

Exposure Draft of Revised Guidance Note on Division I –
Non Ind AS Schedule III to the Companies Act, 2013 by
Corporate Laws & Corporate Governance Committee ICAI

**EXPOSURE DRAFT
OF
REVISED GUIDANCE NOTE
ON
DIVISION I – NON IND AS SCHEDULE III
TO THE COMPANIES ACT, 2013
(Revised September 2021 Edition)
(Last date for Comments: September 10, 2021)**



Corporate Laws & Corporate Governance Committee
INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
(Set up by an Act of Parliament)
NEW DELHI

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Following is the Exposure Draft of the Revised Guidance Note on Division I-Non IND AS Schedule III to the Companies Act, 2013 issued by the Corporate Laws & Corporate Governance Committee of the Institute of Chartered Accountants of India, for comments.

The Committee invites comments on any aspect of this Exposure Draft. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale and, where applicable, provide a suggestion for alternative wording.

Comments can be submitted using one of the following methods, so as to be received not later than September 10, 2021.

1. *Electronically: Click on <https://forms.gle/TLCES3psWoaTN2Bv6> to submit comments online. (Preferred method):*
2. *Email: Comments can be sent to comments.clcgc@icai.in*
3. *Postal: Corporate Laws & Corporate Governance Committee, The Institute of Chartered Accountants of India, ICAI Bhawan, A- 29, Sector- 62, Noida – 203209.*

Further clarifications on any aspect of this Exposure Draft may be sought by e-mail to comments.clcgc@icai.in.

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Foreword to the Third Edition

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1. Introduction

1.1 Schedule III to the Companies Act, 2013 ('the Act') provides the manner in which every company registered under the Act shall prepare its Balance Sheet, Statement of Profit and Loss and notes thereto. In the light of various economic and regulatory reforms that have taken place for companies over the last several years, there was a need for harmonizing and synchronizing the notified Accounting Standards as applicable ('AS'/'Accounting Standard(s)').

1.2 The relevant format of Schedule III to the Act is given in **Annexure A (Pg 140)**. As per the Act and Rules / Notifications thereunder, the Schedule applies to all companies, except for those companies where Division II and Division III of the Schedule III is applicable, for the Financial Statements to be prepared for the financial year commencing on or after April 1, 2014. This Guidance Note also incorporates the changes made by various MCA Notifications upto 31 March 2021 to Division I to the Schedule III (hereinafter, referred to as 'Schedule III').

1.3 The requirements of the Schedule III however, do not apply to companies as referred to in the proviso to Section 129(1) of the Act, i.e., any insurance or banking company, or any company engaged in the generation or supply of electricity or to any other class of company for which a form of financial statement has been specified in or under the Act governing such class of company.

1.4 It may be clarified that for companies engaged in the generation and supply of electricity, however, neither the Electricity Act, 2003, nor the rules framed thereunder, prescribe any specific format for presentation of Financial Statements by an electricity company. Section 1(4)(d) of the Companies Act, 2013 states that the provisions of the Companies Act shall apply to companies engaged in the generation or supply of electricity, except in so far as the said provisions are inconsistent with the provisions of the Electricity Act, 2003. Keeping this in view, Schedule III may be followed by such companies till the time any other format is prescribed by the relevant statute.

2. Objective and Scope

2.1. The objective of this Guidance Note is to provide guidance in the preparation and presentation of Financial Statements of companies in accordance with various aspects of the Schedule III. However, it does not

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provide guidance on disclosure requirements under Accounting Standards, other pronouncements of the Institute of Chartered Accountants of India (ICAI), other statutes, etc.

2.2. In preparing this Guidance Note, reference has been made to the Accounting Standards notified under Section 133 of the Companies Act, 2013 read together with Paragraph 7 of the Companies (Accounts) Rules, 2014 given in **Annexure D (Pg 187)** and various other pronouncements of the ICAI. The primary focus of the Guidance Note has been to lay down broad guidelines to deal with practical issues that may arise in the implementation of the Schedule III.

2.3. As per the clarification issued by ICAI regarding the authority attached to the Documents Issued by ICAI, *“Guidance Notes’ are primarily designed to provide guidance to members on matters which may arise in the course of their professional work and on which they may desire assistance in resolving issues which may pose difficulty. Guidance Notes are recommendatory in nature. A member should ordinarily follow recommendations in a guidance note relating to an auditing matter except where he is satisfied that in the circumstances of the case, it may not be necessary to do so. Similarly, while discharging his attest function, a member should examine whether the recommendations in a guidance note relating to an accounting matter have been followed or not. If the same have not been followed, the member should consider whether keeping in view the circumstances of the case, a disclosure in his report is necessary.”*

3. Applicability

3.1. As per the Government Notification no. S.O. 902 (E) dated 26th March, 2014, the Schedule III is applicable for the Balance Sheet and Statement of Profit and Loss to be prepared for the financial year commencing on or after April 1, 2014. Schedule III has been amended vide the Government Notification dated 24th March, 2021 to include certain additional presentation and disclosures requirements and changes some existing requirements. These changes need to be applied in preparation of financial statements for the financial year commencing on or after 1st April, 2021. All companies that prepare, either voluntarily or mandatorily, Financial Statements in compliance with the Companies (Accounts) Rules, should consider Schedule III as well as this Guidance Note. Additionally, preparers of financial statements should also consider requirements of the Act as well as other Statutes, Notifications,

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circulars issued by various Regulators.

3.2. The Schedule III requires that except in the case of the first Financial Statements laid before the company after incorporation, the corresponding amounts for the immediately preceding period are to be disclosed in the Financial Statements including the Notes to Accounts. Accordingly, corresponding information will have to be presented starting from the first year of application of the Schedule III. Thus, for the Financial Statements prepared for the year 2021-22 (1st April 2021 to 31st March 2022), corresponding amounts need to be given for the financial year 2020-21.

3.3. Applicability of the Schedule III format to interim Financial Statements prepared by companies in the first year of application of the Schedule:

Relevant paragraphs of AS-25 *Interim Financial Reporting* are quoted below:

“10. If an enterprise prepares and presents a complete set of Financial Statements in its interim financial report, the form and content of those statements should conform to the requirements as applicable to annual complete set of Financial Statements.

11. If an enterprise prepares and presents a set of condensed Financial Statements in its interim financial report, those condensed statements should include, at a minimum, each of the headings and sub-headings that were included in its most recent annual Financial Statements and the selected explanatory notes as required by this Statement. Additional line items or notes should be included if their omission would make the condensed interim Financial Statements misleading.”

3.4. Accordingly, if a company is presenting condensed interim Financial Statements, its format should also going forward conform to that used in the company's most recent annual Financial Statements, i.e., the Schedule III of Companies Act, 2013.

4. Summary of Division I to the Schedule III

4.1. Main principles

4.1.1. The Schedule III requires that if compliance with the requirements of the Act and/ or the notified Accounting Standards requires a change in the treatment or disclosure in the Financial Statements as compared to that provided in the Schedule III, the requirements of the Act and/ or the notified Accounting Standards will prevail over the Schedule.

4.1.2. The Schedule III clarifies that the requirements mentioned therein for

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disclosure on the face of the Financial Statements or in the notes are minimum requirements. Line items, sub-line items and sub-totals can be presented as an addition or substitution on the face of the Financial Statements when such presentation is relevant for understanding of the company's financial position and/or performance.

4.1.3. The terms used in the Schedule III will carry the meaning as defined by the applicable Accounting Standards. For example, the terms such as 'associate', 'related parties', etc. will have the same meaning as defined in Accounting Standards notified under Companies (Accounting Standards) Rules, 2006 (as amended from time to time).

4.1.4. In preparing the Financial Statements including the Notes to Accounts, a balance will have to be maintained between providing excessive detail that may not assist users of Financial Statements and not providing important information as a result of too much aggregation. However, a company shall state the fact for not providing required disclosures pursuant to any Act or Regulation including Ind AS Schedule III instead of simply not providing the required disclosure basis non-applicability.

4.1.5. All items of assets and liabilities are to be bifurcated between current and non-current portions and presented separately on the face of the Balance Sheet.

4.1.6. There is an explicit requirement to use the same unit of measurement uniformly throughout the Financial Statements and notes thereon.

5. Structure of Division I to the Schedule III

The Structure of Schedule III is as under:

- I. General Instructions for preparation of Balance Sheet and Statement of Profit and Loss of a company
- II. Part I – Form of Balance Sheet
- III. General Instructions for Preparation of Balance Sheet
- IV. Part II – Form of Statement of Profit and Loss
- V. General Instructions for Preparation of Statement of Profit and Loss
- VI. General Instructions for the Preparation of Consolidated Financial Statements

6. General Instructions to Division I to The Schedule III

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6.1. The General Instructions lay down the broad principles and guidelines for preparation and presentation of Financial Statements.

6.2. As laid down in the Preface to the Statements of Accounting Standards issued by ICAI, if a particular Accounting Standard is found to be not in conformity with the law, the provisions of the said law will prevail and the Financial Statements should be prepared in conformity with such law. The Schedule III gives overriding status to the requirements of the Accounting Standards and other requirements of the Act, such principle of law overriding the Accounting Standards is inapplicable in the context of the Schedule III.

6.3. The Schedule III requires that if compliance with the requirements of the Act including applicable Accounting Standards require any change in the treatment or disclosure including addition, amendment, substitution or deletion in the head/sub-head or any changes inter se, in the Financial Statements or statements forming part thereof, the same shall be made and the requirements of Schedule III shall stand modified accordingly.

6.4. Implications of all instructions mentioned above can be illustrated by means of the following example. One of the line items to be presented on the face of the Balance Sheet under Current assets is “Cash and cash equivalents”. The break-up of these items required to be presented by the Schedule III comprises of items such as Balances with banks held as margin money or security against borrowings, guarantees, etc. and bank deposits with more than 12 months maturity. According to *AS-3 Cash Flow Statements*, Cash is defined to include cash on hand and demand deposits with banks. Cash Equivalents are defined as 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. The Standard further explains that an investment normally qualifies as a cash equivalent only when it has a short maturity of three months or less from the date of acquisition. Hence, normally, deposits with original maturity of three months or less only should be classified as cash equivalents. Further, bank balances held as margin money or security against borrowings are neither in the nature of demand deposits, nor readily available for use by the company, and accordingly, do not meet the aforesaid definition of cash equivalents. Thus, this is an apparent conflict between the requirements of the Schedule III and the Accounting Standards with respect to which items should form part of Cash and cash equivalents. As laid down in the General Instructions, Para 1 of Schedule III, requirements of the Accounting Standards would prevail over

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the Schedule III and the company should make necessary modifications in the Financial Statements, which may include addition, amendment, substitution or deletion in the head/sub-head or any other changes inter se. Accordingly, the conflict should be resolved by changing the caption “*Cash and cash equivalents*” to “*Cash and bank balances*,” which may have two sub-headings, viz., “*Cash and cash equivalents*” and “*Other bank balances*.” The former should include only the items that constitute Cash and cash equivalents defined in accordance with AS 3 (and not the Schedule III), while the remaining line-items may be included under the latter heading.

6.5. The comparatives for the previous years should be prepared on the same lines of guidance as provided for the preparation of current schedules.

6.6. In any case where ageing is to be given under any clause of the Schedule III; then in case of amalgamation/merger; the original date will be considered for the purpose of giving information. If such information is not available, the fact should be so stated.

6.7. Para 2 of the General Instructions to the Schedule III states that the disclosure requirements of the Schedule are in addition to and not in substitution of the disclosure requirements specified in the notified Accounting Standards. They further clarify that the additional disclosures specified in the Accounting Standards shall be made in the Notes to Accounts or by way of an additional statement unless required to be disclosed on the face of the Financial Statements. All other disclosures required by the Act are also required to be made in the Notes to Accounts in addition to the requirements set out in the Schedule III.

6.8. An example to illustrate the above point is the specific disclosure required by AS-24 *Discontinuing Operations* on the face of the Statement of Profit and Loss which has not been incorporated in the Schedule III. The disclosure pertains to the amount of pre-tax gain or loss recognised on the disposal of assets or settlement of liabilities attributable to the discontinuing operation. Accordingly, such disclosures specifically required by the Accounting Standard on the face of either the Statement of Profit and Loss or Balance Sheet will have to be so made even if not forming part of the formats prescribed under the Schedule III.

6.9. All the other disclosures required by the Accounting Standards will continue to be made in the Financial Statements. Further, the disclosures required by the Act will continue to be made in the Notes to Accounts. An example of this is the separate disclosure required by Sub Section (3) of

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Section 182 of the Act for donations made to political parties. Such disclosures would be made in the Notes. An illustrative list of disclosures required under the Act is enclosed as **Annexure C (Pg 184)**.

6.10. Though not specifically required by the Schedule III, disclosures may be mandated by other Acts or legal requirements will have to be made in the Financial Statements. For example, until amendment to Division I to schedule II by MCA notification dated 4th September 2015, the disclosure as required by The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 was required to be made in the annual Financial Statements of the buyer wherever such Financial Statements are required to be audited under any law.

6.11. The above principle would apply to disclosures required by other legal requirements. A further extension of the above principle also means that specific disclosures required by various pronouncements of regulatory bodies such as the ICAI announcement for disclosures on derivatives and unhedged foreign currency exposures, and other disclosure requirements prescribed by various ICAI Guidance Notes, such as Guidance Note on Employee Share-based Payments, Guidance Note on Accounting for Derivative Contracts, etc. should continue to be made in the Financial Statements in addition to the disclosures specified by the Schedule III.

6.12. Para 3 of the General Instructions of the Schedule III also states that the Notes to Accounts should also contain information about items that do not qualify for recognition in Financial Statements. These disclosures normally refer to items such as Contingent Liabilities and Commitments which do not get recognised in the Financial Statements. These have been dealt with later in this Guidance Note. Some of the other disclosures relating to items that are not recognized in the Financial Statements also emanate from the Accounting Standards, such as, disclosures required under AS9 *Revenue Recognition* on circumstances in which revenue recognition is to be postponed pending the resolution of significant uncertainties. Contingent Assets, however, are not to be disclosed in the Financial Statements as per AS-29 *Provisions, Contingent Liabilities and Contingent Assets*.

6.13. The General Instructions also lay down the principle that in preparing Financial Statements including Notes to Accounts, a balance shall be maintained between providing excessive detail that may not assist users of Financial Statements and not providing important information as a result of

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too much aggregation. Compliance with this requirement is a matter of professional judgement and may vary on a case to case basis based on facts and circumstances. However, it is necessary to strike a balance between overburdening Financial Statements with excessive detail that may not assist users of Financial Statements and obscuring important information as a result of too much aggregation. For example, a company should not obscure important information by including it among a large amount of insignificant detail or in a way that it obscures important differences between individual transactions or associated risks.

6.14. The Schedule III requires using the same unit of measurement uniformly across the Financial Statements. Such requirement should be taken to imply that all figures disclosed in the Financial Statements including Notes to Accounts should be of the same denomination.

6.15. Depending upon the total income of the company, the figures appearing in the Financial Statements shall be rounded off as given below in the table. It is now compulsory to apply rounding off and a company cannot continue to disclose full figures. In order to apply the same, the rounding off requirement should be complied with:

Schedule III
• Total income <Rs. 100 Crores - Round off to the nearest hundreds, thousands, lakhs or millions or decimal thereof. • Total income >Rs. 100 Crores - Round off to the nearest lakhs, millions or crores, or decimal thereof

6.16. The instructions also clarify that the terms used in the Schedule III shall be as per the applicable Accounting Standards. For example, the term 'related parties' used at several places in the Schedule III should be interpreted based on the definition given in *AS-18 Related Party Disclosures*.

6.17. The Notes to the General Instructions re-clarify that the Schedule III sets out the minimum requirements for disclosure in the Financial Statements including notes. It states that line items, sub-line items and sub-totals shall be presented as an addition or substitution on the face of the Balance Sheet and Statement of Profit and Loss 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, apart from, when required

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for compliance with amendments to the Act or the Accounting Standards.

