Notes on

Revised Schedule VI

By

Niraj Thapa

Tniraj20@gmail.com
https://plus.google.com/+NirajThapaNirajThapa
Nirajlearning.blogspot.in

This article is an approach for giving the information about the Revised Schedule VI. I hope this discussion will be helpful among the readers and my friends.
List of important changes that are incorporated in in the format of Balance Sheet & St. of PL under revised schedule VI are:

Effective from 1st April, 2011

Changes in respect of Balance Sheet:

- Accounting Standards will prevail over the Schedules, the authority order followed shall be as:
  Accounting Standard of NACAS
  Companies Act
  Revised Schedule VI

- The terminologies used in Revised Schedule VI will carry the meaning as defined by the applicable Accounting Standards.
- Revised Schedule VI has eliminated the concept of 'schedules' now notes to accounts shall be prepared, i.e. "Schedule No." shall be replaced by "Notes No."
- Rounding off requirements
- Shareholding of more than 5% shares in the company now needs to be disclosed.
- Share allotments for non-cash consideration, buy back to be disclosed.
- Vertical format of balance sheet is only allowed, a company will not have option to use horizontal format for presentation of financial statements.
- Amount of shareholder's fund should include debit balance of PL if any; consequently the said item can be negative.
  [*In pre- revised Sch. VI 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*.]
- Source of Funds has been replaced with Equity & Liabilities.
- Application of Funds is now Assets.
- Disclosure of share Application money.
- Now current liabilities are not shown as deduction from current assets, CL are shown separately under Equity & Liabilities side.
- There is no separate place for showing miscellaneous Expenditure.
  [*In revised format companies cannot disclose miscellaneous expenditures/deferred revenue expenditure due to which the entire amount should be written off in PL Statement in the same year.*]
- **Classification of assets & liabilities into the category of current & non-current**
- **Concept of operating cycle introduced**
- Tangible Assets under lease are required to be separately specified under each class of asset.
- Separate heads to be presented for:
  - Money received against share warrants
  - Intangible assets
  - Intangible assets under development
  - Cash & cash equivalents
- Fixed Assets to be disclosed under separate schedules of Tangible and Intangible

Changes in respect of Statement of Profit & Loss:

- The old schedule VI did not prescribe any format of Profit & Loss Account, but the new one prescribes a format for disclosing various items of Incomes & Expenditures
- P & L Account has been replaced with the new name "Statement of Profit and Loss"
- Any item of income or expense which exceeds 1% of the revenue from operations or Rs.100,000 whichever is higher, needs to be disclosed separately
  [*Previously the separate disclosure was for 1 % of total revenue or Rs.5,000*]
- The classification of expenses is based on their nature and not on their function.
- Revised format of P&L account does not list any appropriation on its face as below the line adjustments i.e. bonus shares, dividend and transfer to/from reserves are to be presented under 'Reserves and Surplus' in the balance sheet. Amount set aside/proposed to be set aside needs to be disclosed as additional information in the notes.
- Exceptional, extraordinary and prior period items to be disclosed separately on the face of P&L account.
- The Revised Schedule VI requires a company other than a finance company to disclose breakup of revenue by way of a note as:
  – Sale of products
  – Sale of services
  – Other operating revenues
  – Less excise duty

  Breakup of other income by way of a note as:
  – Interest income (other than a finance company)
  – Dividend income (dividend from subsidiary to be shown separately), principles of AS 9 to be followed
  – Net gain/loss on sale of investments
  – Other non-operating income (net of expenses directly attributable)
- 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
- Employee Benefits expense should be disclosed separately as:
  – Salaries and wages
  – Contribution to provident and other funds
  – Expense on ESOP and ESPP
  – Staff welfare expenses
- Finance Cost to be classified as
  -Interest expense
  -Other Borrowing Cost &
  -Gain/loss on foreign currency transaction & translation.

