 12 M after reporting date – relevant – Current Asset

13. B Ltd made a deposit of Rs 10 lakhs for 5 years and pledged the same with Government authorities for carrying on its operational activity. How should this be presented in the balancesheet as at 31.03.2012?

- Cash and cash equivalent – restricted from being exchanged or used to settle a liability for at least 12M after the reporting date.
- As on Balancesheet date it is not exchangeable within 12 M after reporting date- hence non current

14. C Ltd had granted a loan of Rs. 5 crores during the year to its subsidiary. The terms of the loan specify that the loan is repayable in equal installments over 5 years and carries 14% interest. Interest is payable every quarter.

How should the investment and interest receivable be presented in the balancesheet for 31.03.2012?

- Principal
  - Realisable within a period of 12 M after reporting date – current asset
  - Others - Non current asset
- Interest “accrued and due” and “accrued but not due” – same criteria – current asset.

15. C Ltd had granted a loan of Rs. 5 crores during the year to its subsidiary. There are no stipulations as to repayment of principal or payment of interest. How should the investment be presented in the balance sheet for 31.03.2012?

- Realisable within a period of 12 M after reporting date or Payable on demand- current asset

16. A Ltd applied for a government contract. The contract for Rs. 1.20 crores was finally awarded to the company. The contract period was 3 years. The company was asked to make a security deposit (No interest) for Rs. 12 lakhs which is repayable at the end of the contract period.

How should the security deposit be presented in the balancesheet as at 31.03.2012?

- Realisable within a period of 12 M after reporting date – not satisfied
- Other conditions – NA
- Hence non-current asset

17. A Ltd has taken its factory premises on lease and the lease rentals are payable on a monthly basis. The company has paid a rental advance of Rs. 25 lakhs to the landlord. The lease is for a period of 10 years and the advance is adjustable at the end of the lease period. The company has on 1.07.2011 also taken its office premises inside the city for lease for a period of 18 months. The advance paid to the landlord was Rs 100,000 and is adjustable at the end of the lease period. How should the advances paid be presented in the balancesheet?

- Realisable within a period of 12 M after reporting date – current
- Criteria 1,2 and 4 – NA
- Factory – Non current.
- Office – current.

18. A Ltd has on 1.07.2011 also taken its office premises inside the city for lease for a period of 18 months. The advance paid to the landlord was Rs 100,000 and is adjustable at the end of the lease period. The company expects to renew the lease for one more year at the end of the lease period, subject to approval of the landlord. How should the advances paid be presented in the balance sheet?

- Realisable within a period of 12 M after reporting date – current
- Criteria 1,2 and 4 – NA
- Current asset.

19. D Ltd paid advance in March 2012 to its supplier for import of raw materials. The company expects that because of the tight market conditions, the supplies will be made in 14 months. How should this be reflected in the balancesheet?

- Realisable within the normal operating cycle - satisfied
- Realisable within a period of 12 M after reporting date – not satisfied
- Current asset.

20. How should the following be reflected in the balancesheet?

a) Prepaid expenses
b) Unbilled revenue
c) VAT/ST/Cenvat Credit receivable
d) Advance tax/ TDS

- Is operating cycle relevant here- NO.
- Realisable within a period of 12 M after reporting date – current
- Others- non-current

21. The company has paid an advance of Rs.4 crores for import of machinery. The machinery is expected to be delivered and installed in 6 months time. How should the advance be reflected in the financials?

- Capital Advance (for procurement of fixed asset) – noncurrent in nature – irrespective of when asset is expected to be received. (even if it is expected to be received within 12 months, it will be classified as non-current only)

22. E Ltd has taken term loans from banks. These loans are repayable over 20 quarters. Interest is payable on a monthly basis. How the loans and interest are to be presented in the balancesheet?

