DRAFT

SARAL SCHEDULE VI

FOR THE SMALL AND MEDIUM SIZED COMPANIES

TO THE COMPANIES ACT, 1956

INDEX

NOTE ON CONCEPT IN DRAFTING OF SARAL SCHEDULE VI

The Draft 'Saral Schedule VI' to the Companies Act, 1956 has been prepared on the following concept:

(a) To have a 'simple and user friendly' form of Schedule VI for Small and Medium Sized Companies (SMC).

(b) The Balance Sheet and the Statement of Profit and Loss of SMC's should not be burdened with too many disclosure requirements.

(c) To set out minimum disclosure requirements which are considered essential to ensure true and fair presentation of the financial position and financial performance of the company and comparability both with the company's previous periods and with other companies.

(d) To attain compatibility and convergence with the International Accounting Standards and practices.

(e) It is generally assumed that SMC's

   (i) will not have particularly complex transactions;
   (ii) do not have public accountability;
   (iii) do not hold assets in a fiduciary capacity for a broad group of outsiders;
   (iv) accountability is limited to owners and government authorities/agencies.

(f) The 'Users' and 'information needs' of the Users of financial statements of SMCs are limited.

METHOD ADOPTED IN DETERMINING THE FORM OF BALANCE SHEET AND STATEMENT OF PROFIT AND LOSS

I. BALANCE SHEET

1) Presentation is based upon :

   (a) The balanced format in which the sum of the amounts for liabilities and equity are added together to illustrate that assets equal liabilities plus equity.

   (b) The report form i.e. top to bottom or the vertical form.

2) Classification of assets and liabilities:

   (a) Classification is based upon current and non-current assets/liabilities method.

   (b) Similar nature of assets/liabilities are grouped into line items.

II. STATEMENT OF PROFIT AND LOSS

1) Presentation is based upon:

   Single step format i.e. Aggregate revenues less aggregate expenses method.

2) Classification of expenses is based upon:

   Nature of expense method-expenses are aggregated according to their nature and are not reallocated among various functions within the company.

SARAL SCHEDULE VI

GENERAL INSTURCTIONS FOR PREPARATION OF BALANCE SHEET AND STATEMENT OF PROFIT AND LOSS

I. GENERAL INSTRUCTIONS

1. This Schedule shall apply to 'Small and Medium Sized Companies' (SMC) as defined in Rule 2 (f) of Companies (Accounting Standards) Rules, 2006 i.e. which fulfill and satisfy the conditions mentioned hereunder as at the end of the relevant reporting period :

   (i) whose equity or debt securities are not listed or are not in the process of listing on any stock exchange, whether in India or outside India;

   (ii) which is not a bank, financial institution or an insurance company;

   (iii) whose turnover (excluding other income) does not exceed rupees fifty crore in the immediately preceding reporting period;

   (iv) which does not have borrowings (including public deposits) in excess of rupees ten crore at any time during the immediately preceding reporting period; and

   (v) which is not a holding or subsidiary company of a company which is not a small and medium-sized company.

2. This Schedule sets out the minimum requirements for disclosure on the face of the balance sheet and the statement of profit and loss (hereinafter referred to as "Financial Statements") and Notes. Line items, sub-line items and sub-totals shall be presented as an addition or substitution on the face of the Financial Statements when such presentation is relevant to an understanding of the company's financial position or performance or to cater to industry/sector-specific disclosure requirements or when required for compliance with the amendments to the Companies Act or under the Accounting Standards.

3. Where compliance with the requirements of the Act including Accounting Standards, require any addition, amendment, substitution or deletion in the head/sub-head or any changes interse financial statements or statements forming part thereof, the same shall be made and the form shall stand modified accordingly.

4. The disclosure requirements specified in Part I and Part II of this Schedule are in addition to and not in substitution of the disclosure requirements specified in the Accounting Standards prescribed under the Companies Act, 1956. Additional disclosures specified in the Accounting Standards shall be made in the Notes to Accounts or by way of additional statement unless required to be disclosed on the face of the Financial Statements. Similarly, all other disclosures as required by the Companies Act shall be made in the Notes to Accounts in addition to the requirements set out in this Schedule. The requirements for disclosure in the financial statements

shall not be prescribed by any other Law except through amendment to the Schedule made in terms of the Companies Act, 1956 in consultation with the Institute of Chartered Accountants of India.