Format of balance sheet under revised schedule VI:

BALANCE SHEET

Balance Sheet as at ____/____/_____

Particulars	Note No.	Figures as at the end of current reporting period	Figures as at the end of previous reporting period
1	2	3	4
I. EQUITY AND LIABILITIES			
(1) Shareholder's Funds			
(a) Share Capital		xxxx	xxxx
(b) Reserves and Surplus		xxxx	xxxx
(c) Money received against share warrants		xxxx	xxxx
(2) Share application money pending allotment		xxxx	xxxx
(3) Non-Current Liabilities			
(a) Long-term borrowings		xxxx	xxxx
(b) Deferred tax liabilities (Net)		xxxx	xxxx
(c) Other Long term liabilities		xxxx	xxxx
(d) Long term provisions		xxxx	xxxx
(4) Current Liabilities			
(a) Short-term borrowings		xxxx	xxxx
(b) Trade payables		xxxx	xxxx
(c) Other current liabilities		xxxx	xxxx
(d) Short-term provisions		xxxx	xxxx
Total		xxxx	xxxx
II.ASSETS			
(1) Non-current assets			
(a) Fixed assets			
(i) Tangible assets		xxxx	xxxx
(ii) Intangible assets		xxxx	xxxx
(iii) Capital work-in-progress		xxxx	xxxx
(iv) Intangible assets under development		xxxx	xxxx
(b) Non-current investments		xxxx	xxxx
(c) Deferred tax assets (net)		xxxx	xxxx
(d) Long term loans and advances		xxxx	xxxx
(e) Other non-current assets		xxxx	xxxx
(2) Current assets			
(a) Current investments		xxxx	xxxx
(b) Inventories		xxxx	xxxx
(c) Trade receivables		xxxx	xxxx
(d) Cash and cash equivalents		xxxx	xxxx
(e) Short-term loans and advances		xxxx	xxxx
(f) Other current assets		xxxx	xxxx
Total		xxxx	xxxx

STATEMENT OF PROFIT AND LOSS

Profit and Loss statement for the year ended __/__/__

Particulars	Note No	Figures as at the end of current reporting period	Figures as at the end of previous reporting period
1	2	3	4
I. Revenue from operations		xxxx	xxxx
II. Other Income		xxxx	xxxx
III. Total Revenue (I +II)		**xxxx**	**xxxx**
IV. Expenses:			
(a) Cost of materials consumed		xxxx	xxxx
(b) Purchase of Stock-in-Trade		xxxx	xxxx
(c) Changes in inventories of finished goods, work-in-progress and Stock-in-Trade		xxxx	xxxx
(d) Employee benefit expense		xxxx	xxxx
(e) Financial costs		xxxx	xxxx
(f) Depreciation and amortization expense		xxxx	xxxx
(g) Other expenses		xxxx	xxxx
Total Expenses		**xxxx**	**xxxx**
V. Profit before exceptional and extraordinary items and tax	(III - IV)	xxxx	xxxx
VI. Exceptional Items		xxxx	xxxx
VII. Profit before extraordinary items and tax (V - VI)		xxxx	xxxx
VIII. Extraordinary Items		xxxx	xxxx
IX. Profit before tax (VII - VIII)		xxxx	xxxx
X. Tax expense:			
(1) Current tax		xxxx	xxxx
(2) Deferred tax		xxxx	xxxx
XI. Profit(Loss) from the period from continuing operations	(VII-VIII)	xxxx	xxxx
XII. Profit/(Loss) from discontinuing operations		xxxx	xxxx
XIII. Tax expense of discounting operations		xxxx	xxxx
XIV. Profit/(Loss) from Discontinuing operations (XII - XIII)		xxxx	xxxx
XV. Profit/(Loss) for the period (XI + XIV)		**xxxx**	**xxxx**
XVI. Earning per equity share:			
(1) Basic		xxxx	xxxx
(2) Diluted		xxxx	xxxx