- Principal
- Due to be settled within 12 M after the reporting date – current
- Does not have an unconditional right to defer settlement for atleast 12M after reporting date - satisfied.
- Others – Non current
- Interest accrued & due, accrued but Not due – current.
- (Interest not accrued will not be accounted at all)

23. E Ltd has been sanctioned working capital facilities (OD, CC etc.) by the bank. How should these be presented in the balancesheet?

- Demand loans
- Expected to be settled in the company's normal operating cycle – satisfied.
- Due to be settled within 12 M after the reporting date - satisfied
- Does not have an unconditional right to defer settlement for atleast 12M after reporting date - satisfied.
- Current liability

24. F Ltd has issued debentures to the tune of Rs 10 crores. Out of this 2 crores are due for redemption in June 2012. How these debentures are to be reflected in Balancesheet?

- Due to be settled within 12 M after the reporting date – satisfied

- Does not have an unconditional right to defer settlement for atleast 12M after reporting date - satisfied.
- 2 crores - current
- Balance – Non current

25. G Limited has taken a term loan from bank for a period of 6 years. Principal repayment is to be made on quarterly basis and interest on monthly basis. The terms of the loan contain other covenants like filing of quarterly financials, filing of annual audited financials. The company has paid the principal and interest as scheduled, but has failed to file the other information as required.

- Due to be settled within 12 M after the reporting date – NA
- unconditional right to defer settlement for atleast 12M after reporting date - satisfied?
- Check if it is a demand loan – No it is not
- Non submission of documents may result in long term loan becoming immediately repayable (or <=12 months) as per the terms of Loan agreement. If yes, then classify under Current.
- Else non current

26. H Ltd is a manufacturing company with an operating cycle of 10 months. Trade payables of the company as on 31.03.2012 are Rs. 2.50 crores. This includes dues to certain parties of Rs. 72 lakhs where the company does not expect to make payment for 12 M from the balancesheet date. How should these trade payables be reflected in the balancesheet?

- Expected to be settled within the operating cycle – not satisfied
- Due to be settled within 12 M after the reporting date – satisfied
- Does not have an unconditional right to defer settlement for atleast 12M after reporting date - not satisfied.
- Current.

27. J Ltd has the following liabilities as at the balancesheet date:

    a. Bonus
    b. Accumulated leave – provision
    c. Funded gratuity or provision for gratuity

- Common rule for all 3 above
    - due for payment within 12M of balance sheet date – current.
    - Others – non-current

28. How should the following be reflected in balance sheet?

a) Income received in advance
b) Unpaid dividends

- Due for settlement in 12M- Current assets

Form of Balance sheet and Profit & Loss

Significant Changes

a) Horizontal form of Balance Sheet – deleted
b) Schedules to Balance Sheet - deleted
c) Notes to Accounts – narrative descriptions
d) Classification into Current & Non- Current
e) Balance Sheets totals would increase to the extent of the current liabilities
f) The term "Sundry Debtors‟ replaced with "Trade Receivables"
g) Capital advances to be presented under "Loans & Advances"
h) Detailed disclosure of Investments
i) Form of Statement of Profit and Loss - provided in Part II
j) Part III on Interpretation – scrapped
k) Balance Sheet Abstract and Company's General Business Profile as provided in Part- IV - removed

Disclosures No Longer Required

a) Managerial Remuneration & computation of Net Profits for Commission
b) Licensed capacity, installed capacity & actual production
c) Investments purchased & sold during the year
d) Investments, Sundry debtors & Loans & advances – Companies under same Management
e) Maximum amount due from directors or officers
f) Commission, brokerage and non-trade discounts

Format of Balance Sheet

	Notes	31 March 2012 ` millions	31 March 2011 ` millions
Equity and liabilities			
Shareholders' funds			
Share capital			
Reserves and surplus			
Non-current liabilities			
Long-term borrowings			
Trade payables			
Other long-term liabilities			
Long-term provisions			
Current liabilities			
Short-term borrowings			
Trade payables			
Other current liabilities			
Short-term provisions			