5. Notes to Accounts shall contain information in addition to that presented in the Financial Statements and shall provide narrative descriptions or disaggregations of items disclosed in those statements and information about items that do not qualify for recognition in those statements. Each item on face of the Balance Sheet and Statement of Profit and Loss shall be cross-referenced to any related information in the Notes to Accounts. A balance shall be maintained between providing excessive detail that may not assist users of financial statements and obscuring important information as a result of too much aggregation.

6. Rounding off is permissible to the nearest hundreds or thousands, or decimals thereof.

7. Except in the case of the first Financial Statements laid before the Company (after its incorporation) the corresponding amounts (comparatives) for the immediately preceding reporting period for all items shown in the Financial Statements including Notes shall also be given.

9. For the first year in which the Balance Financial Statements are drawn in accordance with the Saral Schedule VI, the previous period figures shall be reclassified according to the requirements of the Saral Schedule VI unless the reclassification is impracticable. When it is impracticable to reclassify comparative amounts, a company shall disclose:

   (a) the reason for not reclassifying the amounts; and
   (b) the nature of the adjustments that would have been made if the amounts had been reclassified.

10. An existing company, which was previously not an SMC and subsequently becomes an SMC, shall not be qualified for 'Saral Schedule VI' until the company remains an SMC for two consecutive reporting periods.

11. An SMC may voluntarily elect to prepare and present disclosures as per the Main Schedule VI instead of the Saral Schedule VI by disclosing the same in the Notes to Accounts.

II. GENERAL INSTRUCTIONS FOR PREPARATION OF BALANCE SHEET

12. For the purpose of Part I - Balance Sheet:

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

- (a) it is expected to be realized in, or is intended for sale or consumption in, the company's normal operating cycle;
- (b) it is held primarily for the purpose of being traded;
- (c) it is expected to be realized within twelve months after the reporting date; or
- (d) 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.

12.2 An operating cycle is the time between the acquisition of assets for processing and their realization in cash or cash equivalents. Where the normal operating cycle cannot be identified, it is assumed to have a duration of 12 months.

12.3 A liability shall be classified as current when it satisfies any of the following criteria:

- (a) it is expected to be settled in the company's normal operating cycle;
- (b) it is held primarily for the purpose of being traded;
- (c) it is due to be settled within twelve months after the reporting date; or
- (d) the company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

All other liabilities shall be classified as non-current.

12.4 A company shall disclose the following in the notes to accounts:

A. Share Capital

Share Capital shall be classified as:

- (a) Equity paid-up capital;
- (b) Preference paid-up capital;
- (c) Shares in the company held by its holding company or the ultimate holding company or by its subsidiaries or associates shall be disclosed under each class of shares separately.

B. Reserves and Surplus

(i) Reserves and Surplus shall be classified as:

- (a) Capital Reserves;

(b) Revenue Reserves;
(c) Revaluation Reserve;
(d) Surplus i.e. balance in statement of Profit & Loss disclosing allocations and appropriations such as dividend paid, bonus shares and transfer to/from reserves.

(ii) Reserves and Surplus shall be shown after deducting debit balance of profit and loss account even if the resulting figure is in the negative.

C. Share Application money

Advance against share application money shall be disclosed separately.

D. Long-term borrowings

(i) These shall be classified as from banks, public deposits, debentures and others;
(ii) These shall further be sub-classified as secured and unsecured. Nature of security shall be specified separately in each case.

E. Long-term provisions

Long-term provisions shall include provision for employee benefits and others.

F. Short-term borrowings

(i) These shall be classified as from banks, demand deposits and others;
(ii) These shall further be sub-classified as secured and unsecured. Nature of security shall be specified separately in each case.

G. Trade payables

The amounts shown under 'Trade Payables' shall include the amounts due in respect of goods purchased or services received in the normal course of business.

H. Other current liabilities

Other current liabilities shall include current maturities of long-term debt and finance lease obligations, interest accrued but not due on borrowings, Interest accrued and due on borrowings, unearned revenue and others.

I. Short-term provisions

Short-term provisions shall include provision for employee benefits and others.

J. Fixed Assets

Fixed assets shall be disclosed at net carrying amounts i.e. original cost less accumulated depreciation, amortization and impairment.

