Financial Statement Presentation under Revised Schedule VI and the Existing Schedule VI of the Companies Act

The revised Schedule VI, as notified by Government of India through its gazette dated 28th February, 2011 is effective from 01-04-2011 i.e. from FY 2011-2012 onwards. The revised Schedule VI format is applicable to companies both covered under IGAAP and Ind-AS (Converged IFRS). It has plethora of changes as compared to existing ones. The revised Schedule VI, fairly to an extent is drafted in an IFRS-compliant manner. Both in revised as well as existing Schedule VI, extraordinary and exceptional items are to be disclosed separately on the face of profit and loss account. But in IFRS there is nothing called as extraordinary and exceptional items. Though the revised Schedule VI is a better and bold step for India Inc to have a feel of their financials in IFRS way, it is for the time to tell how far we have achieved the objective. Read on to know more…

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Introduction

The revised Schedule VI, fairly to an extent is drafted in an IFRS-compliant manner. The paradigm shift between the revised Schedule VI and the existing Schedule VI is the Current, Non-current form of classification of Assets and Liabilities, which India Inc. must get used to. An Asset or Liabilities shall be classified as Current or Non-current based on its operating cycle. Where the normal operating cycle cannot be identified, it is assumed as 12 months.

Differences Between Revised Schedule VI and the Existing Schedule VI

Area of Differences	Revised Schedule VI	Existing Schedule VI
	Balance Sheet - Liabilities	
Share Capital	Reconciliation of number of shares issued at the beginning and at the end of reporting periods is required.	There is no such requirement.
	Rights, preferences and restrictions on each class of shares including restrictions on the distribution of dividends and the repayment of capital to be disclosed.	Option on un-issued share capital to be specified.
	Disclosure of shares held by each shareholder holding more than 5% shares specifying the number of shares held.	There is no such requirement.
	Disclosure of following details required for five years: i. Aggregate number and class of shares allotted as fully paid up pursuant to contracts without payment being received in cash. ii. Aggregate number and class of shares allotted as fully paid up by way of bonus shares. iii. Aggregate number and class of shares bought back.	Disclosure of details for point no. i and ii are required but not limited to five years. The Existing Schedule VI also requires disclosure of the source of bonus share issue which is not emphasised in revised Schedule VI.
Share Application Money Pending Allotment	Application Money received for allotment and due for refund and interest accrued thereon is disclosed as Other current liabilities. Share application money not exceeding issued capital and to the extent non-refundable shall be shown as Equity.	Disclosed as part of Shareholders' Fund.
	Detailed disclosure as regards to number of shares issued, the amount of premium, etc. shall be disclosed.	There is no such requirement.
Reserves and Surplus	Debit balance of Profit and Loss account shall be shown as a negative figure under the head "surplus". The balance shall be shown in Reserves and Surplus even if it is negative after the adjustment.	Debit balance in Profit and Loss account is shown on the asset side if negative or as a deduction from uncommitted reserves, if any.
	Surplus (i.e.) balance in Profit and Loss account shall disclose allocations and appropriations such as dividend and transfer to/from reserves.	Allocations and appropriations such as dividend and transfer to general reserves are shown 'below the line' in Profit and Loss account.

Area of Differences	Revised Schedule VI	Existing Schedule VI
Loan Funds	Loans are sub-classified into Long-term and Short-term borrowings and further to Secured and Unsecured portion.	Loans are sub-classified into Secured and Unsecured portion. Interest accrued and due on loans is shown as part of the loans.
	Loans and Advances from related parties are to be shown separately.	Loans and Advances from subsidiaries are to be shown separately.
	Loans guaranteed by directors and others shall be disclosed.	Loans guaranteed by directors and mangers shall be disclosed. Also, loan from directors and managers shall be shown separately.
	Period and amount of continuing default as on the balance sheet date in repayment of loans and interest shall be specified separately.	There is no such requirement in Schedule VI. CARO requires such disclosures.
Other Liabilities and Provisions	Classified into Other Long-Term Liabilities, Long-Term Provisions, Other Current Liabilities and Short-Term Provisions.	Classified into Current Liabilities and Provisions.
	'Trade payables' - This would cover amounts payable in respect of goods purchased or services received in the normal course of business. No further classification into MSME and non-MSME dues.	No such specific requirements. Sundry creditors dues are classified in to MSME and non-MSME with detailed disclosures about amount outstanding, interest paid, interest accrued but not paid, etc.
	Interest accrued and due & Interest accrued but not due on loans is shown as Other current liabilities.	Interest accrued but not due on loans is shown as current liabilities.
	The amount of dividend proposed to be distributed to equity and preference shareholders for the period and the related amount per share shall be disclosed separately.	There is no such requirement.