	Notes	31 March 2012 ` millions	31 March 2011 ` millions
TOTAL			
Assets			
Non-current assets			
Fixed assets			
Tangible assets			
Intangible assets			
Capital work-in-progress			
Intangible assets under development			
Fixed assets pertaining to discontinuing operations and held for sale			
Non-current investments			
Deferred tax assets (net)			
Long-term loans and advances			
Trade receivables			
Other non-current assets			
Current assets			
Current investments			
Inventories			
Trade receivables			
Cash and bank balances			
Short-term loans and advances			
Other current assets			
TOTAL			
Summary of significant accounting policies			

Share Capital

Key Changes

For each class of share capital (different classes of preference shares to be treated separately),following additional disclosures are required to be made in the notes:

a) a reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period;
b) the rights, preferences and restrictions attaching to each class of shares including restrictions on the distribution of dividends and the repayment of capital;
c) shares in the company held by each shareholder holding more than 5 percent shares specifying the number of shares held –
    a. *Equity shares of `10 each fully paid*
        i. Parent Limited, holding company 64%
        ii. Grand Parent Limited, ultimate holding company 18 %
        iii. ABC Limited 7.1%

b. *CCPS of `10 each fully paid*
   i. Parent Limited, holding company 51%
   ii. Grand Parent Limited, ultimate holding company 20%

d) shares reserved for issue under options and contracts/commitments for the sale of shares/disinvestment, including the terms and amounts; out of Un issued portion of share capital

e) Disclosure of shares held by holding company or ultimate holding company including shares held by subsidiaries or associates of the holding company or the ultimate holding company in aggregate - (AS 21)

f) 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.

g) 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.

Particulars	**No. in Millions**	**Rs in Millions**	**No. in Millions**	**Rs in Millions**
At the beginning of the period	**Current year**		**Comparative information**	
Issued during the period – Bonus issue				
Issued during the period – ESOP				
Outstanding at the end of the period				

Reserves & Surplus

Key Changes

- Debit balance of statement of profit and loss shall be shown as a negative figure under the head “Surplus‟.
- Net resulting figure of Reserves & Surplus may continue to be negative.
- Appropriations to the profit are to be presented under Reserves and surplus – P/L will no longer reflect the items like dividends, transfer to reserves etc.

Money received against Share Warrants.

- Separate Line Item inserted

Share application money pending allotment

- Separate Line Item Inserted (Not part of shareholder’s fund)
- Share application money to the extent not refundable is to be disclosed under this line-item Otherwise, the same is to be shown under “Other Current Liabilities‟
- 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;

Non-Current Liabilities

(a) Long-term borrowings
(b) Deferred tax liabilities (Net)
(c) Other long term liabilities
(d) Long-term provisions

(a) Long-Term Borrowings- Key Changes

a. Borrowings have been bifurcated into long term and short term.
b. Additional Line Items under Long term borrowings:
    i. Deferred payment liabilities
    ii. Loans and advances from related parties.
    iii. Long term maturities of finance lease obligations
    iv. Bonds/debentures;
    v. Term loans;
        1. from banks;
        2. from other parties;
    vi. Deposits;
    vii. Other loans and advances (specify nature)
c. Additional Disclosure Requirements :
    i. Terms of repayment
    ii. Period and amount of continuing default as on the balance sheet date in repayment of loans and interest. Compliance with other covenants – not required
    iii. Loans guaranteed by "directors or others" unlike the present requirement of by "directors or managers only"

Format

Particulars	**Non-current portion**		**Current portion**	
	31-Mar-2012	31-Mar-2011	31-Mar-2012	31-Mar-2011
Bonds/ debentures 0.5 million (31 March 2011: 0.3 million) 10% Compulsorily convertible bonds of Rs.1,000 each (secured)				
30 million (31 March 2011: 25 million) 11% redeemable debentures of Rs.100 each (unsecured)				

(b) Deferred Tax Liabilities (Net)- Key Changes

a. As per old Schedule VI, the same was shown as separate line item but now as per revised Schedule VI it is to be shown under Non- Current Liabilities.