The application of the above requirement is a matter of professional judgement. The following examples illustrate this requirement. Earnings before Interest, Tax, Depreciation and Amortization is often an important measure of financial performance of the company relevant to the various users of Financial Statements and stakeholders of the company. Hence, a company may choose to present the same as an additional line item on the face of the Statement of Profit and Loss. The method of computation adopted by companies for presenting such measures should be followed consistently over the years. Further, companies should also disclose the policy followed in the measurement of such line items.

6.18. Similarly, users and stakeholders often want to know the liquidity position of the company. To highlight the same, a company may choose to present additional sub-totals of Current assets and Current liabilities on the face of the Balance Sheet.

6.19. One example of addition or substitution of line items, sub-line items and sub-totals to cater to industry-specific disclosure requirements can be noted from Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007. The Directions prescribe that every non-banking finance company is required to separately disclose in its Balance Sheet the provisions made under the Directions without netting them from the income or against the value of assets. Though not specifically required by the Schedule, such addition or substitution of line items can be made in the notes forming part of the Financial Statements as well.

7. General Instructions For Preparation of Balance Sheet : Notes 1 To 5

7.1. Current/Non-current assets and liabilities:

The Schedule III requires all items in the Balance Sheet to be classified as either Current or Non-current and be reflected as such. Notes 1 to 3 of the Schedule III define Current Asset, Operating Cycle and Current Liability as below:

7.1.1. “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

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- 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.”

7.1.2. “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 twelve months.”

7.1.3. “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. 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.

All other liabilities shall be classified as non-current.”

7.1.4. It is recommended that the disclosure about the company's operating cycle be given as a part of 'Notes to the Financial Statements'.

7.1.5. The Schedule III defines “current assets” and “current liabilities”, with the non-current category being the residual. It is therefore necessary that the balance pertaining to each item of assets and liabilities contained in the Balance Sheet be split into its current and non-current portions and be classified accordingly as on the reporting date.

7.1.6. Based on the definition, current assets include assets such as raw material and stores which are intended for consumption or sale in the course of the company's normal operating cycle. Items of inventory which may be consumed or realized within the company's normal operating cycle should be

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classified as current even if the same are not expected to be so consumed or realized within twelve months after the reporting date. Current assets would also include assets held primarily for the purpose of being traded such as inventory of finished goods. They would also include trade receivables which are expected to be realized within twelve months from the reporting date and Cash and cash equivalents which are not under any restriction of use.

7.1.7. Similarly, current liabilities would include items such as trade payables, employee salaries and other operating costs that are expected to be settled in the company's normal operating cycle or due to be settled within twelve months from the reporting date. It is pertinent to note that such operating liabilities are normally part of the working capital of the company used in the company's normal operating cycle and hence, should be classified as current even if they are due to be settled more than twelve months after the end of the reporting date.

7.1.8. Further, any liability, pertaining to which the company does not have an unconditional right to defer its settlement for at least twelve months after the Balance Sheet/reporting date, will have to be classified as current.

7.1.9. The application of this criterion could be critical to the Financial Statements of a company and requires careful evaluation of the various terms and conditions of a loan liability. To illustrate, let us understand how this requirement will apply to the following example:

Company X has taken a five year loan. The loan contains certain debt covenants, e.g., filing of quarterly information, failing which the bank can recall the loan and demand repayment thereof. The company has not filed such information in the last quarter; as a result of which the bank has the right to recall the loan. However, based on the past experience and/or based on the discussions with the bank the management believes that default is minor and the bank will not demand the repayment of loan. According to the definition of Current Liability, what is important is, whether a borrower has an unconditional right at the Balance Sheet date to defer the settlement irrespective of the nature of default and whether or not a bank can exercise its right to recall the loan. If the borrower does not have such right, the classification would be "current". It is pertinent to note that as per the terms and conditions of the aforesaid loan, the loan was not repayable on demand from day one. The loan became repayable on demand only on default in the debt covenant and bank has not demanded the repayment of loan upto the date of approval of the accounts. In the Indian context, the criteria of a loan

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becoming repayable on demand on breach of a covenant, is generally added in the terms and conditions as a matter of abundant caution. Also, banks generally do not demand repayment of loans on such minor defaults of debt covenants. Therefore, in such situations, the companies generally continue to repay the loan as per its original terms and conditions. Hence, considering that the practical implications of such minor breach are negligible in the Indian scenario, an entity could continue to classify the loan as “non-current” as on the Balance Sheet date since the loan is not actually demanded by the bank at any time prior to the date on which the Financial Statements are approved. However, in case a bank has recalled the loan before the date of approval of the accounts on breach of a loan covenant that occurred before the year-end, the loan will have to be classified as current. Further, the above situation should not be confused with a loan which is repayable on demand from day one. For such loans, even if the lender does not demand repayment of the loan at any time, the same would have to be continued to be classified as “current”.

Further, where there is a breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, the entity does not classify the liability as current, if the lender has agreed, after the reporting period and before the approval of the financial statements for issue, not to demand payment as a consequence of the breach.

Breach of a material provision to include only substantive breaches (e.g., amongst other covenants, those that are financial covenants). Accordingly, the entity has to carefully evaluate what would be construed as a “breach of a material provision” on case-to-case basis considering the facts and the terms and conditions of each borrowing arrangement.

7.2. The term “Operating Cycle” is defined as the time between the acquisition of assets for processing and their realization in Cash or cash equivalents. A company’s normal operating cycle may be longer than twelve months e.g. companies manufacturing wines, etc. However, where the normal operating cycle cannot be identified, it is assumed to have a duration of twelve months.

7.2.1. Where a company is engaged in running multiple businesses, the operating cycle could be different for each line of business. Such a company will have to classify all the assets and liabilities of the respective businesses into current and non-current, depending upon the operating cycles for the

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respective businesses.

Let us consider the following other examples:

1. A company has excess finished goods inventory that it does not expect to realize within the company's operating cycle of fifteen months. Since such finished goods inventory is held primarily for the purpose of being traded, the same should be classified as "current".
2. A company has sold 10,000 tonnes of steel to its customer. The sale contract provides for a normal credit period of three months. The company's operating cycle is six months. However, the company does not expect to receive the payment within twelve months from the reporting date. Therefore, the same should be classified as "Non-Current" in the Balance Sheet. In case, the company expects to realize the amount upto 12 months from the Balance Sheet date (though beyond operating cycle), the same should be classified as "current".

7.3. For the purpose of Schedule III, a company also needs to classify its employee benefit obligations as current and non-current categories. While *AS-15 Employee Benefits* governs the measurement of various employee benefit obligations, their classification as current and non-current liabilities will also be governed by the criteria laid down in Notes 1 to 3 to the General Instructions for Preparation of Balance Sheet in the Schedule III. In accordance with these criteria, a liability is classified as "current" if a company does not have an unconditional right as on the Balance Sheet date to defer its settlement for twelve months after the reporting date. Each company will need to apply these criteria to its specific facts and circumstances and decide an appropriate classification of its employee benefit obligations. Given below is an illustrative example on application of these criteria in a simple situation:

- (a) Liability toward bonus, etc., payable within one year from the Balance Sheet date is classified as "current".
- (b) In case of accumulated leave outstanding as on the reporting date, the employees have already earned the right to avail the leave and they are normally entitled to avail the leave at any time during the year. To the extent, the employee has unconditional right to avail the leave, the same needs to be classified as "current" even though the same is measured as 'other long-term employee benefit' as per *AS-15*. However, whether the right to defer the employee's leave is available unconditionally with the company needs to be evaluated on a case to case basis – based on the terms of Employee Contract and Leave

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Policy, Employer's right to postpone/deny the leave, restriction to avail leave in the next year for a maximum number of days, etc. In case of such complexities the amount of Non-current and Current portions of leave obligation should normally be determined by a qualified Actuary.

- (c) Regarding funded post-employment benefit obligations, amount due for payment to the fund created for this purpose within twelve months is treated as "current" liability. Regarding the unfunded post-employment benefit obligations, a company will have settlement obligation at the Balance Sheet date or within twelve months for employees such as those who have already resigned or are expected to resign (which is factored for actuarial valuation) or are due for retirement within the next twelve months from the Balance Sheet date. Thus, the amount of obligation attributable to these employees is a "current" liability. The remaining amount attributable to other employees, who are likely to continue in the services for more than a year, is classified as "non-current" liability. Normally the actuary should determine the amount of current & non-current liability for unfunded post-employment benefit obligation based on the definition of Current and Non-current assets and liabilities in the Schedule III.

7.4. The Schedule III requires Investments to be classified as Current and Non-Current. However, AS13 '*Accounting for Investments*' requires to classify Investments as Current and Long-Term. As per AS 13, current investment is an investment that is by its nature readily realisable and is intended to be held for not more than one year from the date on which such investment is made. A long-term investment is an investment other than a current investment.

7.4.1. Accordingly, as per AS-13, the assessment of whether an Investment is "Long-term" has to be made with respect to the date of Investment whereas, as per the Schedule III, "Non-current" Investment has to be determined with respect to the Balance Sheet date.

7.4.2. Though the Schedule III clarifies that the Accounting Standards would prevail over itself in case of any inconsistency between the two, it is pertinent to note that AS-13 does not lay down presentation norms, though it requires disclosures to be made for Current and Long-term Investments. Accordingly, presentation of all investments in the Balance Sheet should be made based on Current/Non-current classification as defined in the Schedule III. The portion of long-term investment as per AS13 which is expected to be realized within twelve months from the Balance Sheet date needs to be shown as

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Current investment under the Schedule III.

7.5. Settlement of a liability by issuing of equity

7.5.1. The Schedule III clarifies that, “the 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”. A consequence of this is that if the conversion option in convertible debt is exercisable by the holder at any time, the liability cannot be classified as “current” if the maturity for cash settlement is greater than one year. A question therefore arises for the aforesaid requirement of classifying items as, a) convertible debt where the conversion option lies with the issuer, or b) mandatorily convertible debt instrument.

7.5.2. Based on the specific exemption granted only to those cases where the conversion option is with the counterparty, the same should not be extended to other cases where such option lies with the issuer or is a mandatorily convertible instrument. For all such cases, conversion of a liability into equity should be considered as a means of settlement of the liability as defined in the Framework for the Preparation and Presentation of Financial Statements issued by ICAI. Accordingly, the timing of such settlement would also decide the classification of such liability in terms of Current or Non-current as defined in the Schedule III.

7.6 As per the classification in the Schedule III and in line with the ICAI’s earlier announcement with regard to the presentation and classification of net Deferred Tax asset or liability, the same should always be classified as “non-current”.

8. Part I: Form of Balance Sheet and Note 6 to General Instructions for Preparation of Balance Sheet

As per the Framework for The Preparation and Presentation of Financial Statements, asset, liability and equity are defined as follows:

An asset is a resource controlled by the enterprise as a result of past events from which future economic benefits are expected to flow to the enterprise.

A liability is a present obligation of the enterprise arising from past events, the settlement of which is expected to result in an outflow from the enterprise of resources embodying economic benefits.

Equity is the residual interest in the assets of the enterprise after deducting all its liabilities.

I. Equity and Liabilities

8.1. Shareholders' Funds

Under this head, following line items are to be disclosed:

- Share Capital;
- Reserves and Surplus;
- Money received against share warrants.

8.1.1. Share capital

8.1.1.1. Notes to the General Instructions require a company to disclose in the Notes to Accounts line items/sub-line items referred to in Notes 6A to 6Q. Clauses (a) to (m) of Note 6 A deal with disclosures for Share Capital and such disclosures are required for each class of share capital (different classes of preference shares to be treated separately).

8.1.1.2. As per ICAI Guidance Note on Terms Used in Financial Statements, 'Capital' refers *"to the amount invested in an enterprise by its owners e.g. paid-up share capital in a corporate enterprise. It is also used to refer to the interest of owners in the assets of an enterprise."*

8.1.1.3. 'Share Capital' refers to *"aggregate amount of money paid or credited as paid on the shares and/or stocks of a corporate enterprise."*

8.1.1.4. Application of AS 30 *Financial Instruments: Recognition and Measurement*, AS 31 and AS 32 *Financial Instruments: Disclosures* is no longer appropriate as ICAI has withdrawn, by of an announcement, the recommendatory as well as mandatory status in March 2011 and also specified that the accounting treatments covered by any of the existing notified Accounting Standards (e.g., AS 11, AS 13, etc.) and specific regulatory requirements given by a regulatory authority (e.g., loan impairment, investment classification or accounting for securitisations by the RBI, etc.) would continue to apply.

8.1.1.5. Presently, in the Indian context, generally, there are two kinds of share capital namely - Equity and Preference. Within Equity/Preference Share Capital, there could be different classes of shares, say, Equity Shares with or without voting rights, Compulsorily Convertible Preference Shares, Optionally Convertible Preference Shares, etc. If the preference shares are to be disclosed under the head 'Share Capital', until the same are actually redeemed / converted, they should continue to be shown under the head 'Share Capital'. Preference shares of which redemption is overdue should

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continue to be disclosed under the head 'Share Capital'.

8.1.1.6. Clause (a) of Note 6A - the number and amount of shares authorized :

As per the Guidance Note on Terms Used in Financial Statements 'Authorised Share Capital' means *"the number and par value, of each class of shares that an enterprise may issue in accordance with its instrument of incorporation. This is sometimes referred to as nominal share capital."*

8.1.1.7. Clause (b) of Note 6A - the number of shares issued, subscribed and fully paid, and subscribed but not fully paid :

The disclosure is for shares:

- Issued;
- Subscribed and fully paid;
- Subscribed but not fully paid.

Though the disclosure is only for the number of shares, to make the disclosure relevant to understanding the company's share capital, even the amount for each category should be disclosed. Issued shares are those which are offered for subscription within the authorised limit. It is possible that all shares offered are not subscribed to and to the extent of unsubscribed portion, there will be difference between shares issued and subscribed. As per the Guidance Note on Terms Used in Financial Statements, the expression 'Subscribed Share Capital' is *"that portion of the issued share capital which has actually been subscribed and allotted. This includes any bonus shares issued to the shareholders."*

Though there is no requirement to disclose the amount per share called, if shares are not fully called, it would be appropriate to state the amount per share called. As per the definition contained in the Guidance Note on Terms Used in Financial Statements, the expression 'Paid-up Share Capital' is *"that part of the subscribed share capital for which consideration in cash or otherwise has been received. This includes bonus shares allotted by the corporate enterprise."* As required by Clause (k) of Note 6A of the Schedule III, calls unpaid are to be disclosed separately as per the Schedule III.

However, the unpaid amount towards shares subscribed by the subscribers of the Memorandum of Association should be considered as 'subscribed and paid-up capital' in the Balance Sheet and the debts due from the subscriber should be appropriately disclosed as an asset in the balance sheet.

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8.1.1.8. Clause (c) of Note 6A – par value per share :

Par value per share is the face value of a share as indicated in the Capital Clause of the Memorandum of Association of a company. It is also referred to as '*face value*' per share. In the case of a company having share capital, (unless the company is an unlimited company), the Memorandum shall also state the amount of share capital with which the company is registered and their division thereof into shares of fixed amount as required under clause (a) to the sub-section (4) of section 13 of the Act. In the case of a company limited by guarantee, Memorandum shall state that each member undertakes to contribute to the assets of the company in the event of winding-up while he is a member or within one year after he ceases to be a member, for payment of debts and liabilities of the company, as the case may be. There is no specific mention for the disclosure by companies limited by guarantee and having share capital, and companies limited by guarantee and not having share capital. Such companies need to consider the requirement so as to disclose the amount each member undertakes to contribute as per their Memorandum of Association.