Area of Differences	Revised Schedule VI	Existing Schedule VI
	Balance Sheet – Assets	
Fixed Assets	Classified into Tangible and Intangible assets separately.	All Tangible and Intangible assets are shown as fixed assets.
Investments	Investments are classified into Non-current and Current investments. Under each classification, details shall be given of the name of body corporate viz. subsidiaries, associates, joint ventures, controlled special purpose entities separately.	Investments are classified into Long-Term and Current investments. Investment in shares, debentures and bonds of subsidiary company/bodies corporate under same management shall be disclosed separately.
	There is no such requirement.	Details of investments purchased and sold within the reporting period is required to be given.

Area of Differences	Revised Schedule VI	Existing Schedule VI
Other Assets, Loans and Advances	Classified into Long-Term Loans and Advances, Other Non-Current Assets, Inventories, Trade Receivables, Cash and Cash Equivalents, Short-Term Loans & Advances and Other Current Assets.	Classified into Current Assets, Loans and Advances.
	Debts due by directors or other officers of the company or any of them severally or jointly and due by firm or private company where director is a partner or director or member should be separately sated in all cases.	Apart from revised Schedule VI norms. Debts due from other companies under same management and the maximum amount due by directors or other officers of the company at any time during the year shall be disclosed.
	Capital Advances are to be disclosed under Long-term loans and advances.	Disclosed as part of Capital work-in-progress or Fixed assets.
	No separate disclosure for bank balance lying with Scheduled, Non-Scheduled banks and maximum amount outstanding.	Separate disclosure for bank balance lying with Scheduled banks, Non-Scheduled banks and maximum amount outstanding.
	There is no such requirement.	Bank balances - Nature of interest, if any, of any director or his relative other than in scheduled banks shall be disclosed.
	Repatriation restrictions, if any, in respect of cash and bank balances shall be separately stated.	There is no such requirement.
	Bank Deposits with more than 12 months maturity shall be disclosed separately.	There is no such requirement.
	Loans and advances to related parties giving the details thereof shall be disclosed separately.	Loans and advances to subsidiaries and to partnership firms in which any of the company or its subsidiaries is a partner shall be disclosed separately.

Area of Differences	Revised Schedule VI	Existing Schedule VI
	Profit and Loss Account	
Materiality	Any item of income or expenditure which exceeds 1% of revenue from operations or ₹100,000, whichever is higher shall be disclosed separately.	Any item of expense which exceeds 1% of total revenue or ₹5,000, whichever is higher shall be disclosed separately and not clubbed with Miscellaneous expenses.
Managerial Remuneration	No separate disclosure of amount paid to Managing Directors or Managers is required.	Separate and detailed disclosure of amount paid to Managing Directors or Managers is required.

Area of Differences	Revised Schedule VI	Existing Schedule VI
Employee benefit Expense	Information about expense on Employee Stock Option Scheme (ESOP) and Employee Stock Purchase Plan (ESPP) to be disclosed.	There is no such specific requirement.
Manufacturing and Trading Companies	In case of manufacturing and Trading companies, following to be disclosed: i) Raw material under broad heads. ii) Goods purchased under broad heads. iii) Goods traded by company under broad heads. Information about licensed, installed capacity and actual production for manufacturing companies need not be disclosed.	In case of manufacturing companies, raw material consumed, giving item-wise break-up and indicating quantities thereof. Opening and closing stock of goods produced, giving break-up of each class of goods and indicating the quantities thereof. All raw materials which account for 10% or more raw materials consumed shall be disclosed separately. In case of trading companies, the purchases, opening and closing stocks, giving break-up of each class of goods traded and the quantities thereof to be disclosed. The information about licensed, installed capacity and actual production for manufacturing companies to be disclosed by way of note.
Tax Deducted at Source (TDS)	There is no such specific requirement.	Information about TDS on operating income, interest income, etc. if any, to be disclosed.
Units of Measurement of Financial Statements		
	Turnover less than 100 crore – To the nearest hundreds, thousands, lakh or millions, or decimals thereof. *Turnover more than or equal to 100 crore* – To the nearest lakh, millions, or crore, or decimals thereof. Once, unit of measurement is used, it should be uniformly used in the financial statements, explicitly stated.	*Turnover less than 100 crore* – To the nearest hundreds or thousands, or decimals thereof. *Turnover more 100 crore but less than 500 crore* – To the nearest hundreds, thousands, lakh or millions, or decimals thereof. *Turnover more than 500 crore* - To the nearest hundreds, thousands, lakh, millions or crores, or decimals thereof.

Key Takeaways from Revised Schedule VI

- Information to be mandatorily presented on the face of the financial statements limited only to broad and significant items – details by way of notes.
- Part IV of the existing Schedule VI (balance sheet abstract and company's general business profile) dispensed with.
- Revised Schedule VI provides format of Profit and Loss account including disclosure of discontinuing operations has been prescribed.
- Schedules to balance sheet, Profit and Loss account and significant accounting policies should be disclosed by way of notes.

Conclusion

Though the revised Schedule VI is a better and bold step for India Inc. to have a feel of their financials in IFRS way, it is for the time to tell how far we have achieved the objective. ■