Current Liabilities

I. Short-Term Borrowings
II. Trade Payables
III. Other Current Liabilities
IV. Short-Term Provisions

1. Short-Term Borrowings
    1. Short term borrowings include all loans repayable within 12 months from the date of loan.
    2. Current maturity of long term borrowings to be classified as "Other Current Liabilities"
    3. Additional Line Items:
        1. Loans and advances from related parties.
        2. Loans repayable on demand shall be bifurcated between loans payable to banks and other
        3. Deposits
        4. Other Loans and Advance (Specify Nature)
    4. Additional Disclosure Requirements :
        1. Period and amount of continuing default as on the balance sheet date in repayment of loans and interest for each case shall be specified separately.
        2. Details of loans which have been guaranteed by directors or others under each head.
    5. Borrowings to be sub-classified as secured and unsecured

2. Trade payables - Same as discussed earlier

3. Other current liabilities

    Additional Line Items:

    1. Current maturities of long-term debt
    2. Current maturities of finance lease obligations
    3. Interest accrued and due on borrowings
    4. Interest accrued and but not due on borrowings
    5. Income received in advance
    6. Application money received for allotment of securities and due for refund and interest accrued thereon
    7. Unpaid Dividends
    8. Unpaid matured deposits and interest accrued thereon
    9. Unpaid matured debentures and interest accrued thereon
    10. Other payables (specify nature)

Non Current Assets

(i) Tangible Assets

a. • The company shall disclose the following in the Notes to Accounts.

i. Land
ii. Building
iii. Plant and Equipment
iv. Furniture and Fixture
v. Vehicle

vi. Office Equipment (new line item has been introduced)
vii. Others (Specifying Nature)
viii. Assets under lease shall be separately specified under each class of asset
   1. Asset given on operating lease in the case of lessee
   2. Asset held under finance lease in the case of lessor
ix. 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
x. Adjustments and the related depreciation and impairment losses/reversals shall be disclosed separately.

b. 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.
c. 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.
d. Other adjustments
   i. capitalization of exchange differences and / or borrowing
   ii. cost capitalized as per AS 16 “Borrowing Costs.”
e. Conflict between AS 10 and Revised schedule VI disclosure requirement – revalued assets:
   i. AS 10 “Accounting for fixed assets” also requires a company to disclose details such as gross book value of fixed 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 company.
   ii. However, as per revised schedule VI, it is clearly mentioned that disclosure requirements of the accounting standards are in addition to disclosures required under the schedule. Hence, details as per AS 10 have to be given.

Synopsis of special points in Revised Schedule VI relating to Tangible assets

- Office equipment is a new category. Live stock, railway sidings etc deleted. But should be disclosed if they exist.
- Assets under lease shall be separately specified under each class of asset.
- Impact of acquisition through business combination and impairment (or reversal of impairment) has to be separately disclosed.

Intangible assets

This is a new category, specifically provided with sub-classification in the notes to accounts as below:

- Goodwill
- Brands/trademarks
- Computer Software
- Mastheads and publishing titles
- Mining rights
- Copyrights, and patents and other intellectual property rights, services and operating rights.
- Recipes, formulae, models, designs and prototypes

- Licenses and franchise
- Others (specify nature).

Note: Other requirements are similar to those relating to Tangible Assets.

Capital Work-In-Progress

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

Intangible Assets under Development

Intangible Assets under Development should be disclosed under this head provided they can be recognized based on the criteria laid down in AS 26 “Intangible Assets”.

(b) Non-Current Investments

Non-current investment shall be classified as trade investments and other investments and further classified as:

(ii) Investment in property
(iii) Investment in Equity Instruments
(iv) Investment in preference shares
(v) Investment in Government or trust securities
(vi) Investment in debentures or bonds
(vii) Investment in Mutual Funds
(viii) Investment in Partnership firms
(ix) Other non-current investments (specifying nature).