8.1.1.9. Clause (d) of Note 6A- a reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period :

As per the Schedule III, opening number of shares outstanding, shares issued, shares bought back, other movements, etc. during the year and closing number of outstanding shares should be shown. Though the requirement is only for a reconciliation of the number of shares, as given for the disclosure of issued, subscribed capital, etc. [Clause (b) of Note 6A] above, to make the disclosure relevant for understanding the company's share capital, the reconciliation is to be given even for the amount of share capital. Reconciliation for the comparative previous period is also to be given. Further, the above reconciliation should be disclosed separately for both Equity and Preference Shares and for each class of share capital within Equity and Preference Shares.

8.1.1.10. Clause (e) of Note 6A - the rights, preferences and restrictions attaching to each class of shares including restrictions on the distribution of dividends and the repayment of capital.

As per the Guidance Note on Terms Used in Financial Statement, the expression 'Preference Share Capital' means "*that part of the share capital of a corporate enterprise which enjoys preferential rights in respect of payments of fixed dividend and repayment of capital. Preference shares may also have full or partial participating rights in surplus profits or surplus capital.*" The

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rights, preferences and restrictions attached to shares are based on the classes of shares, terms of issue, etc., whether equity or preference. In respect of Equity Share Capital, it may be with voting rights or with differential voting rights as to dividend, voting or otherwise in accordance with such rules and subject to such conditions as may be prescribed under Companies (Issue of Share Capital with Differential Voting Rights) Rules, 2001. In respect of Preference shares, the rights include (a) as respects dividend, a preferential right to be paid a fixed amount or at a fixed rate and, (b) as respects capital, a preferential right of repayment of amount of capital on winding up. Further, Preference shares can be cumulative, non-cumulative, redeemable, convertible, non-convertible etc. All such rights, preferences and restrictions attached to each class of preference shares, terms of redemption, etc. have to be disclosed separately.

8.1.1.11. Clause (f) of Note 6A - shares in respect of each class in the company held by its holding company or its ultimate holding company including shares held by or by subsidiaries or associates of the holding company or the ultimate holding company in aggregate :

The requirement is to disclose shares of the company held by -

- Its holding company;
- Its ultimate holding company;
- Subsidiaries of its holding company;
- Subsidiaries of its ultimate holding company;
- Associates of its holding company; and
- Associates of its ultimate holding company.

Aggregation should be done for each of the above categories.

The terms 'subsidiary', 'holding company' and 'associate' should be understood as defined under AS-21, *Consolidated Financial Statements* and AS-18, *Related Party Disclosures*. Based on the aforesaid definitions, for the purposes of the above disclosures, shares held by the entire chain of subsidiaries and associates starting from the holding company and ending right upto the ultimate holding company would have to be disclosed. Further, all the above disclosures need to be made separately for each class of shares, both within Equity and Preference Shares.

8.1.1.12. Clause (g) of Note 6A - shares in the company held by each shareholder holding more than 5 percent shares specifying the number

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of shares held :

In the absence of any specific indication of the date of holding, the date for computing such percentage should be taken as the Balance Sheet date. For example, if during the year, any shareholder held more than 5% Equity shares but does not hold as much at the Balance Sheet date, disclosure is not required. Though it is not specified as to whether the disclosure is required for each class of shares or not, companies should disclose the shareholding for each class of shares, both within Equity and Preference Shares. Accordingly, such percentage should be computed separately for each class of shares outstanding within Equity and Preference Shares. This information should also be given for the comparative previous period.

8.1.1.13. Clause (h) of Note 6A - shares reserved for issue under options and contracts/commitments for the sale of shares/disinvestment, including the terms and amounts :

Shares under options generally arise under promoters or collaboration agreements, loan agreements or debenture deeds (including convertible debentures), agreement to convert preference shares into equity shares, ESOPs or contracts for supply of capital goods, etc. The disclosure would be required for the number of shares, amounts and other terms for shares so reserved. Such options are in respect of unissued portion of share capital.

8.1.1.14. Clause (i) of Note 6A– For the period of five years immediately preceding the date as at which the Balance Sheet is prepared :(a) Aggregate number and class of shares allotted as fully paid up pursuant to contract(s) without payment being received in cash. (b) Aggregate number and class of shares allotted as fully paid up by way of bonus shares. (c) Aggregate number and class of shares bought back.

- (a) Aggregate number and class of shares allotted as fully paid up pursuant to contract(s) without payment being received in cash.

The following allotments are considered as shares allotted for payment being received in cash and not as without payment being received in cash and accordingly, the same are not to be disclosed under this Clause:

- (i) If the subscription amount is adjusted against a *bona fide* debt payable in money at once by the company;
- (ii) Conversion of loan into shares in the event of *default* in

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repayment.

- (b) Aggregate number and class of shares allotted as fully paid up by way of bonus shares.

As per the Guidance Note on Terms Used in Financial Statements 'Bonus shares' are defined as shares allotted by capitalisation of the reserves or surplus of a corporate enterprise.

- (c) Aggregate number and class of shares bought back.

The total number of shares bought back for each class of shares needs to be disclosed.

All the above details pertaining to aggregate number and class of shares allotted for consideration other than cash, bonus shares and shares bought back need to be disclosed only if such event has occurred during a period of five years immediately preceding the Balance Sheet date. Since disclosure is for the aggregate number of shares, it is not necessary to give the year-wise break-up of the shares allotted or bought back, but the aggregate number for the last five financial years needs to be disclosed.

8.1.1.15. Clause (j) of Note 6A- Terms of any securities convertible into equity/preference shares issued along with the earliest date of conversion in descending order starting from the farthest such date:

This disclosure would cover securities, such as Convertible Preference Shares, Convertible Debentures/bonds, etc. – optionally or otherwise into equity.

Under this Clause, disclosure is required for any security, when it is either convertible into equity or preference shares. In this case, terms of such securities and the earliest date of conversion are required to be disclosed. If there are more than one date of conversion, disclosure is to be made in the descending order of conversion. If the option can be exercised in different periods then earlier date in that period is to be considered. In case of compulsorily convertible securities, where conversion is done in fixed tranches, all the dates of conversion have to be considered. Terms of convertible securities are required to be disclosed under this Clause. However, in case of Convertible debentures/bonds, etc., for the purpose of simplification, reference may also be made to the terms disclosed under the note on Long-term borrowings where these are required to be classified in the Balance Sheet, rather than disclosing the same again under this clause.

8.1.1.16. Clause (k) of Note 6(A) - Calls unpaid (showing aggregate value of calls unpaid by directors and officers):

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A separate disclosure is required for the aggregate value of calls unpaid by directors and also officers of the company. The total calls unpaid should be disclosed. The terms 'director' and 'officer' should be interpreted based on the definitions in the Act.

8.1.1.17. Clause (m) of Note 6(A) – Disclosure of Shareholding of Promoters:

Every company is required to make a separate disclosure of shareholding of its promoters* as below:

Shares held by promoters at the end of the year				% Change during the year***
S.No.	Promoter name	No. of shares**	% of total shares**	
Total				

* Promoter here means promoter as defined in the Act

** Details shall be given separately for each class of shares

*** percentage change shall be computed with respect to the number at the beginning of the year or if issued during the year for the first time then with respect to the date of issue.

For the purpose of this disclosure, promoter definition should be considered as per the Companies Act, 2013. The prescribed format requires disclosure only in respect of shares held at the end of the year, however, companies should also disclose number and percentage of shares at the beginning of the year as additional columns in order to facilitate an understanding of the percentage change during the year.

Percentage change during the year needs to be computed with respect to shares held at the beginning of the year or where shares have been issued for the first time during the reporting period, such percentage change needs to be computed from date of such issuance. For e.g., if the shares have been issued for the first time in the month of August; then the opening date should be construed from August rather than April, which implies that if from the month of August till March there has been no change, then the % change will be shown as "NIL".

This disclosure shall be made separately for each class of shares outstanding within Equity and Preference Shares, similar to the disclosure made for shareholders under other clauses (for e.g., clause (g) of Note 6A).

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The percentage of total shares for a particular class of shares should be calculated considering the total number of shares issued by the Company for that particular class.

8.1.2. Reserves and Surplus

Note 6(B) of the General Instructions deals with the disclosures of “Reserves and Surplus” in the Notes to Accounts and the classification thereof under the various types of reserves.

8.1.2.1. Reserve:

The Guidance Note on Terms Used in Financial Statements defines the term ‘Reserve’ as *“the portion of earnings, receipts or other surplus of an enterprise (whether capital or revenue) appropriated by the management for a general or a specific purpose other than a provision for depreciation or diminution in the value of assets or for a known liability.”* ‘Reserves’ should be distinguished from ‘provisions’. For this purpose, reference may be made to the definition of the expression ‘provision’ in AS-29 *Provisions, Contingent Liabilities and Contingent Assets*.

As per AS-29, a ‘provision’ is *“a liability which can be measured only by using a substantial degree of estimation”*. A ‘liability’ is *“a present obligation of the enterprise arising from past events, the settlement of which is expected to result in an outflow from the enterprise of resources embodying economic benefits.”* Present obligation’ – *“an obligation is a present obligation if, based on the evidence available, its existence at the Balance Sheet date is considered probable, i.e., more likely than not.”*

8.1.2.2. Capital Reserves :

It is necessary to make a distinction between capital reserves and revenue reserves in the accounts. A revenue reserve is a reserve which is available for distribution. The term “Capital Reserve” has not been defined under the Schedule III. However, as per the Guidance Note on Terms Used in Financial Statements, the expression ‘capital reserve’ is defined as “a reserve of a corporate enterprise which is not available for distribution as dividend”. Though the Schedule III does not have the requirement of “transferring capital profit on reissue of forfeited shares to capital reserve”, since profit on re-issue of forfeited shares is basically profit of a capital nature and, hence, it should be credited to capital reserve.

8.1.2.3. Capital Redemption Reserve :

Under the Act, Capital Redemption Reserve is required to be created in the

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following two situations:

- a) Under the provisions of Section 55 of the Act, where the redemption of preference shares is out of profits, an amount equal to nominal value of shares redeemed is to be transferred to a reserve called 'capital redemption reserve'.
- b) Under Section 69 of the Act, if the buy-back of shares is out of free reserves, the nominal value of the shares so purchased is required to be transferred to capital redemption reserve from distributable profit.

8.1.2.4. Securities Premium:

The Guidance Note of Terms Used in Financial Statements defines 'Share Premium' as *"the excess of the issue price of shares over their face value."* The terminology used in the Schedule III is "Securities Premium" while the nomenclature as per the Act is "Securities Premium Account". Accordingly, the terminology of the Act should be used.

8.1.2.5. Debenture Redemption Reserve :

According to Section 71 of the Act where a company issues debentures, it is required to create a debenture redemption reserve for the redemption of such debentures. The company is required to credit adequate amounts, from out of its profits every year to debenture redemption reserve, until such debentures are redeemed.

On redemption of the debentures for which the reserve is created, the amounts no longer necessary to be retained in this account need to be transferred to the General Reserve.

8.1.2.6. Revaluation Reserve :

As per the Guidance Note of Terms Used in Financial Statements, 'Revaluation reserve' is *'a reserve created on the revaluation of assets or net assets of an enterprise represented by the surplus of the estimated replacement cost or estimated market values over the book values thereof.'* Accordingly, if a company has carried out revaluation of its assets, the corresponding amount would be disclosed as "Revaluation Reserve"

8.1.2.7. Share Options Outstanding Account :

Presently, as per the Guidance Note on Accounting for Employee Share-based Payments, Stock Options Outstanding Account is shown as a separate line-item. The Schedule III requires this item to be shown as a part of 'Reserve and Surplus'.

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8.1.2.8. Other Reserves (specify the nature and purpose of reserve and the amount in respect thereof) :

Every other reserve which is not covered in the paragraphs 8.1.2.2 to 8.1.2.7 is to be reflected as 'Other Reserves'. However, since the nature, purpose and the amount are to be shown, each reserve is to be shown separately. This would include reserves to be created under other statutes like Tonnage Tax Reserve to be created under the Income Tax Act, 1961, Special Reserve to be created under Section 45(IC) of the Reserve Bank of India Act, 1934, 'Special Economic Zone Reinvestment Reserve Account' created under section 10AA of Income Tax Act 1961 etc.

8.1.2.9. Surplus i.e. balance in Statement of Profit and Loss disclosing allocations and appropriations such as dividend, bonus shares and transfer to/from reserves, etc.

Appropriations to the profit for the year (including carried forward balance) are to be presented under the main head 'Reserves and Surplus'. Under the Schedule III, the Statement of Profit and Loss will no longer reflect any appropriations.

Please also refer to the discussion in Para 10.9 below.

8.1.2.10. Additions and deductions since the last Balance Sheet to be shown under each of the specified heads:

This requires the company to disclose the movement in each of the reserves and surplus since the last Balance Sheet.

Please refer to Para 10.9 of this Guidance Note.

8.1.2.11 As per Schedule III, a reserve specifically represented by earmarked investments shall be termed as a 'fund'.

8.1.2.12 Debit balance in the Statement of Profit and Loss and in Reserves and Surplus:

Debit balance in the Statement of Profit and Loss which would arise in case of accumulated losses, is to be shown as a negative figure under the head 'Surplus'. The aggregate amount of the balance of 'Reserves and Surplus', is to be shown after adjusting negative balance of surplus, if any. If the net result is negative, the negative figure is to be shown under the head 'Reserves and Surplus'.

8.1.3. Money received against Share Warrants

Share warrants may be issued to promoters and others by a company. AS 20

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Earning Per Share notified under the Companies (Accounting Standards) Rules, 2006 defines 'share warrants' as "financial instruments which give the holder the right to acquire equity shares". Thus, effectively, share warrants are nothing but the amount which would ultimately form part of the Shareholders' funds. Since shares are yet to be allotted against the same, these are not reflected as part of Share Capital but as a separate line-item – 'Money received against share warrants.'

8.2. Share Application Money pending allotment

8.2.1. Share Application money pending allotment is to be disclosed as a separate line item on the face of Balance Sheet between "Shareholders' Funds" and "Non-current Liabilities". Share application money not exceeding the issued capital and to the extent not refundable is to be disclosed under this line item. If the company's issued capital is more than the authorized capital and approval of increase in authorized capital is pending, the amount of share application money received over and above the authorized capital should be shown under the head "Other Current Liabilities".

8.2.2. Clause (g) of Note 6G of General Instructions for preparation of Balance sheet lists various circumstances and specifies the information to be disclosed in respect of share application money. However, amount shown as 'share application money pending allotment' will not include share application money to the extent refundable. For example, the amount in excess of issued capital, or where minimum subscription requirement is not met. Such amount will have to be shown separately under 'Other Current Liabilities'.

8.2.3. Various disclosure requirements pertaining to Share Application Money are as follows:

- terms and conditions;
- number of shares proposed to be issued;
- the amount of premium, if any;
- the period before which shares are to be allotted;
- whether the company has sufficient authorized share capital to cover the share capital amount on allotment of shares out of share application money;
- Interest accrued on amount due for refund;
- The period for which the share application money has been pending beyond the period for allotment as mentioned in the share application

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form along with the reasons for such share application money being pending.

The above disclosures should be made in respect of amounts classified under both Equity as well as Current Liabilities, wherever applicable.

8.2.4. As per power given under section 50 of the Act, a company, if so authorized by its Articles, may accept from any member the whole or a part of the amount remaining unpaid on any shares held by him, although no part of that amount has been called up. The shareholder who has paid the money in advance is not a creditor for the amount so paid as advance, as the same cannot be demanded for repayment and the company cannot pay him back unless Articles so provide. The amount of calls paid in advance does not form part of the paid-up capital. The Department of Company Affairs has clarified that it is better to show “Calls in Advance” under the head “Current Liabilities and Provisions” (Letter No. 8/16(1)/61-PR, dated 9.5.1961). Thus, under the Schedule III, calls paid in advance are to be reflected under “Other Current Liabilities”. The amount of interest which may accrue on such advance should also be reflected as a liability.