K. Non-current investments

(i) Non-current investments shall be classified as:

(a) Investment property;
(b) Investments in Government or trust securities;
(c) Investments in units, debentures or bonds;
(d) Other non-current investments (specify nature)

(ii) The investments held-to-maturity shall be stated separately

L. Long-term loans and advances

(i) Long-term Loans and Advances shall include capital advances, security deposits and others.
(ii) The amounts shall be shown net of allowance for bad and doubtful loans and advances.

M. Current investments

Current investments shall include investments held for trading and others.

N. Inventories

Inventories shall include raw material, work-in-progress, finished goods, stock-in-trade, stores and spares, loose tools, goods-in-transit and others.

O. Trade receivables

(i) The amounts shown under 'Trade Receivables' shall include the amounts due in respect of goods sold or services rendered in the normal course of business.
(ii) The amounts shall be shown net of allowance for bad and doubtful debts.

P. Cash and cash equivalents

(i) Cash shall include cash balance, cheques/drafts in hand and balances with banks in current accounts.
(ii) Cash equivalents shall include short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Q. Short-term loans and advances

The amounts shall be shown net of allowance for bad and doubtful loans and advances.

R. Contingencies and commitments
(to the extent not provided for)

(i) Contingencies shall be classified as:

(a) Tax contingencies and law suits (except those where the likelihood of an outflow of resources is remote).
(b) Guarantees.
(c) Other money for which the company is contingently liable (except those where the likelihood of an outflow of resources is remote).

(ii) Commitments shall be classified as:

(a) Estimated amount of contracts remaining to be executed on capital account and not provided for.
(b) Uncalled liability on shares partly paid.
(c) Other commitments.

S. The amount of dividends proposed to be distributed to equity holders for the period and the related amount per share shall be disclosed separately. Arrears of fixed cumulative dividends shall also be disclosed separately.

III. GENERAL INSTRUCTIONS FOR PREPARATION OF STATEMENT OF PROFIT AND LOSS

13. For the purpose of Part II – Statement of Profit and Loss:

13.1 A company shall disclose the following in the notes to accounts:

(i) The amount of total excise duty/service tax for the year deducted from 'Sales and Services from operations' shall be disclosed separately.

(ii) Any item for which the expense exceed one percent of the revenues from operations of the Company or Rs.50,000, whichever is higher, shall be shown as a separate and distinct item on the face of statement of profit and loss against an appropriate account head as a sub-line item and shall not be combined with any other item.

(iii) Results from discontinued operations included in the statement of profit and loss i.e. income (loss) from activities and gain (loss) from disposal of assets/settlement of liabilities shall be disclosed separately in the notes to accounts.

PART I - BALANCE SHEET

Name of the Company…………………….
Balance Sheet as at ………………………

(Rupees in…………)

	Particulars	Figures as at the end of current reporting period	Figures as at the end of the previous reporting period
	1	2	3
I.	CAPITAL AND LIABILITIES		
(1)	Shareholders' funds		
	(a) Share capital		
	(b) Reserves and surplus		
(2)	Share application money		
(3)	Non-current liabilities		
	(a) Long-term borrowings		
	(b) Deferred tax liabilities (Net)		
	(c) 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 investments		
	(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 and cash equivalents		
	(e) Short-term loans and advances		
	(f) Other current assets		
	TOTAL		

See accompanying notes to the financial statements

PART II – STATEMENT OF PROFIT AND LOSS

Name of the Company……………………

Profit and loss statement for the year ended ………………………

(Rupees in…………)

	Particulars	Figures for the current reporting period	Figures for the previous reporting period
	1	2	3
I.	Revenues (1) Sales and services from operations (Net of discounts, returns, duties, taxes and allowances) (2) Other income Total (I)		
II.	Expenses (1) Cost of raw material consumed/goods sold (2) Changes in inventories of finished goods and work-in-progress (3) Consumption of stores and spare parts (4) Energy costs (5) External job work charges (6) Employee benefits expense (7) Repairs & maintenance (8) Royalty/technical know-how/license fee (9) Research and development expenses (10) Commission and brokerage on sales (11) Finance costs (12) Depreciation, amortization & impairment (13) Other expenses Total (II)		
III.	Profit/(Loss) before tax (I - II) Total (III)		
IV.	Tax expense (1) Current income tax (2) Deferred income tax (3) Others Total (IV)		
V.	Net Profit/(Loss) for the year (III-IV)		

See accompanying notes to the financial statements