Under above each classification, details shall be given

(i) of the names of body corporate in whom investments have been made (indicating separately for subsidiaries, associates, joint ventures or controlled special purpose entities)
(ii) and the nature and extent of the investments so made (showing separately investments which are partly paid)- number and face value
(iii) in regard to Investment in Capital of Partnership firms, the name of the firms (with name of all their partners, total capital and the share of each partner) shall be given.
(iv) Issues for discussion- Should and LLP be shown under “Investments in partnership firms?
    a. No- since LLP is not a body corporate
(v) The following shall also be disclosed:
(vi) Aggregate amount of quoted investment and market value there of;
(vii) Aggregate amount of unquoted investment;
(viii) Aggregate provision for diminution in value of investment. (AS 13 - value of each LT investment should be carried at cost less provision – Provision netted off to be disclosed.)
(ix) Investments carried at other than at cost should be separately stated specifying the basis of valuation
(x) Basis of valuation – One of the three
    a. At cost
    b. At cost less provision for other than temporary diminution
    c. Lower of cost and fair value

    Format

Sl No	Name of The Body Corporate	Subsidiary/ Associate/JV/ Controlled Entity/Others	No.ofShares/ Units (Current yr , previous yr)	Quoted / Unquoted	Partly Paid/ Fully paid	Extent of Holding(%)	Amount (`)	Basis of Valua-tion

Format for investments in partnership firms

Name of the Partners	Share of Capital
Partner1	
Partner2	
Total	

Long term Loans and advances

(i) Long term loans and advances shall be classified as:
   a. Capital advances;
   b. Security deposit;
   c. Loans and advances to related parties;
   d. Other loans and advances (nature to be specified)

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

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

(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.

(v) Whether capital advances also need to be bifurcated between non-current and current categories? – yes depending on 12 months criteria

(vi) Loans and advances given to related parties need to be disclosed as per the norms specified in AS 18 "Related party disclosures"

(vii) Other loans and advances should include all other items in the nature of advances recoverable in cash or kind (e.g. prepaid expenses, advance tax, etc)

Other non-current assets

(i) Other non-current assets shall be classified as:
   a. Long-term trade receivables (Including trade receivables on the deferred credit terms).
   b. Others (specify nature)

(ii) In the case of long-term trade receivables, shall be sub-classified as:
   a. Secured considered good
   b. Unsecured considered good and

c. Doubtful.
d. Note: Allowance for bad and doubtful debts shall be disclosed.

Current Assets

(a) Current Investments

Current investments shall be classified as:

1. Investments in Equity Instruments;
2. Investment in Preference Shares
3. Investments in government or trust securities;
4. Investments in debentures or bonds;
5. Investments in Mutual Funds;
6. Investments in partnership firms
7. Other investments (specify nature).

- Under above each classification, details shall be given of the names of body corporate in whom investments have been made (indicating separately for subsidiaries, associates, joint ventures or controlled special purpose entities) and the nature and extent of the investments so made (showing separately investments which are partly paid) in regard to Investment in Capital of Partnership firms, the name of the firms (with name of all their partners, total capital and the share of each partner) shall be given
- • The following shall also be disclosed:
  - The basis of valuation of individual investments
  - Aggregate amount of quoted investment and market value there of
  - Aggregate amount of unquoted investment
  - Aggregate provision for diminution in value of investment
- Trade and Non trade classification is not required
- Aggregate of provision for diminution – write downs under AS 13

(b) Inventories

CLASSIFICATION : Revised

1. Raw materials
2. Work-in-progress
3. Finished goods
4. Stock-in-trade
5. Stores and spares
6. Loose Tools
7. Others
8. **Goods-in-transit shall be disclosed under the relevant sub-head of inventories.**
9. **Mode of valuation shall be stated.**

(c)Trade receivables

1. 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.