8.2.5. “Share application money pending allotment” is required to be shown as a separate line item on the face of the Balance Sheet after Shareholders’ Funds. However, under “Other current liabilities” there is a statement that Share application money not exceeding the issued capital and to the extent not refundable shall be shown under the head Equity. The two requirements appear to be conflicting. However, from the format as set out in the Schedule, it appears that the Regulator’s intention is to specifically highlight the amount of Share application money pending allotment, though they may be, in substance, in nature of Equity. Accordingly, the equity element should continue to be disclosed on the face of the Balance Sheet as a separate line item, rather than as a component of Shareholders’ Funds.

8.3. Non-current liabilities

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. Terms

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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.

All other liabilities shall be classified as non-current.

Based on the above definitions, on the face of the Balance Sheet, the following items shall be disclosed under non-current liabilities.

- Long-term borrowings;
- Deferred tax liabilities (Net);
- Other Long-term liabilities;
- Long-term provisions.

8.3.1. Long-term borrowings:

8.3.1.1. Long-term borrowings shall be classified as:

- (a) Bonds/debentures;
- (b) Term loans;
 - from banks;
 - from other parties;
- (c) Deferred payment liabilities;
- (d) Deposits;
- (e) Loans and advances from related parties;
- (f) Long term maturities of finance lease obligations;
- (g) Other loans and advances (specify nature).

8.3.1.2. Borrowings shall further be sub-classified as secured and unsecured. Nature of security shall be specified separately in each case.

8.3.1.3. Where loans have been guaranteed by directors or others, the aggregate amount of such loans under each head shall be disclosed. The word “others” used in the phrase “directors or others” would mean any person or entity other than a director. Therefore, this is not restricted to mean only related parties. However, in the normal course, a person or entity guaranteeing a loan of a company will generally be associated with the company in some manner.

8.3.1.4. Bonds/debentures (along with the rate of interest and particulars of

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redemption or conversion, as the case may be) shall be stated in descending order of maturity or conversion, starting from farthest redemption or conversion date, as the case may be. Where bonds/debentures are redeemable by installments, the date of maturity for this purpose must be reckoned as the date on which the first installment becomes due.

8.3.1.5. Particulars of any redeemed bonds/ debentures which the company has power to reissue shall be disclosed.

8.3.1.6. Terms of repayment of term loans and other loans shall be stated.

8.3.1.7. Period and amount of continuing default as on the Balance Sheet date in repayment of loans and interest shall be specified separately in each case.

8.3.1.8. The phrase "long-term" has not been defined. However, the definition of 'non-current liability' in the Schedule III may be used as long-term liability for the above disclosure. Also, the phrase "term loan" has not been defined in the Schedule III. Term loans normally have a fixed or pre-determined maturity period or a repayment schedule.

8.3.1.9. As referred to in para 45(i) of the 2016 edition of the Guidance Note on Companies (Auditor's Report) Order, 2016 (CARO) in the banking industry, for example, loans with repayment period beyond thirty six months are usually known as "term loans". Cash credit, overdraft and call money accounts / deposit are, therefore, not covered by the expression "term loans". Term loans are generally provided by banks and financial institutions for acquisition of capital assets which then become the security for the loan, i.e., end use of funds is normally fixed.

8.3.1.9 Deferred payment liabilities would include any liability for which payment is to be made on deferred credit terms. E.g. deferred VAT / GST liability, deferred payment for acquisition of Property, Plant and Equipment, Intangible Assets, etc.

8.3.1.10 The current maturities of all long-term borrowings will be disclosed under 'short-term borrowings' and not under long-term borrowings and other current liabilities. Hence, it is possible that the same bonds / debentures / term loans may be bifurcated under both long-term borrowings as well as under short-term borrowings. Further, long-term borrowings are to be sub-classified as secured and unsecured giving the nature of the security for the secured position.

8.3.1.11 The Schedule III also stipulates that the nature of security shall be

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specified separately in each case. A blanket disclosure of different securities covering all loans classified under the same head such as 'All Term loans from banks' will not suffice. However, where one security is given for multiple loans, the same may be clubbed together for disclosure purposes with adequate details or cross referencing.

8.3.1.12 The disclosure about the nature of security should also cover the type of asset given as security e.g. inventories, property, plant and equipment, intangible assets, etc. This is because the extent to which loan is secured may vary with the nature of asset against which it is secured.

8.3.1.13 When promoters, other shareholders or any third party have given any personal security for any borrowing, such as shares or other assets held by them, disclosure should be made thereof, though such security does not result in the classification of such borrowing as secured.

8.3.1.14 The Schedule III requires that under the head "Borrowings," period and amount of "continuing default (in case of long-term borrowing) and default (in case of short-term borrowing) as on the Balance Sheet date in repayment of loans and interest shall be specified separately in each case". The word "loan" has been used in a more generic sense. Hence, the disclosures relating to default should be made for all items listed under the category of borrowings such as bonds/ debentures, deposits, deferred payment liabilities, finance lease obligations, etc. and not only to items classified as "loans" such as term loans, or loans and advances etc.

8.3.1.15 Also, a company need not disclose information for defaults other than in respect of repayment of loan and interest, e.g., compliance with debt covenants. The Schedule III requires specific disclosures only for default in repayment of loans and interest and not for other defaults.

8.3.1.16 Though two different terms, viz., continuing default (in case of long-term borrowing) and default (in case of short-term borrowing) have been used, the requirement should be taken to disclose default "as on the Balance Sheet date" in both the cases. Pursuant to this requirement, details of any default in repayment of loan and interest existing as on the Balance Sheet date needs to be separately disclosed. Any default that had occurred during the year and was subsequently made good before the end of the year does not need to be disclosed.

8.3.1.17 Terms of repayment of term loans and other loans shall be disclosed. The term 'other loans' is used in general sense and should be interpreted to mean all categories listed under the heading 'Long-term

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borrowings' as per Schedule III. Disclosure of terms of repayment should be made preferably for each loan unless the repayment terms of individual loans within a category are similar, in which case, they may be aggregated.

8.3.1.18 Disclosure of repayment terms should include the period of maturity with respect to the Balance Sheet date, number and amount of instalments due, the applicable rate of interest and other significant relevant terms if any.

8.3.1.19 Deposits classified under Borrowings would include deposits accepted from public and inter corporate deposits which are in the nature of borrowings.

8.3.1.20 Loans and advances from related parties are required to be disclosed. Advances under this head should include those advances which are in the nature of loans.

8.4. Other Long-term liabilities

This should be classified into:

- a) Trade payables; and
- b) Others.

8.4.1 A payable shall be classified as 'trade payable' if it is in respect of amount due on account of goods purchased or services received in the normal course of business. The amounts due under contractual obligations cannot be included within Trade payables. Such contractual obligations may include dues payables in respect of statutory obligations like contribution to provident fund, purchase of Property, Plant and Equipment, Intangible Assets, etc., contractually reimbursable expenses, interest accrued on trade payables, etc. Such payables should be classified as "others" and each such item should be disclosed nature-wise. However, Acceptances should be disclosed as part of trade payables in terms of the Schedule III.

8.4.2 By virtue of MCA notification dated 4th September 2015, disclosure relating to dues to suppliers registered under The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 was made. Though the amendment was made under 'Trade payables' under 'Current Liabilities', the principle would equally be applicable for disclosure of trade payables under 'other long term liabilities'.

8.4.3 The following disclosures are required by the said notification (similar to Sec 22 of MSMED Act 2006 under the Chapter on Delayed Payments to Micro and Small Enterprises):

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- (a) the principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of accounting year;
- (b) the amount of interest paid by the buyer under MSMED Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year;
- (c) the amount of interest due and payable for the period (where the principal has been paid but interest under the MSMED Act, 2006 not paid);
- (d) The amount of interest accrued and remaining unpaid at the end of accounting year; and
- (e) The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23.

The terms "appointed day", "buyer", "enterprise", "micro enterprise", "small enterprise" and "supplier", shall be as defined under clauses (b), (d), (e), (h), (m) and (n) respectively of section 2 of the Micro, Small and Medium Enterprises Development Act, 2006.

8.4.4 The following disclosure of ageing schedule for 'trade payables due for payment' shall be given as below:

Trade Payables ageing schedule

(Amount in Rs.)

Particulars	Outstanding for following periods from due date of payment [#]				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
(i) MSME					
(ii) Others					
(iii) Disputed dues – MSME					
(iv) Disputed dues – Others					

[#] similar information shall be given where no due date of payment is specified

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in that case disclosure shall be from the date of the transaction.

Unbilled dues shall be disclosed separately.

Ageing of long-term trade payables outstanding

This disclosure requires the company to provide ageing of trade payables outstanding as on the balance sheet date and as per the prescribed format. However, in order to tie-up the amounts presented in the 'total' column with the amounts presented in the financial statements or notes, two additional columns with heading 'Unbilled' and the heading 'Not due' shall be added before the ageing columns to separately disclose the amount for unbilled payables and the amount of trade payables which are not due, respectively.

AS 29 states that trade payables are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier. Unbilled trade payables shall include accruals which are not classified as provisions under AS 29.

AS 29 describes a provision as a liability which can be measured only by using a substantial degree of estimation with regard to the future expenditure required in settlement. Although it is sometimes necessary to estimate the amount or timing of accruals, the uncertainty is generally much less than for provisions. It is clarified that a "provision" shall not be considered as unbilled trade payables.

The amounts to be presented under (i) MSME and (ii) Others shall include those trade payable dues that are undisputed.

Due date shall be the date by when a buyer should make payment to the supplier as per terms agreed upon between the buyer and supplier.

In case if the due date is re-negotiated or the invoice is revised, due date shall be considered from the original due date or revised due date basis the agreed terms between buyer and seller, as the case may be.

In case if the due date is neither agreed in writing nor oral, then the disclosure needs to be prepared from the transaction date. Transaction date shall be the date on which the liability is recognised in the books of accounts as per the requirement of applicable standards.

8.4.5 A dispute is a matter of facts & circumstances of the case; However, dispute means a disagreement between two parties demonstrated by some positive evidence which supports or corroborates the fact of disagreement

8.5. Long-Term Provisions

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8.5.1 This should be classified into provision for employee benefits and others specifying the nature. Provision for employee benefits should be bifurcated into long-term (non-current) and other current and the long-term portion is disclosed under this para. All long-term provisions, other than those related to employee benefits should be disclosed separately based on their nature. Such items would include Provision for warranties etc. While AS-15 *Employee Benefits* governs the measurement of various employee benefit obligations, their classification as current and non-current liability will also be governed by the criteria laid down in Notes 1 to 3 to the General Instructions for Preparation of Balance Sheet in the Schedule III. Accordingly, a liability is classified as current if a company does not have an unconditional right as on the Balance Sheet date to defer its settlement for 12 months after the reporting date. Each company will need to apply these criteria to its specific facts and circumstances and decide an appropriate classification for its employee benefit obligations.

8.6. Current Liabilities

This should be classified on the face of the Balance Sheet as follows:

- Short-term borrowings;
- Trade payables;
 - (A) total outstanding dues of micro enterprises and small enterprises; and
 - (B) total outstanding dues of creditors other than micro enterprises and small enterprises.
- Other current liabilities;
- Short-term provisions.

8.6.1. Short-term borrowings

8.6.1.1. (i) Short-term borrowings shall be classified as:

- (a) Loans repayable on demand
 - from banks;
 - from other parties.
- (b) Loans and advances from related parties;
- (c) Deposits;
- (d) Other loans and advances (specify nature).

(ii) Borrowings shall further be sub-classified as secured and unsecured.

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Nature of security shall be specified separately in each case.

- (iii) Where loans have been guaranteed by directors or others, the aggregate amount of such loans under each head shall be disclosed.
- (iv) Period and amount of default as on the Balance Sheet date in repayment of loans and interest shall be specified separately in each case.
- (v) Current maturities of long-term borrowings shall be disclosed separately

8.6.1.2 Loans payable on demand should be treated as part of short-term borrowings. Short-term borrowings will include all loans within a period of 12 months from the date of the loan. In the case of short-term borrowings, all defaults existing as at the date of the Balance Sheet should be disclosed (item-wise). Current maturity of long-term borrowings should be classified as short-term borrowings and presented as a separate line item. Guidance on disclosure on various matters under this Para should also be drawn, to the extent possible, from the guidance given under Long-term borrowings.

To provide relevant information to the users of the financial statements regarding total amount of liability under the respective category of non-current borrowings, Companies shall provide the amount of non-current as well as current portion for each of the respective category of non-current borrowings either by way of a note or a schedule or a cross-reference, as appropriate. This shall be in addition to Schedule III requirements for presenting 'current maturities of long-term borrowings' under current borrowings.

8.6.2. Trade payables

Guidance on disclosure under this clause should be drawn from the guidance given under Other Long-term borrowings to the extent applicable.

8.6.3. Other current liabilities

The amounts shall be classified as:

- (a) Current maturities of finance lease obligations;
- (b) Interest accrued but not due on borrowings;
- (c) Interest accrued and due on borrowings;
- (d) Income received in advance;
- (e) Unpaid dividends;

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- (f) Application money received for allotment of securities and due for refund and interest accrued thereon;
- (g) Unpaid matured deposits and interest accrued thereon;
- (h) Unpaid matured debentures and interest accrued thereon;
- (i) Other payables (specify nature).

The portion of finance lease obligations, which is due for payments within twelve months of the reporting date is required to be classified under “Other current liabilities” while the balance amount should be classified under Long-term borrowings.

Trade Deposits and Security Deposits which are not in the nature of borrowings should be classified separately under ‘Other Non-current/Current liabilities’. Other Payables may be in the nature of statutory dues such as Withholding taxes, Excise Duty, GST, employer and employee contribution to PF / ESI / LWF, etc.

8.6.4. Short-term provisions

The amounts shall be classified as:

- (a) Provision for employee benefits;
- (b) Others (specify nature).

Others would include all provisions other than provisions for employee benefits such as Provision for dividend, Provision for taxation, Provision for warranties, etc. These amounts should be disclosed separately specifying nature thereof.

II. Assets

8.7. Non-current assets

Definition and Presentation

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

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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'.

Based on the above definition, on the face of the Balance Sheet, the following items shall be disclosed under non-current assets: -

- (a) Property, Plant and Equipment
- (b) Intangible assets;
- (c) Capital work-in-progress;
- (d) Intangible assets under development
- (e) Non-current investments
- (f) Deferred tax assets (net)
- (g) Long-term loans and advances
- (h) Other non-current assets

Sr. No.	Particulars	Relevant Accounting Standards as notified under Companies (Accounting Standards) Rules, 2006 (as amended from time to time)
1.	Property, Plant and Equipment	AS 10 (Revised 2016)
2.	Intangible assets	AS 26
3.	Capital work-in-progress	AS 10 (Revised 2016)
4.	Intangible assets under development	AS 26

8.7.1 Property, Plant and Equipment

The company shall disclose the following in the Notes to Accounts as per 6(I) of Part I of the Schedule III.

- (i) Classification shall be given as:
 - (a) Land;
 - (b) Buildings;
 - (c) Plant and Equipment;

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- (d) Furniture and Fixtures;
 - (e) Vehicles;
 - (f) Office equipment;
 - (g) Others (specify nature).
- (ii) Assets under lease shall be separately specified under each class of asset.

The term “under lease” should be taken to mean assets given on operating lease in the case of lessor and assets held under finance lease in the case of lessee. Further, leasehold improvements should continue to be shown as a separate asset class.

- (iii) A reconciliation of the gross and net carrying amounts of each class of assets at the beginning and end of the reporting period showing additions, disposals, acquisitions through business combinations, amount of change due to revaluation (if change is 10% or more in the aggregate of the net carrying value of each class of Property, Plant and Equipment) and other adjustments and the related depreciation and impairment losses/reversals shall be disclosed separately.

All acquisitions, whether by way of an asset acquisition or through a business combination are to be disclosed as part of the reconciliation in the note on Property, Plant & Equipment Acquisitions through ‘Business Combinations’ need to be disclosed separately for each class of assets. Similarly, though not specifically required, it is advisable that asset disposals through demergers, etc. may also be disclosed separately for each class of assets.