Current Assets at Glance

Current Investments

- Equity Instruments
- PSC
- Govt./Trust Securities
- Debentures/Bonds
- Partnership Firms
- Others

Inventories

- Raw Materials
- WIP
- Finished Goods
- Stock in Trade
- Stores & Spares
- Loose Tools
- Others
- Goods In Transit

(Valuation Method to be specified)

Trade Receivables

- Receivables o/s exceeding 6 months
- Receivables o/s less than 6 months

Classification as:

- Secured(Good)
- Unsecured (Good)
- Doubtful

- Amount due by Directors or any Officers of the Company.

Cash &Cash Equivalents

- Cash at Bank
- Cash in Hand
- Cheque, Drafts
- Others (if any)

Short Term Loans & Advances

- Loads & Advances to related parties
- Others

Classification as

- Secured (Good)
- Unsecured(Good)
- Doubtful

Other Current Assets

(Assets not falling Under above mentio--ned categories, such as)

- Interest Accrued on Investments
- Unbilled Revenue
- Rewards from Govt. Auth.

Current Liabilities at a Glance

Short Term Borrowings

- Loan Payable on Demands:
  - From Banks
  - From Other Parties
- Loans & Advances from related parties
- Deposits
- Other Loans & Advances (Specify nature)

Classification as: Secured & Unsecured along with securities furnished

Trade Payables

A payable shall be classified as 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.

E.g.: Creditors, Bills Payables, Expenses Payable, etc.

Other Current Liabilities

- Current maturities of Long term Debt.
- Current maturities of finance lease obligations
- Interest accrued but not due on borrowings
- Unpaid matured deposits & interest accrued there on
- Unmatured debentures & interest accrued thereon
  - Application money received for allotment of securities & due for refund and interest accrued thereon

Short Term Provisions

- Provisions for employee benefits
- Others (if any)

Let us continue towards our discussion:

I. Definition of current assets:

An asset is classified as a current asset if and only if any of the following conditions are satisfied:

1st Condition: It is expected to be settled/realized in company's normal operating cycle; (OR)
2nd Condition: It is held primarily for the purpose of being traded; (OR)
3rd Condition: it is expected to be settled within 12 months **after the reporting date** (i.e. the Balance Sheet date); (OR)
4th Condition: It is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

As per the revised schedule VI, current assets need to be shown under the following heads on the face of the Balance Sheet:

i) Current Investments
ii) Inventories
iii) Trade Receivables
iv) Cash & Cash Equivalents
v) Short term Loans & Advances
vi) Other Current Assets

A finance lease receivable upto 12 months
Loans receivable with specific interest upto 12 months
Investments held primarily for the trading purpose

Current Assets

Negative definition of non-current assets have been introduced-"assets not classified as current are non-current."

Concept of Operating Cycle:

Operating cycle is the time between the acquisition of assets for processing & their realization in cash and cash equivalents.
In case there arises any problems/difficulty in identifying the operating cycle, it should be assumed to be of 12 months duration, however, it should not be misunderstood that the duration of operating cycle doesn't exceed 12 months.
It is obvious that the period of operating cycle will be different for various entities. Thus, there is no bar in revised schedule VI for a company to have multiple operating cycles.

Operating cycle of business:	
Average holding period of raw materials	xxxx
Average holding period of WIP	xxxx
Average holding period of Finished Goods	xxxx
Average holding period of Debtor	xxxx
Total	xxxx

*Note: Credit period will not be deducted.

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. As a result of which amounts due on account of other contractual obligations, which were earlier included in the sundry debtors, can no longer be included in the trade receivables.

Previously, separate presentation of debtors (i) outstanding for a period exceeding 6 months (i.e., based on billing date) and (ii) other debtors, in a schedule to the balance sheet are to be disclosed. However, Revised Schedule VI prescribes the following disclosure for trade receivables only under the head 'current assets':
'Aggregate amount of trade receivables outstanding for a period exceeding six months from the date they are due for payment should be separately stated.'