2. Aggregate amount of Trade receivables outstanding for a period exceeding six months from the date they are due for payment should be separately stated. (as per old schedule VI, the outstanding was based on the billing date)
3. Trade receivables shall be sub-classified as:
    a. Secured, considered good
    b. Unsecured, considered good
    c. Doubtful
4. Allowances for bad and doubtful debts shall be disclosed under the relevant heads separately.
5. Debts 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.
6. As per revised schedule VI, 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
7. Items to be classified under "***Other Trade Receivables***"
    a. Dues in respect of contractual obligations cannot be grouped under trade receivables.

    Examples: Insurance claims, sale of fixed assets, expenses reimbursable, Interest accrued on trade receivables.

(d) Cash and cash equivalents (Erstwhile terminology "Cash and Bank Balances")

- Cash and cash equivalents shall be classified as:
    - Balances with banks
    - Cheques, drafts on hand
    - Cash on hand
    - Others (specify nature)
- Earmarked balances with banks (e.g. unpaid dividend) shall be separately stated.
- Balances with banks to the extent held as margin money or security against the borrowings, guarantees, other commitments shall be disclosed separately.
- Repatriation restrictions, if any, in respect of cash and bank balances shall be separately stated.
- Bank deposits with more than twelve months maturity shall be disclosed separately.
- Items covered under AS 3
    - Cash = cash on hand and demand deposits with bank.
    - Cash equivalents are defined as short term, highly liquid investments that are readily convertible into known amount of cash and which are subject to insignificant risk of changes in value. Normally, deposits with original maturity of three months or less only should be classified as cash equivalents.
- As per Revised Schedule VI, the term should be classified two sub-headings
    - Cash and cash equivalents‟ as per AS-3 and
    - Other bank balances.
- All unutilised 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.
- <u>*Non current portion of the balances – disclosed separately under "other non current assets".*</u>

Short term loans and advances

- Loans and advances to related parties (giving details thereof);
- Other loans and advances (specify nature).
- Sub classification :

  - Secured, considered good;
  - Unsecured, considered good;
  - Doubtful.
- Allowance for bad and doubtful loans and advances shall be disclosed under the relevant heads separately.
- 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.

Other current assets

This is an all-inclusive heading, which incorporates current assets that do not fit into any other asset categories.

Examples:

- Unbilled revenue
- Unamortised premium on forward contracts.

Capital and Other Commitments

- Old Schedule VI- - details of only capital commitments
- Revised Schedule VI- details of capital and other commitments-
- Inference – "commitments‟ – future liability for contractual expenditure.
- LT contracts for purchase of raw materials, employee contracts, lease commitments, investments, sales etc required

Commitments for Buy back arrangements, to fund subsidiaries & associates, Non disposal of investments in subsidiaries/ undertakings, derivative related etc – to disclose.

Disclosure of contingent liabilities

1. Claims against the company not acknowledged as debt
2. Guarantees
   a. Guarantees given to another person on behalf of a third party - guarantee to a bank on behalf of subsidiary
   b. Counter guarantee – undertaking to perform its own obligations – customary – guarantee by banker to foreign supplier and counter guarantee by company to bank
   c. Counter guarantees – not to be disclosed as guarantee – undertaking to perform what is in any event the obligation of the company.
   d. Other money for which the company is contingently liable