The term “business combination” has not been defined in the Act or the Accounting Standards as notified under the Companies (Accounting Standards) Rules, 2006 as amended from time to time. However, related concepts have been enumerated in AS14 (Revised 2016) *Accounting for Amalgamations* and AS10 (Revised 2016) *Property, Plant and Equipment*. Accordingly, such terminology should be interpreted to mean an amalgamation or acquisition or any other mode of restructuring of a set of assets and/or a group of assets and liabilities constituting a business.

Other adjustments should include items such as capitalization of exchange differences where such option has been exercised by the Company as per AS11 *The Effects of Changes in Foreign Exchange Rates* and/or adjustments on account of exchange fluctuations for Property, Plant and Equipment in

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case of non-integral operations as per AS11 and/or borrowing costs capitalised in accordance with AS 16 *Borrowing Costs*. Such adjustments should be disclosed separately for each class of assets. The disclosure as required by the notification under para 46A of AS 11 should also be made.

Since reconciliation of gross and net carrying amounts of Property, Plant and Equipment is required, the corresponding depreciation/amortization for each class of asset should be disclosed in terms of Opening Accumulated Depreciation, Depreciation for the year, Deductions/Other adjustments and Closing Accumulated Depreciation. Similar disclosures should also be made for Impairment, if any, as applicable.

(iv) Where any amounts have been written-off on a reduction of capital or revaluation of assets or where sums have been added on revaluation of assets, every Balance Sheet subsequent to date of such write-off or addition shall show the reduced or increased figures, as applicable. Disclosure by way of a note would also be required to show the amount of the reduction or increase, as applicable, together with the date thereof for the first five years subsequent to the date of such reduction or increase.

The Schedule III has introduced office equipment as a separate line item while dropping items like livestock, railway sidings, etc. However, if the said items exist, the same should be disclosed separate asset class specifying nature thereof.

The Schedule III does not prescribe any particular classification/presentation for leasehold land. AS 19 *Leases*, excludes land leases from its scope. The accounting treatment for leasehold land should be continued with as is being currently followed under the prevailing Indian generally accepted accounting principles and practices. Accordingly, Leasehold land should also continue to be presented as a separate asset class under Tangible Assets. Also, Freehold land should continue to be presented as a separate asset class.

With respect to revaluation of Property, Plant and Equipment, AS10 (Revised 2016) *Property, Plant and Equipment* requires a company to disclose details such as effective date of the revaluation, whether an independent valuer was involved, the methods and significant assumptions applied in estimating fair value of the items, the extent to which fair values of items were determined directly by reference to observable prices in an active market or recent market transactions on arm's length terms or were estimated using other valuation techniques, and the revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance of

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shareholders.

The Schedule III requires separate disclosure of the amount of change due to revaluation, where change is 10% or more in the aggregate of the net carrying value of each class of Property, Plant and Equipment. In contrast, paragraph 81 of AS 10 (Revised) requires reconciliation of the carrying amount at the beginning and end of the period showing increases or decreases resulting from revaluations, irrespective of the percentage change. Accordingly, separate presentation of the amount of change due to revaluation should be continued, irrespective of whether such a change is 10% or more, in order to comply with a broader presentation requirement of AS 10 (Revised) such presentation needs to be followed consistently.

The Schedule III is clear that the disclosure requirements of the Accounting Standards are in addition to disclosures required under the Schedule. Also, in case of any conflict, the Accounting Standards will prevail over the Schedule. Keeping this in view, companies should make disclosures required by the Schedule III only for five years. However, details required by AS10 (Revised 2016) will have to be given as long as the asset is held by the company.

However, it may be noted that AS 26 *Intangible Assets* does not permit revaluation of intangible assets.

8.7.2 Intangible assets

The company shall disclose the following in the Notes to Accounts as per 6(J) of Part I of the Schedule III.

- (i) Classification shall be given as:
 - (a) Goodwill;
 - (b) Brands /trademarks;
 - (c) Computer software;
 - (d) Mastheads and publishing titles;
 - (e) Mining rights;
 - (f) Copyrights, and patents and other intellectual property rights, services and operating rights;
 - (g) Recipes, formulae, models, designs and prototypes;
 - (h) Licenses and franchise;

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- (i) Others (specify nature).
- (ii) A reconciliation of the gross and net carrying amounts of each class of assets at the beginning and end of the reporting period showing additions, disposals, acquisitions through business combinations, amount of change due to revaluation (if change is 10% or more in the aggregate of the net carrying value of each class of intangible assets) and other adjustments and the related amortization and impairment losses/reversals shall be disclosed separately.
- (iii) Where sums have been written-off on a reduction of capital or revaluation of assets or where sums have been added on revaluation of assets, every Balance Sheet subsequent to date of such write-off, or addition shall show the reduced or increased figures as applicable and shall by way of a note also show the amount of the reduction or increase, as applicable, together with the date thereof for the first five years subsequent to the date of such reduction or increase.

Classification of intangible assets (as listed above) has been introduced under the Schedule III, which did not exist earlier.

The guidance given above on Property, Plant and Equipment, to the extent applicable, is also to be used for Intangible Assets.

8.7.3 Capital work-in-progress

As per the Schedule III, capital advances should be included under Long-term loans and advances and hence, cannot be included under capital work-in-progress.

8.7.4 Intangible assets under development

Intangible assets under development should be disclosed under this head provided they can be recognised based on the criteria laid down in AS 26 *Intangible Assets*.

8.7.5 Non-current investments

- (i) Non-current investments shall be classified as trade investments and other investments and further classified as:
 - (a) Investment property;
 - (b) Investments in Equity Instruments;

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- (c) Investments in preference shares;
- (d) Investments in Government or trust securities;
- (e) Investments in debentures or bonds;
- (f) Investments in Mutual Funds;
- (g) Investments in partnership firms;
- (h) Other non-current investments (specify nature).

Under each classification, details shall be given of names of the bodies corporate (indicating separately whether such bodies are (i) subsidiaries, (ii) associates, (iii) joint ventures, or (iv) controlled special purpose entities) in whom investments have been made and the nature and extent of the investment so made in each such body corporate (showing separately investments which are partly-paid). In regard to investments in the capital of partnership firms, the names of the firms (with the names of all their partners, total capital and the shares of each partner) shall be given.

- (ii) Investments carried at other than at cost should be separately stated specifying the basis for valuation thereof.
- (iii) The following shall also be disclosed:
 - (a) Aggregate amount of quoted investments and market value thereof;
 - (b) Aggregate amount of unquoted investments;
 - (c) Aggregate provision for diminution in value of investments

If a debenture is to be redeemed partly within 12 months and balance after 12 months, the amount to be redeemed within 12 months should be disclosed as current and balance should be shown as non-current.

8.7.5.1 Trade Investment

Note 6(K)(i) of Part I requires that non-current investments shall be classified as "trade investment" and "other investments". The term "trade investments" is defined neither in Schedule III nor in Accounting Standards.

The term "trade investment" is, however, normally understood as an investment made by a company in shares or debentures of another company, to promote the trade or business of the first company.

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8.7.5.2 Investment property

As per AS 13 *Accounting for Investments*, an investment property is an investment in land or buildings that are not intended to be occupied substantially for use by, or in the operations of, the investing enterprise.

8.7.5.3 Aggregate provision for diminution in value

As per the Schedule III, this amount should be disclosed separately in the notes. However, as per AS-13 all long-term (non-current) investments are required to be carried at cost. However, when there is a decline, other than temporary, in the value of a long-term investment, the carrying amount is reduced to recognize the decline. Accordingly, the value of each long-term investment should be carried at cost less provision for other than temporary diminution in the value thereof. It is recommended to disclose the amount of provision netted-off for each long-term investment.

However, the aggregate amount of provision made in respect of all non-current investments should also be separately disclosed to comply with the specific disclosure requirement in Schedule III.

8.7.5.4 Controlled special purpose entities

Under investments, there is also a requirement to disclose the names of bodies corporate, including separate disclosure of investments in “controlled special purpose entities” in addition to subsidiaries, etc. The expression “controlled special purpose entities” however, has not been defined either in the Act or in the Schedule III or in the Accounting Standards. Accordingly, no disclosures would be additionally required to be made under this caption. If and when such terminology is explained/ introduced in the applicable Accounting Standards, the disclosure requirement would become applicable.

8.7.5.5 Basis of valuation

The Schedule III requires disclosure of the “basis of valuation” of non-current investments which are carried at other than cost. However, what should be understood by such terminology has not been clarified. The same may be interpreted in the following ways:

One view is that the basis of valuation would mean the market value, or valuation by independent valuers, valuation based on the investee's assets and results, or valuation based on expected cash flows from the investment, or management estimate, etc. Hence, for all investments carried at other than cost, the basis of valuation for each individual investment should be

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disclosed.

The other view is that disclosure for basis of valuation should be either of:

- At cost;
- At cost less provision for other than temporary diminution;
- Lower of cost and fair value.

However, making disclosures in line with the latter view would be sufficient compliance with the disclosure requirements.

8.7.5.6 Quoted investments

The term quoted investments has not been defined in the Schedule III. The expression “quoted investment”, means an investment as respects which there has been granted a quotation or permission to deal on a recognized stock exchange, and the expression “unquoted investment” shall be construed accordingly.

In case of investments in Mutual Fund which are not quoted on a market, but for which the NAV is published on a regular basis, the company should continue to disclose it as unquoted investments and may present its market value in the financial statements as an additional disclosure based on such NAV.

8.7.5.7 Under each sub-classification of Investments, there is a requirement to disclose details of investments including names of the bodies corporate and the nature and extent of the investment in each such body corporate. The term “nature and extent” should be interpreted to mean the number and face value of shares. There is also a requirement to disclose partly-paid shares. However, it is advisable to clearly disclose whether investments are fully paid or partly paid.

8.7.5.8 Disclosure relating to partnership firms in which the company has invested, etc. (under Current and Non-current Investments in the Balance Sheet)

A company, as a juridical person, can enter into partnership. The Schedule III provides for certain disclosures where the company is a partner in partnership firms.

In the Balance Sheet, under the sub-heading “Current Investments” and “Non-current Investments”, separate disclosure is to be made of any investment in the capital of partnership firm by the company. In addition, in the Notes to Accounts separate disclosure is required with regard to the

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names of the firms, along with the names of all their partners, total capital and the shares of each partner.

The disclosure in the Balance Sheet relating to the value of the investment in the capital of a partnership firm as the amount to be disclosed as on the date of the Balance Sheet can give rise to certain issues, the same are discussed in the following paragraphs.

(a) In case of a change in the constitution of the firm during the year, the names of the other partners should be disclosed by reference to the position existing as on the date of the company's Balance Sheet.

(b) The total capital of the firm to be disclosed should be with reference to the amount of the capital on the date of the company's Balance Sheet.

If it is not practicable to draw up the Financial Statements of the partnership upto such date and, are drawn up to different reporting dates, drawing analogy from AS-21 and AS-27, adjustments should be made for the effects of significant transactions or other events that occur between those dates and the date of the parent's Financial Statements. In any case, the difference between reporting dates should not be more than six months. In such cases, the difference in reporting dates should be disclosed.

(c) For disclosure of the share of each partner it is suggested to disclose share of each partner in the profits of the firm rather than the share in the capital since, ordinarily, the expression "share of each partner" is understood in this sense. Moreover, disclosure is already required of the total capital of the firm as well as of the company's share in that capital. The share of each partner should be disclosed as at the date of the company's Balance Sheet

(d) The Statement of investments attached to the Balance Sheet is required to disclose, *inter alia*, the total capital of the partnership firm in which the company is a partner. Where such a partnership firm has separate accounts for partner's capital, drawings or current, loans to or from partners, etc., disclosure must be made with regard to the total of the capital accounts alone, since this is what constitutes the capital of the partnership firm. Where, however, such accounts have not been segregated, or where the partnership deed provides that the capital of each partner is to be calculated by reference to the net amount at his credit after merging all the accounts, the disclosure relating to the partnership capital must be made on the basis of the total effect of

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such accounts taken together.

Separate disclosure is required by reference to each partnership firm in which the company is a partner. The disclosure must be made along with the name of each such firm and must then indicate the total capital of each firm, the names of all the partners in each firm and the respective shares of each partner in the respective firm.

8.7.5.9 A limited liability partnership is a body corporate and not a partnership firm as envisaged under the Partnership Act, 1932. Hence, disclosures pertaining to Investments in partnership firms will not include investments in limited liability partnerships. The investments in limited liability partnerships will be disclosed separately under other investments. Also, other disclosures prescribed for Investment in partnership firms, need not be made for investments in limited liability partnerships.

8.7.5.10 Application money paid towards securities

Any application money paid towards securities, where security has not been allotted on the date of the Balance Sheet shall be disclosed as a separate line item. If the amount is material, details about the allotment since made or when the allotment is expected to be completed may also be disclosed.

In case the investment is of current investment in nature, such share application money shall be accordingly, disclosed under current investments.

8.7.6 Long-term loans & advances

- (i) Long-term loans and advances shall be classified as:
 - (a) Capital Advances;
 - (b) Loans and advances to related parties (giving details thereof);
 - (c) Other loans and advances (specify nature).
- (ii) The above shall also be separately sub-classified as:
 - (a) Secured, considered good;
 - (b) Unsecured, considered good;
 - (c) Doubtful.
- (iii) Allowance for bad and doubtful loans and advances shall be disclosed under the relevant heads separately.
- (iv) Loans and advances due by directors or other officers of the company

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or any of them either severally or jointly with any other persons or amounts due by firms or private companies respectively in which any director is a partner or a director or a member should be separately stated.

Under the Schedule III, Capital Advances are not be classified under Capital Work in Progress, since they are specifically to be disclosed under this para.

Capital advances are advances given for procurement of Property, Plant and Equipment and intangible assets which are non-current assets. Typically, companies do not expect to realize them in cash. Rather, over the period, these get converted into Property, Plant and Equipment and intangible assets which, by nature, are non-current assets. Hence, capital advances should be treated as non-current assets irrespective of when the Property, Plant and Equipment and intangible assets are expected to be received and should not be classified as Short-Term/Current.

Details of loans and advances to related parties need to be disclosed. Since the Schedule III states that the terms used therein should be interpreted based on applicable the Accounting Standards, the term “details” should be interpreted to understand the disclosure requirements contained in AS 18 *Related Party Disclosure*. Accordingly, making disclosures beyond the requirements of AS-18 would not be necessary.

However, the company, in accordance with requirements of section 186(4) of the Act, shall disclose in the financial statements, the full particulars of the loans given, investment made or guarantee given or security provided and the purpose for which the loan or guarantee or security is proposed to be utilised by the recipient of the loan or guarantee or security.

Other loans and advances should include all other items in the nature of advances recoverable in cash or kind such as Prepaid expenses, Advance tax, CENVAT / VAT / Service tax / GST credit receivable, goods and service tax input receivable, etc. which are not expected to be realized within the next twelve months or operating cycle whichever is longer, from the Balance Sheet date.

Each item of loans and advances should be further sub-classified as a) Secured, considered good, b) Unsecured, considered good and c) Doubtful. Further, the amount of allowance for bad and doubtful loans and advances is required to be disclosed separately under the “relevant heads”. Therefore, the amount of such allowance also should be disclosed separately for each

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category of loans and advances.

8.7.7 Other non-current assets

Other non-current assets shall be classified as:

- (i) Long term Trade Receivables (including trade receivables on deferred credit terms);
- (ia) Security Deposits
- (ii) Others (specify nature)

Long term Trade Receivables, shall be sub-classified as:

- (i) (a) Secured, considered good;
- (b) Unsecured considered good;
- (c) Doubtful
- (ii) Allowance for bad and doubtful debts shall be disclosed under the relevant heads separately.
- (iii) Debts due by directors or other officers of the company or any of them either severally or jointly with any other person or debts due by firms or private companies respectively in which any director is a partner or a director or a member should be separately stated.
- (iv) For trade receivables outstanding, following ageing schedule shall be given:

Trade Receivables ageing schedule

(Amount in Rs.)

