Revised Schedule – VI

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Introduction

The Ministry of Corporate Affairs (MCA) has issued revised Schedule VI which lays down a new format for preparation and presentation of financial statements by Indian companies for financial years commencing on or after 1 April 2011. The pre-revised Schedule VI had been in existence for almost five decades without any major structural overhaul. In view of the drastic changes during this long period in economic philosophy and environment coupled with advancements in accounting principles and in global practices relating to corporate financial reporting, a major overhaul of the Schedule was overdue. In this context, introduction of the revised Schedule is indeed welcome.

An overview of revised Schedule VI

1. In revised Schedule VI no schedules required, all disclosures required to be made in notes to accounts. This is in line with the practices followed under IFRS (International Financial Reporting Standards). All information in the notes to accounts is required to be cross-referred to the items on the face of balance sheet/ profit and loss account.

2. Earlier requirement of Schedule VI were prevailing over Accounting Standards. Now the requirement of the Act and/or Accounting Standards will prevail over the Schedule VI.

3. Certain concepts such as current/non-current classification appears to be adopted from Ind-AS/IFRS, this will require companies to be familiarize themselves with Ind-AS/IFRS.

Key changes relating to balance sheet

1. Revised Schedule VI prescribes vertical format for presentation of balance sheet. Now option to prepare in horizontal form is closed.

2. Current and non-current classification has been introduced for presentation of assets and liabilities in the balance sheet. For example, current maturities of a long term borrowing will have to be classified under the head “Other Current Liabilities”.

3. Number of shares held by each shareholder holding more than 5% shares, now needs to be disclosed. Position of holding is to be taken on the date of balance sheet.

4. Details of class of shares allotted for consideration other than cash, bonus shares and shares bought back will be disclosed only is such an event occurred during a period of 5 years immediately preceding the balance sheet date.

5. Any debit balance in profit and loss account will be disclosed under the head "Reserves and Surplus". Earlier it was required to be shown on the asset side.

6. Share application money required specific disclosure. The amount in excess of subscription or if the requirement of minimum subscription are not met will be shown under "Other Current Liabilities".

7. The term "sundry debtor" has been replaced with the term "trade receivables". Amount due on account of contractual obligations can no longer be included in trade receivables. Trade receivables are defined as dues arises from goods sold or services rendered in the normal course of business.

8. The pre revised Schedule VI require separate presentation of debtors:
   (i) Outstanding for a period exceeding 6 months (i.e. based on billing date)
   (ii) Other debtors

   in a schedule to the balance sheet. However, the revised Schedule VI require separate disclosure of trade receivables outstanding for a period exceeding 6 months from the date become due for payment.

9. "Capital Advances" are now required to be shown separately under the head "Loans and Advances" rather than as a part of "Capital-In-Progress" or "Fixed Assets".

10. In revised Schedule VI all commitments needs to be disclosed. In pre revised Schedule VI details of only capital commitments were required to be disclosed.

11. The revised Schedule VI requires all defaults in repayment of loans and interest to be specified in each case. Earlier such disclosures were require only in Companies Auditor's Report Order (CARO) only for defaults in repayment of dues to a financial institution, banks and debenture holders.

Key changes relation to profit and loss account

1. Unlike the earlier version, revised Schedule VI lays down a format for the presentation of profit and loss account. The classification of expenses in based on their nature and not on their function.

2. In addition to specific disclosure prescribed in the profit and loss account, any item of income or expense which exceeds 1% of the revenue from operations or ₹ 1,00,000 whichever is higher, needs to be disclosed separately.

3. The pre revised Schedule VI requires the parent company to recognize dividends declare by subsidiary companies even after the date of balance sheet if they were prevailing for the period ending on or before the balance sheet date. Such requirement

is no longer exist in revised Schedule VI. Accordingly, as per *AS 9, Revenue Recognition,* dividends should be recognized as in income only when the right to receive dividends is established at the balance sheet date.

4. In respect of companies other than financial companies, revenue from operations needs to be disclosed separately as:
   (i) Sale of Products
   (ii) Sale of Services and
   (iii) Other Operating Revenue

5. Net exchange gain/loss on foreign currency borrowing to the extent considered as an adjustment to interest cost needs to be disclosed separately as a finance cost.

6. Break up in terms of qualitative disclosure of significant items of profit and loss account has been simplified and replaced with the disclosure of "broad heads" only. The broad heads needs to be decided on the basis of materiality and presentation of true and fair view of the financial statements.

Depending upon the turnover of the company, the figures appearing in the financial statements may be rounded off as below:

	Turnover	Rounding off
(i)	Less than one hundred crore rupee	To the nearest hundred, thousands, lakhs, or millions or decimal thereof.
(ii)	One hundred crore rupee or more	To the nearest, lakhs, millions or crores or decimal thereof

Now companies having very low turnover shall select a proper unit so that the financial statements give a true and fair view of the significance of the detailed items. Once a unit of measurement is used, it should be used uniformly in the financial statements including notes to accounts.

The requirement of giving balance sheet abstracts and general business profile contained in Part IV of pre revised Schedule VI is not carried forward in revised Schedule VI.

Format of balance sheet and profit and loss statement as per revised Schedule VI

PART 1

FORM OF BALANCE SHEET

Name of the Company……………………………

Balance Sheet as at…………………………………

(Rupees in……….)

Particulars	*Note No.*	*Figures at the end of current reporting period*	*Figures at the end of current reporting period*
1	2	3	4
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) Trade payables (c) Other current liabilities (d) Short-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 investment (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

FORM OF STATEMENT OF PROFIT AND LOSS

Name of the Company…………………………………

Profit and loss statement for the period…………………………

(Rupees in……………)

	Particulars	*Note No.*	*Figures at the end of current reporting period*	*Figures at the end of current reporting period*
I.	Revenue from operation		XXX	XXX
II.	Other incomes		XXX	XXX
III.	Total Revenue (I+II)		XXX	XXX
IV.	Expenses: Cost of material consumed Purchase of Stock-in-Trade Changes in inventories of finished goods, work-in-progress and Stock-in-Trade Employees Benefit Expense Finance Cost Depreciation and amortization expense Other expenses		 XXX XXX XXX XXX XXX XXX	XXX XXX XXX XXX XXX XXX XXX
	Total expenses		XXX	XXX
V.	Profit before exceptional and 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)		XXX	XXX
X.	Tax expense: (1) Current Tax (2) Deferred Tax		XXX	XXX
XI.	Profit (Loss) for the period from continuing operation (VII-VIII)*		XXX	XXX
XII.	Profit (Loss) from discontinuing operation		XXX	XXX
XIII.	Tax expense of discontinuing operation		XXX	XXX
XIV.	Profit (Loss) from discontinuing operation (after tax) (XII-XIII)		XXX	XXX
XV.	Profit (Loss) for the period (XI-XIV)		XXX	XXX
XVI.	Earning per equity share: (1) Basic (2) Diluted		XXX	XXX

See accompanying notes to the financial statements

*'VII-VIII' is incorrect reference. It should be read as 'IX-X-XIV'.

Disclosure for adoption of revised Schedule VI

For first time adoption of revised Schedule VI following disclosure is required in significant accounting policies:

1. **Summary of Significant Accounting Policies:**
   a. **Change in accounting policy:**
      Presentation and disclosure of financial statements: During the year ended 31st March, 2012 the revised Schedule VI notified under Companies Act, 1956 has become applicable to the company for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The company has also reclassified previous year figures in accordance with the requirements applicable in the current year.