Earmarked balances with banks (for example, for 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 12 months maturity shall be disclosed separately.

II. Definition of current Liabilities:

A liability shall be classified as current when it satisfies any of the following criteria:
1st Condition: It is expected to be settled in the entity's normal operating cycle (OR)
2nd Condition: It is held primarily for the purpose of being traded (OR)
3rd Condition: It is due to be settled within twelve months after the reporting date (OR)
4th Condition: The entity 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.

Current Liabilities need to be shown under the following heads on the face of B/S:
i) Short-term borrowings
ii) Trade payables
iii) Other current liabilities
iv) Short-term provisions

All other liabilities shall be classified as non-current.

III. Non- Current Assets:

(Definition- explained above with current assets definition)

1) Tangible Assets

a. Land
b. Building
c. Plant & Equipment
d. Furniture & Fixtures
e. Vehicles
f. Equipment (Office)
g. Others
h. Assets on lease shall be separately shown.

Note: A reconciliation of gross and net carrying amount of each class of asset at the beginning & at the end of the reporting period showing additions, disposals, acquisitions through amalgamations, impairment loss & depreciation needs to be prepared.

2) Intangible Assets

a. Goodwill
b. Brands/Trade mark
c. Computer software
d. Mining rights
e. Copy rights and patents
f. Recipes, formulas, models, designs
g. License and franchise
h. Others

Note: A reconciliation statement showing gross and net carrying amount for each asset at the beginning and end showing additions, disposals, acquisition through business acquisitions, amortization or impairment loss need to be prepared.

3) Long Term Investments

If any investment is expected to be sold after 12 months from reporting date then such an investment should be classified under the heading of Non-Current Assets.

a. Investment properties
b. Equity instruments
c. Pref. shares
d. Govt. securities
e. Debentures & bonds
f. Mutual funds
g. Others

Note: (a) Under each classification details shall be given of names in whom investments have been made.
(b) Quoted and unquoted investments to be disclosed.

4) Deferred Tax Assets: It is always Non-Current Asset. [AS-22]

5) Long Term Advances & Others

a. Security deposits
b. Long term receivables
c. Loans and advances [recoverable after 12 months]
d. Others [recoverable after 12 months]

Good
Doubtful
Unsecured

IV. Non-Current Liabilities:

(Definition- explained above with current liability definition)

1) Long Term Borrowings

a. Bonds/debentures
b. Term loans
c. Long term finance lease obligations
d. Other loans

Note: These loans are required to be classified under secured and unsecured heading.

2) Long Term Provisions

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

3) Other long term obligations

Trade payables or any other amount which is payable after 12 months.

4) Deferred Tax Liabilities: It is always non-current. [AS-22]

V. Shareholders' Fund:

[Disclosure Required]

a. The number and amount of shares authorized
b. The number of shares issued, subscribed and paid up.
c. A reconciliation of number of shares outstanding at the beginning and at the end of the reporting period.
d. Shares in the company held by each shareholder holding more than 5% shares.
e. Shares reserved for issue under options and contracts for the sale of shares
f. Terms of securities convertible into equity or preference along with earliest date of conversion in 'Descending Order'.
g. Calls unpaid and forfeited shares.

VI. Share Application Money Pending Allotment:

As per the requirement of revised sch. VI, companies need to disclose the share application money pending allotment separately.

Note: a. It should not be presented with shareholders' fund.
b. Only the amount which is not due for refund should be shown under this head.
c. The amount which is due for refund should be shown under 'other current liabilities' along with interest accrued thereon.

This article is contributed by Niraj Thapa, a CA-Final Student currently doing article ship in a Delhi based CA Firm. He may be reached at tniraj20@gmail.com

This article has been written for learning purpose after studying various books and notes and due care have been taken into consideration that the content presented above do not violate the opinion of any writers.