Particulars	Outstanding for following periods from due date of payment [#]					Total
	Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	
(i) Undisputed Trade Receivables – considered good						
(ii)						

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Undisputed Trade Receivables – considered doubtful						
(iii) Disputed Trade Receivables – considered good						
(iv) Disputed Trade Receivables – considered doubtful						

similar information shall be given where no due date of payment is specified in that case disclosure shall be from the date of the transaction.

Unbilled dues shall be disclosed separately.

A receivable shall be classified as 'trade receivable' if it is in respect of the amount due on account of goods sold or services rendered in the normal course of business. The amounts due under contractual obligations cannot be included within Trade Receivables. Such contractual obligations may include dues in respect of insurance claims, sale of Property, Plant and Equipment, contractually reimbursable expenses, interest accrued on trade receivables, etc. Such receivables should be classified as "others" and each such item should be disclosed nature-wise.

Guidance in respect of the above items may also be drawn from the guidance given in respect of Long-term loans & advances to the extent applicable.

As per AS 16 *Borrowing Costs* ancillary borrowing costs and discount or premium relating to borrowings could be amortized over the loan period. Further, share issue expenses, discount on shares, ancillary costs-discount-premium on borrowing, etc., being special nature items are excluded from the scope of AS 26 *Intangible Assets* (Para 5). Keeping this in view, certain companies have taken a view that it is an acceptable practice to amortize these expenses over the period of benefit, i.e., normally 3 to 5 years. The Schedule III does not deal with any accounting treatment and the same

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continues to be governed by the respective Accounting Standards/practices. Further, the Schedule III is clear that additional line items can be added on the face or in the notes. Keeping this in view, entity can disclose the unamortized portion of such expenses as “Unamortized expenses”, under the head “other current/ non-current assets”, depending on whether the amount will be amortized in the next 12 months or thereafter.

Ageing of long-term trade receivables outstanding

This disclosure requires the company to provide ageing of the trade receivables outstanding as on the balance sheet date and as per the prescribed format. However, in order to tie-up the amounts presented in the ‘total’ column with the amounts presented in the financial statements or notes, two additional columns with heading ‘Unbilled’ and the heading ‘Not due’ shall be added before the ageing columns to separately disclose the amount for unbilled receivables and the amount of trade receivables which are not due, respectively. An entity could have an unconditional right to consideration before it invoices its customers, in which case it records an unbilled receivable. For example, this could occur if an entity has satisfied its performance obligations but has not yet issued the invoice.

The amounts presented under disputed and undisputed categories for each category of credit profile should add up and match with the total amount presented in a separate disclosure for the same category of credit profile. For e.g., the amount of ‘Undisputed Trade Receivables – considered good’ and ‘Disputed Trade Receivables – considered good’ when added up should match with the added up amount of ‘Trade Receivables considered good – Secured’ and ‘Trade Receivables considered good – Unsecured’ provided as part of a separate disclosure.

The ageing of the trade receivables needs to be determined from the due date of the invoice. Due date is generally considered to be the date on which the payment of an invoice falls due. The due date of an invoice is determined based on terms agreed upon between the buyer and supplier.

In case if the due date is neither agreed in writing nor orally, then the ageing related disclosure needs to be prepared from the transaction date. Transaction date is the date on which the entity’s right to consideration is unconditional (that is, when payment is due only on the passage of time).

Schedule III requires split of trade receivables between ‘disputed’ and ‘undisputed’. These terms have not been defined in Schedule III. A dispute is a matter of facts and circumstances of the case; However, dispute means a

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disagreement between two parties demonstrated by some positive evidence which supports or corroborates the fact of disagreement. However, a dispute might not always be an indicator of counterparty's credit risk and vice-versa. Hence, both of these should be evaluated independently for the purpose of making these disclosures.

8.8 Current assets

As per the Schedule III, all items of assets and liabilities are to be bifurcated between current and non-current portions. In some cases, the items presented under the "non-current" head of the Balance Sheet do not have a corresponding "current" head especially for Assets. For example: Security Deposits have been shown under "Long-term loans & advances", however, the same is not reflected under the "short-term loans & advances". Since Schedule III permits the use of additional line items, in such cases the current portion should be classified under the Short-term category of the respective balance as a separate line item and other relevant disclosures e.g. doubtful amount, related provision etc. should be made.

8.8.1 Current investments

- (i) Current investments shall be classified as:
 - (a) Investments in Equity Instruments;
 - (b) Investment in Preference Shares
 - (c) Investments in government or trust securities;
 - (d) Investments in debentures or bonds;
 - (e) Investments in Mutual Funds;
 - (f) Investments in partnership firms
 - (g) Other investments (specify nature).

Under each classification, details shall be given of names of the bodies corporate(indicating separately whether such bodies are (i) subsidiaries, (ii) associates, (iii) joint ventures, or (iv) controlled special purpose entities) in whom investments have been made and the nature and extent of the investment so made in each such body corporate (showing separately investments which are partly-paid). In regard to investments in the capital of partnership firms, the names of the firms (with the names of all their partners, total capital and the shares of each partner) shall be given.

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- (ii) The following shall also be disclosed:
 - (a) The basis of valuation of individual investments
 - (b) Aggregate amount of quoted investments and market value thereof;
 - (c) Aggregate amount of unquoted investments;
 - (d) Aggregate provision made for diminution in value of investments.

Guidance in respect of above items may be drawn from the guidance given in respect of Non-current investments to the extent applicable.

Based on these criteria, if a debenture is to be redeemed partly within twelve months and balance after twelve months, the amount to be redeemed within twelve months should be disclosed as current and balance should be shown as non-current.

Additionally, the Schedule III also require basis of valuation of individual investment. It is pertinent to note that there is no requirement to classify investments into trade & non-trade in respect of current investments.

The aggregate provision for diminution in the value of current investments that needs to be separately disclosed is the amount written down based on the measurement principles of Current Investments as per AS-13 on a cumulative basis.

8.8.2 Inventories

- (i) Inventories shall be classified as:
 - (a) Raw materials;
 - (b) Work-in-progress;
 - (c) Finished goods;
 - (d) Stock-in-trade (in respect of goods acquired for trading);
 - (e) Stores and spares;
 - (f) Loose tools;
 - (g) Others (specify nature).
- (ii) Goods-in-transit shall be disclosed under the relevant sub-head of inventories.
- (iii) Mode of valuation shall be stated.

As per the Schedule III, goods in transit should be included under relevant heads with suitable disclosure. Further, mode of valuation for each class of inventories should be disclosed.

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The heading Finished goods should comprise of all finished goods other than those acquired for trading purposes.

8.8.3 Trade Receivables (current)

- (i) For trade receivables outstanding, the following ageing schedule shall be given:

Trade Receivables ageing schedule

(Amount in Rs.)

Particulars	Outstanding for following periods from due date of payment [#]					Total
	Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	
(i) Undisputed Trade Receivables – considered good						
(ii) Undisputed Trade Receivables – considered doubtful						
(iii) Disputed Trade Receivables – considered good						
(iv) Disputed Trade Receivables – considered doubtful						

[#] similar information shall be given where no due date of payment is specified in that case disclosure shall be from the date of the transaction.

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Unbilled dues shall be disclosed separately.

- (ii) Trade receivables shall be sub-classified as:
 - (a) Secured, considered good;
 - (b) Unsecured considered good;
 - (c) Doubtful.
- (iii) Allowance for bad and doubtful debts shall be disclosed under the relevant heads separately.
- (iv) Debts due by directors or other officers of the company or any of them either severally or jointly with any other person or debts due by firms or private companies respectively in which any director is a partner or a director or a member should be separately stated.

A trade receivable will be treated as current, if it is likely to be realized within twelve months from the date of Balance Sheet or operating cycle of the business.

Non-Ind AS Schedule III requires separate disclosure of the ageing schedule of “Trade Receivables outstanding” for both viz., the Long-term and the current portion of trade receivables. Extensive guidance has been given under Long-term Trade Receivables and should be leveraged here also, to the extent applicable.

Where no due date is specifically agreed upon, normal credit period allowed by the company should be taken into consideration for computing the due date which may vary depending upon the nature of goods or services sold and the type of customers, etc.

All other guidance given under Long-term Trade Receivables to the extent applicable are applicable here also.

8.8.4 Cash and cash equivalents

- (i) Cash and cash equivalents shall be classified as:
 - (a) Balances with banks;
 - (b) Cheques, drafts on hand;
 - (c) Cash on hand;
 - (d) Others (specify nature).
- (ii) Earmarked balances with banks (for example, for unpaid dividend) shall be separately stated.

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- (iii) Balances with banks to the extent held as margin money or security against the borrowings, guarantees, other commitments shall be disclosed separately.
- (iv) Repatriation restrictions, if any, in respect of cash and bank balances shall be separately stated.
- (v) Bank deposits with more than twelve months maturity shall be disclosed separately.

Please also refer to the earlier discussion under the section on General Instructions in para 6.4 for classification of items under this head.

“Other bank balances” would comprise of items such as balances with banks to the extent of held as margin money or security against borrowings etc., and bank deposits with more than three months maturity. Banks deposits with more than twelve months maturity will also need to be separately disclosed under the sub-head ‘Other bank balances’. The non-current portion of each of the above balances will have to be classified under the head “Other Non-current assets” with separate disclosure thereof.

8.8.5 Short-term loans & advances

- (i) Short-term loans and advances shall be classified as:
 - (a) Loans and advances to related parties (giving details thereof);
 - (b) Others (specify nature).
- (ii) The above shall also be sub-classified as:
 - (a) Secured, considered good;
 - (b) Unsecured, considered good;
 - (c) Doubtful.
- (iii) Allowance for bad and doubtful loans and advances shall be disclosed under the relevant heads separately.
- (iv) Loans and advances due by directors or other officers of the company or any of them either severally or jointly with any other person or amounts due by firms or private companies respectively in which any director is a partner or a director or a member shall be separately stated.

The guidance for disclosures under this head should be drawn from guidance given for items comprised within Long-term Loans and Advances.

8.8.6 Other current assets (specify nature)

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This is an all-inclusive heading, which incorporates current assets that do not fit into any other asset categories e.g. unbilled Revenue, unamortized premium on forward contracts etc.

In case any amount classified under this category is doubtful, it is advisable that such doubtful amount as well as any provision made there against should be separately disclosed.

8.8.7 Contingent liabilities and commitments

- (i) Contingent liabilities shall be classified as:
 - (a) Claims against the company not acknowledged as debt;
 - (b) Guarantees;
 - (c) Other money for which the company is contingently liable
- (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 and other investments partly paid
 - (c) Other commitments (specify nature).

8.8.7.1 The provisions of AS-29 *Provisions, Contingent Liabilities and Contingent Assets*, will be applied for determining contingent liabilities.

8.8.7.2 A contingent liability in respect of guarantees arises when a company issues guarantees to another person on behalf of a third party e.g. when it undertakes to guarantee the loan given to a subsidiary or to another company or gives a guarantee that another company will perform its contractual obligations. However, where a company undertakes to perform its own obligations, and for this purpose issues, what is called a "guarantee", it does not represent a contingent liability and it is misleading to show such items as contingent liabilities in the Balance Sheet. For various reasons, it is customary for guarantees to be issued by Bankers e.g. for payment of insurance premium, deferred payments to foreign suppliers, letters of credit, etc. For this purpose, the company issues a "counter-guarantee" to its Bankers. Such "counter-guarantee" is not really a guarantee at all, but is an undertaking to perform what is in any event the obligation of the company, namely, to pay the insurance premium when demanded or to make deferred payments when due. Hence, such performance guarantees and counter-guarantees should not be disclosed as contingent liabilities.

8.8.7.3 The Schedule III also requires disclosures pertaining to various

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commitments such as Capital commitments not provided for and Uncalled liability on shares. It also requires disclosures pertaining to 'Other commitments', with specification of nature thereof.

8.8.7.4 The word 'commitment' has not been defined in the Schedule III. The Guidance Note on Terms Used in Financial Statements issued by ICAI defines 'Capital Commitment' as future liability for capital expenditure in respect of which contracts have been made. Hence, drawing inference from such definition, the term 'commitment' would simply imply future liability for contractual expenditure. Accordingly, the term 'Other commitments' would include all expenditure related contractual commitments apart from capital commitments such as commitments arising from long-term contracts for purchase of raw material, employee contracts, lease commitments, etc. The scope of such terminology is very wide and may include contractual commitments for purchase of inventory, services, investments, sales, employee contracts, etc. However, to give disclosure of all contractual commitments would be contrary to the overarching principle under General Instructions that "a balance shall be maintained between providing excessive detail that may not assist users of Financial Statements and not providing important information as a result of too much aggregation."

8.8.7.5 Disclosures relating to lease commitments for non-cancellable leases are required to be disclosed by *AS-19 Leases*.

8.8.7.6 Accordingly, the disclosures required to be made for 'other commitments' should include only those non-cancellable contractual commitments (i.e. cancellation of which will result in a penalty disproportionate to the benefits involved) based on the professional judgement of the management which are material and relevant in understanding the Financial Statements of the company and impact the decision making of the users of Financial Statements.

Examples may include commitments in the nature of buy-back arrangements, commitments to fund subsidiaries and associates, non-disposal of investments in subsidiaries and undertakings, derivative related commitments, etc.

8.8.7.7 The Schedule III requires disclosure of the amount of dividends proposed to be distributed to equity and preference shareholders for the period and the related amount per share to be disclosed separately in the notes. It also requires separate disclosure of the arrears of fixed cumulative dividends on preference shares.

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8.8.7.8 The Schedule III requires that where in respect of an issue of securities made for a specific purpose, the whole or part of the amount has not been used for the specific purpose at the Balance Sheet date, there shall be indicated by way of note how such unutilized amounts have been used or invested.

8.8.7.9 The Schedule III requires that where the company has not used the borrowings from banks and financial institutions for the specific purpose for which it was taken and such borrowings are outstanding at the balance sheet date, the company shall disclose the details of where they have been used.

It is not necessary to establish a one-to-one relationship with the amount of borrowings and its utilisation. It is quite often found that the amount of borrowings obtained is deposited in the common account of the company from which subsequently the utilisation is made. In such cases, it should not be construed that the amount has not been utilised for the purpose for which it was obtained.

Normally, when banks or financial institutions make direct payments to the vendors/suppliers, then it becomes easier to build a nexus between the source and application of funds.

8.8.7.10 The Schedule III also states that if, in the opinion of the Board, any of the assets other than Property, Plant and Equipment, intangible assets and non-current investments do not have a value on realization in the ordinary course of business at least equal to the amount at which they are stated, the fact that the Board is of that opinion, shall be stated. It is difficult to contemplate a situation where any asset other than Property, Plant and Equipment, intangible assets and non-current investments has a realizable value that is lower than its carrying value, and the same is not given effect to in the books of account, since Accounting Standards do not permit the same. AS13 *Accounting for Investments* requires current investments to be valued at lower of cost and fair value. AS2 *Valuation of Inventories* also requires inventories to be valued at the lower of cost and net realizable value. Further, Allowance for bad and doubtful debts is required to be shown as a deduction from both Long-term loans & advances and Other Non-current assets as well as Trade Receivables and Short-term loans and advances as per Schedule III.

Hence, if the requirements of Accounting Standards and Schedule III are followed, there may not be any need for making additional disclosures in this regard.

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8.9 Additional Regulatory Information

MCA has introduced several new disclosure requirements in its notification dated 24th March 2021 as part of amendments to Schedule III and grouped them under 'additional regulatory information'. They are as below:

8.9.1 Title deeds of Immovable Property not held in the name of the Company

The company shall provide the details of all the immovable property (other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee) whose title deeds are not held in the name of the company in format given below and where such immovable property is jointly held with others, details are required to be given to the extent of the company's share.

