

New Schedule VI - An overview

MCA has recently replaced the existing schedule VI (as substituted by Companies Amendment Act 1960) with new one, vide **notification no. S.O. 447 (E), dated 28th February 2011** by central government through exercising powers conferred under **sub sec. (1) of sec. 641 of the companies act 1956**. There are several changes made in the presentation and disclosure requirements of financial statements, as per revised schedule VI. These changes are part of implementation of IFRS in India.

The **revised Schedule VI** shall apply to all the companies from **1st April 2011 onward** as per government notification no. **F.No.2/6/2008-C.L-V dated 30th march 2011**. So the companies have to prepare and present their financial statement in accordance with revised schedule VI from financial year 2011-12 onward.

- **Introduction**

The formats & contents of financial statements of a company are guided by **sec. 211** of The Companies Act 1956.

As per **sub sec. 1** of sec.211, **balance sheet** of a company must comply with following three requirements:-

- (a) State of affairs must give true & faire view at the end of financial year.
- (b) It must be in the form as given in Part – I of schedule VI or any other format approved by the central government (for specific cases).
- (c) General instructions followed in preparation of balance sheet should be shown as notes to account.

As per **sub sec. 2** of sec.211, **Profit & Loss A/c** of a company must comply with following requirements:-

- (a) It must present true & fair view of profit or loss of the company for the financial year.
- (b) Fulfill the requirement given in part II of schedule VI.

There was no any form of profit & loss is given in part II of schedule VI, so the companies have to fulfill only the requirement laid down in the act (as applicable to them).

Revised Schedule VI is considered as a step towards convergence to IFRS to some extent as regard to presentation of financial statements, as many features has been taken from these international standard, such as:

- **“No Statute can override the standards”** rule followed, by giving supremacy to Accounting Standard over schedule VI
- Definition of Current as well as non-current assets & liabilities is taken from **IAS 1**
- Revised schedule VI gives some minimum requirements for disclosure, this requirement is flexible also, which is guided by **IAS 1 “Presentation of Financial Statements”**
- Revised schedule also required **cross reference** of every item of the financial Statement to related information to the notes, which is also in agreement with **IAS 1**

- **Basic Overview & comparison of revised schedule VI with existing one**

- **Applicability :-** As discussed above, revised schedule VI shall made applicable to companies from Financial year 2011-12 onward vide MCA notification no. **F.No.2/6/2008-C.L-V dated 30th march 2011** subject to **the companies as referred to in the proviso to sec. 211(1) and sec.211 (2) of the companies act 1956** i.e. banking and insurance company or any other companies engaged in the generation or supply of electricity, or any other companies whose balance sheet & profit & loss Account has been specified under any other act, governing such class of company.

- **Contents :-** we can summaries the **content of revised schedule VI** in following manner.

▪ **General Instruction**

- (a) While vertical and horizontal forms of presentation are allowed under old schedule VI, only vertical form is allowed under revised schedule.
- (b) Once a measurement unit is used it should be used uniformly in the financial statements.
- (c) Depending upon turnover of company, the figures appearing in the financial Statements **may be** rounded off as follow:
 - **If turnover is less than 100 Crores** => Figures are rounded to the nearest hundred, thousand, lakhs, or millions, or decimals thereof.
 - **If turnover is less than or equal to 100 Crores** => Figures are rounded to the nearest lakhs, millions or crores, or decimals thereof
- (d) Disclosure requirements specified in **Part I** and **Part II**, of the revised schedule are in addition to and not in substitution of disclosure requirements specified in the Accounting standards

▪ **Part – I, Form of Balance Sheet**

Name of the company: _____

Balance Sheet as at: _____

(Rupees In: _____)

	Particular	Note No.	Figures as at the end of current reporting period	Figures as at the end of the previous reporting period
	1	2	3	4
I	EQUITY AND LIABILITIES			
(1)	Shareholder's fund			
	(a) Share Capital			
	(b) Reserves & 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			
(1)	Non – Current Assets			
	(a) Fixed Assets (i) Tangible Assets (ii) Intangible Assets (iii) Capital Work – in – Progress (iv) Intangible Assets Under Development (b) Non – Current Investment (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 & Cash Equivalent (e) Short – Term Loans and Advances (f) Other Current Assets			
	Total			