Statement of Profit and Loss

	Notes	31 March 2012 ` millions	31 March 2011 ` millions
Continuing operations			
Income			
Revenue from operations (gross)			
Less: excise duty			
Revenue from operations (net)			
Other income			
Total revenue (I)			
Expenses			
Cost of raw material and components consumed			
Purchase of traded goods			
(Increase)/ decrease in inventories of finished goods, work-in-progress and traded goods			
Employee benefits expense			
Other expenses			
Exceptional items			
Share of (profit)/ loss from investment in partnership firm			
Total (II)			
Earnings before interest, tax, depreciation and amortization (EBITDA) (I) – (II)			
Depreciation and amortization expense			
(Less): recoupment from revaluation reserve			
Net depreciation and amortization expense			
Finance costs			
Profit/(loss) before tax			
Tax expenses			
Current tax			
Deferred tax			
Total tax expense			
Profit/(loss) for the year from continuing operations (A)			
Discontinuing operations			
Profit/(loss) before tax from discontinuing operations			
Tax expense of discontinuing operations			
Profit/(loss) after tax from discontinuing operations (B)			
Profit/(loss) for the year (A+B)			

	Notes	31 March 2012 ` millions	31 March 2011 ` millions
Earnings per equity share [nominal value of share `10 (31 March 2011: `10]			
Basic			
Computed on the basis of profit from continuing operations			
Computed on the basis of total profit for the year			
Diluted			
Computed on the basis of profit from continuing operations			
Computed on the basis of total profit for the year			
Summary of significant accounting policies			

Revenue from Operations

Explanations to revised Schedule VI

The aggregate of Revenue from Operations needs to be disclosed on the face of the Statement of Profit and Loss.

Revenue from Operations

• Operating revenue is not defined in revised schedule VI, however it includes revenue generated by the entity from its Operating activities which may be Principal or Ancillary activities.

Revenue from Operations is to be separately disclosed in the notes.

- Sale of Product
- Sale of Services
- Other Operating Revenue
  - Less : Excise Duty

• VAT should not be recorded as revenue of the enterprise and payment of VAT should not be considered as an expense. Its just a pass through.

How to distinguish between operating revenue and other income?

I. Facts of the case
II. Understanding of the company's activities

Example 1:

A company is engaged mainly in the Pharma industry and also has one real estate arm. The real estate arm is engaged in leasing of real estate properties. How should the rent on leasing of real estate be presented in the accounts?

- Not main activity

- Ancillary activity – Other operating income

Example 2:

A company is engaged in the manufacture of "Textile - finished garments". The company operates from a 5 storey building. In view of the recession it has scaled down its operation and therefore does not require 1 floor for its operations. The floor has been let out on rent. How should the rent on leasing of a floor be presented in the accounts?

- Not main activity
- Not Ancillary activity
- Other income

Example 3:

A company has sold 2 of its machineries during the year and has earned a profit of Rs. 20 lakhs. How should the profit on sale be reflected in the accounts?

- Not an operating activity
- Other income

Example 4:

A company uses iron sheets as its raw material. The company generates scrap in the course of its manufacturing activity, which is sold in the market. The realisation out of sale of scrap during the year was Rs. 75 lakhs. How should the same be reflected in the accounts?

- Arising from operations
- Other operating income

Example 5:

A company exports its entire products to European countries and earns its revenue in foreign exchange. The company's trial balance shows net forex gain of Rs. 4.50 crores for the year. How should this gain be reflected in the accounts?

- Not an operating activity
- Purely because of forex movements- Global factors
- Other income.

Revenue from Operations for finance company

Revenue from operations shall include revenue from,

- Interest
- Other financial services

Revenue under each head above is to be disclosed separately by way of Notes to Accounts to the extent applicable

Other Income

I. Interest Income,(Other than Finance Company)
II. Dividend from Subsidiary
III. Dividend Income
IV. Net gain (net of loss) on sale of Investment.
V. Other non operating income (net of expenses directly attributable to such income)

VI. Adjustments to the carrying value of Investments (write back)
VII. Net gain/loss on foreign currency translations and transactions (Other than that considered as finance cost)

Expenses

Disclosures related to Expenses

Classification of expenses - Based on nature of expenses, rather than function

I. Cost of Material Consumed
- applicable to manufacturing companies
- Raw materials, intermediates, components
- Raw materials – which physically enter the composition of the FG – stores, fuel and spare parts are therefore to be excluded.
- Actual Vs derived consumption, need for note.