Relevant line item in the Balance Sheet	Description of item of property	Gross carrying value	Title deeds held in the name of	Whether title deed holder is a promoter, director or relative# of promoter* / director or employee of promoter / director	Property held since which date	Reason for not being held in the name of the company**
PPE	Land Building	-	-	-	-	** also indicate if in dispute
Investment property	Land Building					
PPE retired from active use and held for disposal	Land Building					

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Others						
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Relative here means relative as defined in the Act.

* Promoter here means promoter as defined in the Act.

8.9.1.1 This disclosure requires the company to provide details, in the prescribed format, of all the immovable properties (other than properties where the company is the lessee and the lease agreements are duly executed in favour of the lessee) whose title deeds are not held in the name of the company. The Act does not define the term “Immovable Property”. However, as per General Clauses Act, 1897, “Immovable Property shall include land, benefits to arise out of land, and things attached to the earth, or permanently fastened to anything attached to the earth”. In absence of any specific guidance, the immovable properties presented under ‘property, plant and equipment’, ‘investment property’ or classified as ‘PPE retired from active use and held for disposal’ would be covered in the scope of this disclosure but immovable property items presented as inventory by companies carrying on real estate business will not fall under this disclosure.

8.9.1.2 The Act does not define ‘title deeds’. In general, title deeds mean a legal deed or document constituting evidence of a right (e.g., registered sale deed, transfer deed, conveyance deed of land), especially to the legal ownership of the immovable property.

In case of leased assets, title deeds would imply the lease agreements and related documents. Where the Company is the lessee of an immovable property and the lease agreements are not duly executed in favour of the lessee then appropriate disclosure has to be provided for such immovable properties.

8.9.1.3 The prescribed format requires disclosure of ‘relevant line item in the Balance Sheet’ and ‘description of item of property’. The prescribed format covers various line items in the Balance Sheet i.e. PPE, Investment Property, etc., and therefore, ‘others’ is a residual category that may be used to disclose those immovable properties which could not otherwise be disclosed as part of the prescribed line items.

For e.g., plant and machinery items or equipments, bearer plants, any other item of PPE that would be covered within the meaning of ‘immovable property’.

8.9.1.4 While making this disclosure in the financial statements, the company should disclose the following information:

- (i) *Gross carrying value* – the company shall disclose the gross

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carrying amount in the financial statements;

- (ii) *Title deeds held in the name of* – the company shall disclose the full name of the individual/entity/person holding the title of immovable property;
- (iii) *Whether title deed holder is a promoter, director or relative of promoter / director or employee of promoter / director* – the company shall disclose the relationship between itself and the individual/entity/person holding the title of immovable property;
- (iv) *Property held since which date* – the company shall disclose the date since the property is held and where the exact date is not available, it shall disclose the month and year since the property is held.).
- (v) *Reason for not being held in the name of the company, also indicating if there is a dispute* – the company shall state the reason for the immovable property not being held in the name of the company (for example, the documents are under preparation or the registration process of transfer of name is in progress as on the balance sheet date). In case the title deeds of immovable property is not being held in the name of the company due to a dispute, the company shall state the nature of dispute..

8.9.1.5 The term ‘relative’ and ‘promoter’ as referred to while making this disclosure should be as defined in the Companies Act, 2013.

8.9.2 Revaluation of Property, Plant and Equipment

Where the Company has revalued its Property, Plant and Equipment, the company shall disclose as to whether the revaluation is based on the valuation by a registered valuer as defined under rule 2 of the Companies (Registered Valuers and Valuation) Rules, 2017.

8.9.2.1 This clause requires a Company to disclose whether the revaluation of its Property, Plant and Equipment during the year is based on the valuation by a registered valuer as defined under the aforementioned Rules. In case the company has not used registered valuer for such fair value/revaluation purposes, the fact needs to be disclosed in the financial statements.

8.9.3 Loans or Advances - additional disclosures

Following disclosures shall be made where Loans or Advances in the nature of loans are granted to promoters, directors, KMPs and the related parties (as defined under Companies Act, 2013,) either severally or jointly with any

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other person, that are:

- (a) repayable on demand; or
- (b) without specifying any terms or period of repayment

Type of Borrower	Amount of loan or advance in the nature of loan outstanding	Percentage to the total Loans and Advances in the nature of loans
Promoters		
Directors		
KMPs		
Related Parties		

8.9.3.1 This disclosure requires the company to provide details of the amount in respect of loans or advances in the nature of loans either repayable on demand or without specifying any terms or period of repayment granted to promoters, directors, KMPs and related parties (all of these to be identified as defined under the Companies Act, 2013).

8.9.3.2. Whether an advance is in the nature of a loan would depend upon the facts and circumstances of each case. For example, a normal advance against an order, in accordance with the normal trade practice would not be an advance in the nature of a loan. But if an advance is given for an amount which is far in excess of the value of an order or for a period which is far in excess of the period for which such advances are usually extended as per the normal trade practice, then such an advance may be in the nature of a loan to the extent of such excess. When a trade practice does not exist, a useful guide would be to consider the period of time required by the supplier for the execution of the order, that is, the time between the purchase of the raw material and the delivery of the finished product. An advance which exceeds this period would normally be an advance in nature of loan unless there is an evidence to the contrary. Similarly, a stipulation regarding interest may normally be an indication that the advance is in nature of a loan but this by itself is not conclusive and there may also be advances which are not in the nature of loan and which carry interest.

8.9.3.3 For the purpose of making this disclosure, the relationship should be considered on the date of loan and the amount should be outstanding as at the balance sheet date.

8.9.3.4 The prescribed format has been modified to provide similar

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information for the comparative reporting period(s) as given below, while the amounts and percentages shall be disclosed at an aggregate level with separate categorization into 'repayable on demand' and 'without specifying any terms or period of repayment':

Type of Borrower	Current Period		Previous Period	
	Amount outstanding*	% of Total^	Amount outstanding*	% of Total^
Promoters				
Directors				
KMPs				
Related Parties				
Total				

* represents loan or advance in the nature of loan

^ represents percentage to the total Loans and Advances in the nature of loans

Moreover, the amount outstanding should be the gross carrying amount (without netting the provision for doubtful debts or impairment loss allowance) included by the company in its respective balance sheet.

8.9.4 Capital work-in-progress (CWIP) ageing schedule / completion schedule

(a) For CWIP, the following ageing schedule shall be given:

CWIP ageing schedule

(Amount in Rs.)

CWIP	Amount in CWIP for a period of				Total*
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress					
Projects temporarily					

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suspended					
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* Total shall tally with CWIP amount in the balance sheet.

8.9.4.1 This disclosure requires the total amount of CWIP as presented in the financial statements to be split between two broad categories viz., 'Projects in progress' and 'Projects temporarily suspended' along with its ageing schedule. The disclosure is not required to be presented at an asset/project level however; the total amount presented in this disclosure should tally with the total amount of CWIP as presented in the financial statements.

As this disclosure needs to be provided at every balance sheet date, the ageing for an item of CWIP shall be determined from the date of its initial recognition to the date of balance sheet. Accordingly, it may so happen that for a single asset/project recognized as a CWIP, the ageing for the total amount of CWIP shall fall into different ageing buckets as at a particular balance sheet date. This can be explained with the help of below example:

Company A is commissioning a plant. The project activity was in progress at the end of the reporting period (year 4). It has incurred following expenditures on various items in commissioning that plant:

Period ¹	Amount	CWIP balance at the year-end
Year 1	100	100
Year 2	150	250
Year 3	250	500
Year 4	50	550

¹ For illustration purpose, it has been assumed that the expenditure has been incurred on first day of each year.

Disclosure as at the end of Year 4 shall be made as follows:

CWIP	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	

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Projects in progress	50	250	150	100	550
Projects temporarily suspended	-	-	-	-	-

8.9.4.2 When temporary suspension is a necessary part of the process of getting an asset ready for its intended use, the project should not be considered to have been temporarily suspended and the CWIP related to such projects should continue to be presented under 'Projects in progress'.

8.9.4.3 The classification of assets/projects into 'projects in progress' and 'projects temporarily suspended' needs to be evaluated at each reporting date. Any change in status during the reporting period or any time after end of the reporting period will not change the classification of assets/projects for above disclosure purposes. For e.g., if a project was temporarily suspended for most of the time during the reporting period but development of the asset resumes before the end of the reporting period, then the ageing of its related CWIP amounts will be presented under 'Projects in progress'.

Similarly, where a project is temporarily suspended at the end of reporting period but development on same resumes after end of reporting period, then the ageing of its related CWIP amounts will be presented under 'Projects temporarily suspended'.

8.9.4.4 Any change in the asset's/project's category of disclosure as at the end of current period will not affect disclosure given for that asset/project as at the end of the previous period. For e.g., where a project is in progress at the end of current reporting period but was temporarily suspended at the end of previous reporting period, the ageing schedule as at end of current period will show the asset/project as part of the category 'projects in progress' while the ageing schedule as at the end of previous period will continue to present the asset/project as part of the category 'project temporarily suspended'.

8.9.4.5 The requirements mentioned above in respect of CWIP shall be applicable for investment property under development.

- (b) For CWIP, whose completion is overdue or has exceeded its cost compared to its original plan, following **CWIP completion schedule** shall be given**:

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(Amount in Rs.)

CWIP	To be completed in			
	Less than 1 year	1-2 years	2-3 years	More than 3 years
Project 1				
Project 2				

** Details of projects where activity has been suspended shall be given separately.

8.9.4.6 In respect of assets/projects forming part of CWIP and which have become overdue compared to their original plans or where cost is exceeded compared to original plans, disclosure is required to be given for expected completion timelines in defined ageing brackets. Any variation between an asset's/project's actual completion timeline or it's actual cost and the respective estimate is required to be evaluated from the original plan (i.e. original completion timelines and original estimated costs). When plans are subsequently revisited and revised, same should not be considered for determining variation when making above disclosures.

8.9.4.7 Disclosure is required only in those cases where the actual cost of an asset/project has already exceeded the estimated cost as per original plan or actual timelines for completion of an asset/project have exceeded the estimated timelines as per original plan. Such assessment needs to be done at each reporting date.

This disclosure is required to be made at project level and separately for the two categories viz., 'Projects in progress' and 'Projects temporarily suspended'. The prescribed disclosure may be slightly modified as below:

CWIP	To be completed in			
	Less than 1 year	1-2 years	2-3 years	More than 3 years

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Projects in progress				
Project 1				
Project 2				
Projects temporarily suspended				
Project 1				
Project 2				

8.9.4.8 The prescribed format of disclosure seems to require a disclosure for both categories (exceeded cost or timelines) on a combined basis instead of separately disclosing for each trigger viz., projects which are overdue and projects where costs have exceeded. However, the company may choose to provide disclosure for each trigger separately.

8.9.4.9 Any change in the asset's/project's category of disclosure as at the end of current period will not affect disclosure given for that asset/project as at the end of previous period.. For e.g., where a project is in progress at the end of current reporting period but was temporarily suspended at the end of previous reporting period, the completion schedule as at end of current period will show the asset/project as part of the category 'projects in progress' while the completion schedule as at the end of previous period will continue to present the asset/project as part of the category 'project temporarily suspended'.

8.9.4.10 Neither Schedule III not AS 16 defines 'project'. Project may be construed as smallest group of assets having a common intended use. For e.g., group of assets in an integrated plant may be treated as one project. The identification of project will require judgement and management needs to identify project based on facts of each case. Project identification should be consistent with how management identifies and monitors progress on group of assets internally.

8.9.5 Intangible assets under development ageing schedule / completion schedule

- (a) For intangible assets under development, the following ageing schedule shall be given:

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Intangible assets under development ageing schedule

(Amount in Rs.)

Intangible assets under development	Amount in intangible assets under development for a period of				Total*
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress					
Projects temporarily suspended					

* Total shall tally with the amount of intangible assets under development in the balance sheet.

- (b) For intangible assets under development, whose completion is overdue or has exceeded its cost compared to its original plan, following **intangible assets under development completion schedule** shall be given**:

(Amount in Rs.)

Intangible assets under development	To be completed in			
	Less than 1 year	1-2 years	2-3 years	More than 3 years
Project 1				
Project 2				

** Details of projects where activity has been suspended shall be given separately.

All the relevant guidance given for a similar disclosure of capital work-in-progress to the extent applicable to Intangible assets under development are applicable here also.

8.9.6 Details of Benami Property held

Where any proceedings have been initiated or pending against the company

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for holding any benami property under the Benami Transactions (Prohibitions) Act, 1988 (45 of 1988) and the Rules made thereunder, the company shall disclose the following:

- (a) Details of such property, including year of acquisition;
- (b) Amount thereof;
- (c) Details of Beneficiaries;
- (d) If property is in the books, then reference to the item in the Balance Sheet;
- (e) If property is not in the books, then the fact shall be stated with reasons;
- (f) Where there are proceedings against the company under this law as an abettor of the transaction or as the transferor then the details shall be provided;
- (g) Nature of proceedings, status of same and company's view on the same.

8.9.6.1 The disclosure requirement refers to Benami Transactions (Prohibition) Act, 1988. The name of the aforesaid Act has been changed to Prohibition of Benami Property Transactions Act, 1988 in the year 2016. Therefore, for the purpose of disclosures, reference shall be made to Prohibition of Benami Property Transactions Act, 1988 (as amended from time to time).

8.9.6.2 For the meaning of the relevant terms, reference has to be made to Prohibition of Benami Property Transactions Act, 1988 (as amended from time to time) and the rules made thereunder. Relevant definitions applicable for this disclosure are reproduced below:

Section 2(8) – "benami property" means any property which is the subject matter of a benami transaction and also includes the proceeds from such property;

Section 2(9) – "benami transaction" means,

(A) a transaction or an arrangement:

- (a) where a property is transferred to, or is held by, a person, and the consideration for such property has been provided, or paid by, another person; and
- (b) the property is held for the immediate or future benefit, direct or

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indirect, of the person who has provided the consideration,
except when the property is held by—

- (i) a Karta, or a member of a Hindu undivided family, as the case may be, and the property is held for his benefit or benefit of other members in the family and the consideration for such property has been provided or paid out of the known sources of the Hindu undivided family;
 - (ii) a person standing in a fiduciary capacity for the benefit of another person towards whom he stands in such capacity and includes a trustee, executor, partner, director of a company, a depository or a participant as an agent of a depository under the Depositories Act, 1996 (22 of 1996) and any other person as may be notified by the Central Government for this purpose;
 - (iii) any person being an individual in the name of his spouse or in the name of any child of such individual and the consideration for such property has been provided or paid out of the known sources of the individual;
 - (iv) any person in the name of his brother or sister or lineal ascendant or descendant, where the names of brother or sister or lineal ascendant or descendant and the individual appear as joint-owners in any document, and the consideration for such property has been provided or paid out of the known sources of the individual; or
- (B) a transaction or an arrangement in respect of a property carried out or made in a fictitious name;
- (C) a transaction or an arrangement in respect of a property where the owner of the property is not aware of, or, denies knowledge of, such ownership; or
- (D) a transaction or an arrangement in respect of a property where the person providing the consideration is not traceable or is fictitious.

Explanation – For the removal of doubts, it is hereby declared that benami transaction shall not include any transaction involving the allowing of possession of any property to be taken or retained in part performance of a contract referred to in section 53A of the Transfer of Property Act, 1882 (4 of 1882), if, under any law for the time being in

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force,—

- (i) consideration for such property has been provided by the person to whom possession of property has been allowed but the person who has granted possession thereof continues to hold ownership of such property;
- (ii) stamp duty on such transaction or arrangement has been paid; and
- (iii) the contract has been registered;

Section 2(10) - “benamidar” means a person or a fictitious person, as the case may be, in whose name the benami property is transferred or held and includes a person who lends his name;

Section 2(19) - “Initiating Officer” means an Assistant Commissioner or a Deputy Commissioner as defined in clauses (9A) and (19A) respectively of section 2 of the Income-tax Act, 1961;

Section 2(26) - “property” means assets of any kind, whether movable or immovable, tangible or intangible, corporeal or incorporeal and includes any right or interest or legal documents or instruments evidencing title to or interest in the property and where the property is capable of conversion into some other form, then the property in the converted form and also includes the proceeds from the property.