Instruction for preparing balance sheet

✓ **Liabilities**

- (a) **“Source of fund”** has been replaced with **“Equity & Liabilities”**.
- (b) It is required to show in sub head a **share held more than 5%** in company along with number of shares.
- (c) Debit balance of Profit and Loss account shall be shown as negative figure under head surplus **(Reserve and Surplus)**.
- (d) Borrowings shall further be **Sub – Classified** as a Secured and Unsecured. Nature of security shall be specified separately in each case.
- (e) Liabilities will now broadly classify as a **current liabilities** and **non-current liabilities**.
- (f) **Other Long – Term Liabilities** shall be classified as
 - (i) **Trade Payables**, and
 - (ii) **Others**
- (g) **Deferred payment liabilities** and **loans & advances from related parties** to be shown separately under head **“long term Borrowings”**
- (h) Provisions to be classified as **“Short – Term”** or **“Long – Term”** provisions. Long – Term provisions shall be **sub – classified** as
 - (i) **Provision for employees Benefits**
 - (ii) **Others (Specify nature)**

✓ **Assets**

- (a) **“Application of Fund”** has been replaced with **“Assets”**.
- (b) **“Fixed Assets”** are sub-classified as **“Tangible”** and **“Non Tangible”**.
Tangible Assets include Land, Buildings, Plant and Equipments, Furniture & Fixtures, Vehicles, Office Equipments, etc. Assets under **lease** shall be **separately specified** under ***each class of assets***.
Intangible Assets include **Goodwill, Brand/Trade mark, Computer Software, Publishing Titles, Patents, copyrights, license and franchisees, Formulas, and other intellectual property rights, etc.**
- (c) **“Sundry Debtor”** is replaced with the name **“Trade Receivables”**.
 Aggregate amount of trade receivable outstanding for a period exceeding Six months from the due date should be separately stated.
“Trade Receivables” shall be further sub-classified as:
 a. Secured, Considered Good;
 b. Unsecured, Considered Good;
 c. Doubtful.
- (d) **“Cash and Bank Balances”** is now replaced with **“Cash & Cash Equivalents”**.
- (e) **“Good in transit”** shall be disclosed under the relevant **“Subhead of Inventories”**.
- (f) **“Miscellaneous Expenditures”** (to the extent not written off) shall be shown under head **“Other Current Assets”**.
- (g) Amount of proposed dividend and dividend per share will be disclosed separately.

▪ **Part –II, Form of Statement of Profit and Loss Account**

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 Previous Reporting Period
I	Revenue From Operation			XXX		XXX
II	Other Income			XXX		XXX
III	Total Revenue (I+II)			XXX		XXX
IV	Expenses: Cost of materials consumed Purchase of Stock-in-Trade Changes in inventories of Finished Goods work -in-progress and Stock-in-Trade Employees benefits expense Finance Costs			XXX XXX XXX		XXX XXX XXX

	Depreciation and amortization expense Other expenses					
	Total Expenses			XXX		XXX
V	Profit Before extraordinary items and tax (III-IV)			XXX		XXX
VI	Exceptional Items			XXX		XXX
VII	Profit Before extraordinary items and tax (V-VI)			XXX		XXX
VIII	Extraordinary Items			XXX		XXX
IX	Profit Before Tax (VII-VIII)					
X	Tax Expense: (1) Current Tax (2) Deferred Tax		XXX XXX		XXX XXX	
XI	Profit (Loss) for the period from continuing operations (VII-VIII)			XXX		XXX
XII	Profit & Loss from discontinuing Operation			XXX		XXX
XIII	Tax expense of discontinuing operations			XXX		XXX
XIV	Profit /(loss) from Discontinuing operations (after tax) (XII-XIII)			XXX		XXX
XV	Profit (loss) for the period (XI + XIV)			XXX		XXX
XVI	Earnings per equity share: (1) Basic (2) Diluted			XXX XXX		XXX XXX

Instruction for preparation of Profit & Loss account

(a) A new format has been issued for face reporting of Profit and Loss account.

(b) **“Revenue from Operation”** (in case of general companies) shall disclose separately in the notes as Revenue from

Sale of products	XXX
Sale of services	XXX
Other operating revenues	XXX
Less - excise duty.	(XX)

<u>Revenue from Operation</u>	<u>XXX</u>
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“Revenue from Operation” (in case of Finance companies) shall disclose separately in the notes as Revenue from

Interest	XXX
Other financial Services	XXX
<u>Revenue from Operation</u>	<u>XXX</u>

(c) Under the head **“Other Income”**, net gain/loss on foreign currency transaction & translation (other than finance cost) shall be disclosed separately. It also includes **interest income** (in case of a company other than finance companies), Dividend Income, Net Gain/Lesson sale of investments and other non – operative income

(d) Employee Benefit expense shall disclose additionally expenses on account of “ESOP”

(e) Following shall now be disclosed separately:

- Provision for loss of subsidiary companies
- Net Loss on sale of investments
- Details of Exceptional & Extraordinary items
- Prior period Items
- Adjustments to carrying amount of investments

Conclusion: Finally we can conclude that revised schedule VI is a right step taken in a right direction as supremacy has been given to accounting standards and companies act 1956, which helps in avoiding disputes and save time of legislature (*in making time to time amendments in schedule VI*).

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