II. Purchase of Stock-in-Trade – intention to resell or trade in.
III. Changes in inventories of finished goods, work-in-progress and stock-in-trade – separately for each
IV. Employee Benefits Expense
- Salaries and wages
- Including payment to directors (whole time/ part time employment)
- Bonus
- Leave encashment etc.,
- Contribution to provident and other funds
- Expense on Employee Stock Option Scheme (ESOP) and Employee Stock Purchase Plan (ESPP)
- Staff welfare expenses.

V. Finance Costs
- Interest expense
  i. Interest expense on finance leases.
  ii. No disclosure for fixed loans, other loans.
- Other borrowing costs
  i. Commitment charges
  ii. Loan processing charges
  iii. Discounts/premium on borrowings and amortization
  iv. Guarantee charges
- Net gain/loss on foreign currency transactions and translation As per para 4 (e) of AS 16 – that attributable to borrowing cost which needs to be charged off

VI. Other Expenses to be separately disclosed
- Depreciation and amortization expense
- ***Any item of income or expenditure which exceeds 1% of the revenue from operations or Rs.1,00,000, whichever is higher***
- Consumption of stores and spares
- Power and fuel
- Rent
- Repairs to buildings
- Repairs to machinery
- Insurance

- Rates and taxes, excluding taxes on income
- Miscellaneous expenses
- Payments to the auditor as
    i. auditor,
    ii. for taxation matters,
    iii. for company law matters,
    iv. for management services,
    v. for other services,
    vi. for reimbursement of expenses
- Prior period items - AS 5
- • Subsidiary companies:
    i. Dividends from subsidiary companies.
    ii. Provisions for losses of subsidiary companies – AS 13 – only when diminution is other than temporary.

Exceptional and Extra-ordinary Items

Exceptional Items -As defined under AS 5

I. Exceptional items arise from ordinary activity and are of such size, nature or incidence that their disclosure is relevant to explain the performance of the enterprise for the period.
    a. Write down of inventories/ write back
    b. Disposal of fixed assets
    c. Disposal of long-term investments
    d. Legislative changes – retrospective effect
    e. Litigation settlements

Extra ordinary items – As defined under AS 5

I. Earth quake losses
II. Fire accidents etc

Taxes

To be bifurcated into

1. Current tax
2. Deferred tax

- Presentation for MAT should be as per guidance note issued by ICAI
- Interest on shortfall in payment of advance tax should be classified under finance cost as interest expense
- Penalties levied under income tax should be classified under other expenses
- Wealth tax to be grouped under Rates and taxes
- Excess/short provision of current tax relating to earlier years should be separately disclosed

Proposed Dividend (Very critical issue)

1. **As per Old-Schedule VI- Provided for and presented under the head "Provisions"**
2. **As per Revised Schedule VI, disclosure is required to be given in notes (not provisioning).**
3. Para 8.5 of AS 4 "There are events which, although they take place after the balance sheet date, are sometimes reflected in the financial statements **because of statutory requirements** (***like Old Schedule VI***) or because of their special nature. Such items include the amount of dividend proposed or declared by the enterprise after the balance sheet date in respect of the period covered by the financial statements".
4. Since the very statutory requirement is revised in the new format of Schedule VI, there is a school of thought that dividend need not be provided for.
5. But ICAI, in its guidance note on Revised Schedule VI, indicated that
    1. Since 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.
    2. 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
    3. So, pending amendment to AS 4, Dividend shall be provided for. Once the amendment is affected, then Revised Schedule VI requirements of mere "Disclosure" shall be followed.

Additional Disclosure Requirements In Notes

- Disclosure relating to utilization of money raised through issue for specific purpose
- In the opinion of the Board, disclosure for all assets other than fixed assets and noncurrent investments which have a realizable value different from the amount at which it is stated should be disclosed