8.9.6.3 The Initiating Officer (IO), as the name indicates is an authority who initiates the proceedings under the aforesaid Act. As per section 2(19) of aforesaid Act, the IO is the Assistant/ Deputy Commissioner of Income Tax. Chapter IV of the aforesaid Act deals with the provisions relating to attachment, adjudication, and confiscation of property involved in benami transaction.

8.9.6.4 The IO collects the material during the investigation of suspicious benami transaction, and based on such material in his possession, if he has reason to believe that any person is benamidar in respect of the property, then he has to record the reasons in writing and then issue a show cause notice to such benamidar asking why the property should not be treated as benami property. The IO issues the show cause notice under section 24(1) of Prohibition of Benami Property Transactions Act, 1988. A copy of the show-cause notice shall be sent to the beneficial owner also if his identity is known.

8.9.6.5 With the above background and guidance from the Prohibition of

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Benami Property Transactions Act, 1988 (as amended in 2016), when making this disclosure in the financial statements, the company should provide the following information:

- (i) *Details of such property, including year of acquisition* – the company shall disclose the details like name and nature of the property and also the year of acquisition;
- (ii) *Amount thereof* – the company shall disclose the amount of acquisition cost incurred at the time of acquisition of the property;
- (iii) *Details of Beneficiaries* – the company shall disclose these details w.r.t beneficiaries viz., name, registered address, any government identification number (for e.g., PAN, Aadhar Card, SSN, CIN, etc) and relationship with the company;
- (iv) *If property is in the books, then reference to the item in the Balance Sheet* – the company shall disclose the line item of the balance sheet in which such property is presented, if it is recognised in the books of accounts;
- (v) *If property is not in the books, then the fact shall be stated with reasons* – the company shall state the fact along with the reason for the property not recognised in the books of accounts of the company.;
- (vi) *Where there are proceedings against the company under this law as an abettor of the transaction or as the transferor then the details shall be provided* – the company shall provide details like the Initiating Officer, date of show-cause notice, name and nature of the property which is the subject of the proceedings etc.;
- (vii) *Nature of proceedings, status of same and company's view on same* – the company shall specify, as part of the nature of proceedings, whether it involves an attachment, adjudication and/or confiscation of property. The company shall also state the fact around the status of the proceedings and its view on the same.
- (viii) In case of a dispute on the proceedings initiated or pending against the company, the company shall state the fact along with the period (no. of years) since the beginning of the dispute till the balance sheet date.

8.9.7 Security of current assets against borrowings

Where the company has borrowings from banks or financial institutions on the basis of security of current assets, it shall disclose the following:

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- (a) whether quarterly returns or statements of current assets filed by the company with banks or financial institutions are in agreement with the books of accounts.
- (b) if not, summary of reconciliation and reasons of material discrepancies, if any to be adequately disclosed.

8.9.7.1 This clause requires the company to provide certain disclosure in case it has borrowings from banks or financial institutions on the basis of security of current assets. It is not specified whether the existence of borrowings should be assessed as at the end of the reporting period or during the reporting period. However, there is similar reporting requirement for the auditors as per the Companies (Auditors' Report) Order, 2020 ('CARO 2020'), whereby the clause refers to the words 'during any point of time of the year'. Accordingly, the disclosure requirement shall apply if the company has borrowings 'during any point of time of the year' from banks or financial institutions on the basis of security of current assets.

8.9.7.2 Schedule III to the Act defines a current asset as under:

"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.

8.9.7.3 The Company shall provide this disclosure considering the sanctioned borrowings even if the same is unutilized during the period or as at the end of the reporting period. The utilization may be more or less than the sanctioned amounts, but such cases will also be covered for the purpose of reporting. The term "sanction" here should include fresh sanction during the reporting period as well as limits renewed or due for renewal during the reporting period. Moreover, both fund based and non-fund based credit facilities availed by the Company shall be included for the purpose of this disclosure. However, this would exclude any borrowings which are sanctioned on the basis of security of the company's assets other than

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current assets.

8.9.7.4. Moreover, although company may be submitting monthly returns/statements to the lenders, reporting under this clause is confined to the quarterly returns/statements only. For instance, if the company submits returns/statements on a monthly basis say for the months of April, May and June, then the disclosure would be required in the context of the returns/statements submitted solely for the month of June, being the relevant return as at the end of a quarter.

8.9.7.5 Such returns/statements may include stock statements, book debt statements, credit monitoring arrangement reports, statements on ageing analysis of the debtors/other receivables, and other financial information to be submitted in stipulated format on a periodic basis to lenders.

8.9.7.6 The Statement as submitted to the Banks/Financial Institutions should be compared to the Books of Accounts of the Company.

8.9.7.7 If any discrepancy arises when such returns/statements are compared with the books of account, then the Company is required to provide summary of reconciliation and reasons of material discrepancies. Instances of such differences may be relating to difference in value of stock, amount of debtors/creditors, ageing analysis of debtors, etc., between the books of account and the returns/statements submitted to banks/financial institutions.

8.9.7.8 The disclosure required under this clause should also be made where borrowings have been availed based on security of current assets of other companies/entities within the same Group as the reporting entity.

Illustrative format for disclosure is as follows:

<i>Quarter</i>	<i>Name of bank</i>	<i>Particulars</i>	<i>Amount as per books of account</i>	<i>Amount as reported in the quarterly return/ statement</i>	<i>Amount of difference</i>	<i>Reason for material discrepancy</i>
June 20XX	Bank X	Finished Goods	XX	XX	XX	

8.9.8 Wilful Defaulter*

Where a company is declared wilful defaulter by any bank or financial institution or other lender, following details shall be given:

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- (a) Date of declaration as wilful defaulter;
- (b) Details of defaults (amount and nature of defaults)

* A 'wilful defaulter' means a person or an issuer who or which is categorized as a wilful defaulter by any bank or financial institution (as defined under the Act) or consortium thereof, in accordance with the guidelines on wilful defaulters issued by the Reserve Bank of India.

8.9.8.1 This disclosure requirement applies to any company that has been declared as a wilful defaulter by any bank or financial institution or any other lender at any time during the financial year or after the end of reporting period but before the date when financial statements are approved.

8.9.8.2 Reserve Bank of India vide its master circular RBI/2014-15/73DBR.No.CID.BC.57/20.16.003/2014-15 dated July 1, 2014 on Wilful Defaulters ("RBI Circular") as updated from time to time has defined that a "wilful default" would be deemed to have occurred if any of the following events is noted:-

- (i) The unit has defaulted in meeting its payment / repayment obligations to the lender even when it has the capacity to honour the said obligations.
- (ii) The unit has defaulted in meeting its payment / repayment obligations to the lender and has not utilised the finance from the lender for the specific purposes for which finance was availed of but has diverted the funds for other purposes.
- (iii) The unit has defaulted in meeting its payment / repayment obligations to the lender and has siphoned off the funds so that the funds have not been utilised for the specific purpose for which finance was availed of, nor are the funds available with the unit in the form of other assets.
- (iv) The unit has defaulted in meeting its payment / repayment obligations to the lender and has also disposed off or removed the movable or immovable property given by him or it for the purpose of securing a term loan without the knowledge of the bank/lender.

The term 'lender' appearing in the RBI Circular covers all banks/financial institutions to which any amount is due, provided it is arising on account of any banking transaction, including off balance sheet transactions such as derivatives, guarantee and letter of credit.

8.9.8.3 Reserve Bank of India has prescribed a transparent mechanism for

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identification of wilful defaulters. RBI Circular as referred above defines the term 'lender' to cover all banks/financial institutions to which any amount is due, provided it is arising on account of any banking transaction, including off balance sheet transactions such as derivatives, guarantee and letter of credit.

8.9.8.4 It is possible that the company may not have been declared as wilful defaulter as at the date of the balance sheet but has been so declared before the financial statements are approved for issued. A question, therefore, arises whether the reporting under this clause is to be considered as at the balance sheet date or on the date of approval of the financial statements. It is clarified that the events upto date of approval of financial statements should be considered for disclosure under this clause i.e. adoption of the financial statements.

8.9.9 Relationship with Struck off Companies

Where the company has any transactions with companies struck off under section 248 of the Companies Act, 2013 or section 560 of the Companies Act, 1956, the company shall disclose the following details:

Name of the struck off company	Nature of transactions with struck off company	Balance outstanding	Relationship with the struck off company, if any, to be disclosed
	Investment in securities		
	Receivables		
	Payables		
	Shares held by struck off company		
	Other outstanding balances (to be specified)		

8.9.9.1 This disclosure requires the company to provide details of the balances outstanding in respect of transactions undertaken with a company struck off under section 248 of the Companies Act, 2013 or section 560 of the Companies Act, 1956.

8.9.9.2 When making this disclosure in the financial statements, the company

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should provide the following information:

- (i) *Name of the struck off company* – the company shall disclose the name of the company which has been struck off by the respective Registrar of Companies and such information is available vide public notice (Form No. STK-7) u/s 248 of the Act, at any time during the year, on the website of Ministry of Corporate Affairs;
- (ii) *Nature of transactions with struck off company* – the company shall use the prescribed format in grouping the nature of its transactions with each struck off company. It shall utilise and specify as part of 'other outstanding balances' any other transactions that do not fit into the prescribed categories;
- (iii) *Balance outstanding* – the company shall disclose the amount outstanding as the gross carrying amount (without netting the provision for doubtful debts or impairment loss allowance) included in its respective balance sheet;
- (iv) *Relationship with the struck off company, if any, to be disclosed* – the company shall disclose the relationship with the struck off company evaluated as per the definition of 'related party' under section 2(76) of the Act. For the purpose of this disclosure, such relationship between the company and the struck off company should exist as at the respective balance sheet date.

However, when providing the above disclosure, the details should not be included for those companies whose names were struck off during the financial year but an order had been passed by any adjudicating authority (for e.g., NCLT) restoring the company's name before approval of the financial statements.

8.9.9.3 The illustrative format is as given below:

Name of the struck off company	Nature of transactions with struck off company	Balance outstanding as at current period	Relationship with the struck off company, if any, to be disclosed	Balance outstanding as at previous period	Relationship with the struck off company, if any, to be disclosed
	Investment in securities				
	Receivables				

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	Payables				
	Shares held by struck off company				
	Other outstanding balances (to be specified)				

8.9.10 Registration of charges or satisfaction with Registrar of Companies

Where any charges or satisfaction yet to be registered with Registrar of Companies beyond the statutory period, details and reasons thereof shall be disclosed.

The Company shall provide the details in relation to each charge or satisfaction that are not registered by the statutory date. Such details may include a brief description of the charges or satisfaction, the location of the Registrar, the period (in days or months) by which such charge had to be registered and the reason for delay in registration.

8.9.11 Compliance with number of layers of companies

Where the company has not complied with the number of layers prescribed under clause (87) of section 2 of the Act read with Companies (Restriction on number of Layers) Rules, 2017, the name and CIN of the companies beyond the specified layers and the relationship / extent of holding of the company in such downstream companies shall be disclosed.

8.9.12 Analytical Ratios

The company shall explain the financial statement line items included in numerator and denominator for computing the following ratios:

- (a) Current ratio
- (b) Debt-equity ratio
- (c) Debt service coverage ratio
- (d) Return on equity ratio
- (e) Inventory turnover ratio

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- (f) Trade receivables turnover ratio
- (g) Trade payables turnover ratio
- (h) Net capital turnover ratio
- (i) Net profit ratio
- (j) Return on capital employed
- (k) Return on investment

Further explanation shall be provided for any change in the ratio by more than 25% as compared to the ratio of preceding year.

8.9.12.1 This disclosure requires the company to provide analytical ratios along with an explanation of the items included in numerator and denominator for computing these ratios. Further, the company shall provide a commentary explaining any change (whether positive or negative) in the ratio by more than 25% compared to the ratio of preceding year.

8.9.12.2 An illustrative format (Refer **Annexure B**) for this disclosure is given below:

Ratio	Numerator	Denominator	Current Period	Previous Period	% Variance	Reason for variance
Current Ratio						
Debt-equity ratio						
.						
.						
.						
Return on capital employed						
Return on investment						

8.9.12.3 The items that are considered as part of the numerator and as part of the denominator should be such that a reference to the respective line item in the financial statements or notes could be easily drawn. Such items should be consistent for the periods presented and should also be consistent with the industry practice over time. In other words, if there is any change in

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the current period in relation to any item in the numerator or denominator for any ratio, then the same change shall be made for the comparative period as well and a footnote shall be added to explain the change in the item along with the reason thereof.

8.9.12.4 In order to determine the items to be included in numerator and in denominator for any ratio, reference may be drawn from several sources e.g., ratio's usage in common parlance, investor reports, industry reports, market research reports, approach of credit rating agencies, etc. There may be a need to factor in company-specific and sector-specific nuances that may require necessary modifications to the reference considered. In other words, items included in numerator and denominator of any ratio may not be standardized across companies as the calculation methodology would be a matter of each company's facts and circumstances, nature of transactions, nature of industry/sector in which the company operations or the applicable regulatory requirements that a company needs to comply with.

8.9.12.5 Ratios presented in the any other place in Annual Report should be consistent with the ratios mentioned in financial statement.

8.9.13 Compliance with approved Scheme(s) of Arrangements

Where any Scheme of Arrangements has been approved by the Competent Authority in terms of sections 230 to 237 of the Companies Act, 2013, the company shall disclose that the effect of such Scheme of Arrangements have been accounted for in the books of account of the Company 'in accordance with the Scheme' and 'in accordance with accounting standards' and deviation in this regard shall be explained.

Section 232 of the Companies Act, 2013 contains requirement that no compromise or arrangement shall be sanctioned by the competent authority unless a certificate by the company's auditor has been filed to the effect that the accounting treatment, if any, proposed in the scheme of compromise or arrangement is in conformity with the accounting standards prescribed under section 133.

Further, where a law requires a different treatment, accounting standards are considered to be overruled to that extent. A scheme of arrangement sanctioned by the competent authority under prevalent laws will have effect of overriding requirements of the accounting standards where differing requirements are present in sanctioned scheme vis-à-vis the requirement of the relevant accounting standards.

Where an approved Scheme of Arrangement proposes an accounting treatment that is given effect in the Company's books of accounts, then a

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disclosure shall be made that the effect of the Scheme of Arrangement in the books of accounts is 'in accordance with the Scheme' and 'in accordance with accounting standards'.. if there is any deviation between the accounting treatment given in the Scheme and as per the accounting standards, then the fact shall be stated along with an explanation of the deviation.

8.9.14 Utilisation of Borrowed funds and share premium

(A) Where a company has advanced or loaned or invested funds (either borrowed funds or share premium or any other source or kind of funds) to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding (whether recorded in writing or otherwise) that the Intermediary shall:

- (i) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company (Ultimate Beneficiaries) or
- (ii) provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries,

the company shall disclose the following:

- (I) date and amount of fund advanced or loaned or invested in Intermediaries with complete details of each Intermediary.
- (II) date and amount of fund further advanced or loaned or invested by such Intermediaries to other intermediaries or Ultimate Beneficiaries along with complete details of the ultimate beneficiaries.
- (III) date and amount of guarantee, security or the like provided to or on behalf of the Ultimate Beneficiaries.
- (IV) declaration that relevant provisions of the Foreign Exchange Management Act, 1999 (42 of 1999) and Companies Act has been complied with for such transactions and the transactions are not violative of the Prevention of Money-Laundering Act, 2002 (15 of 2003).

(B) Where a company has received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the company shall:

- (i) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or

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- (ii) provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries,

the company shall disclose the following:

- (I) date and amount of fund received from Funding parties with complete details of each Funding party.
- (II) date and amount of fund further advanced or loaned or invested in other intermediaries or Ultimate Beneficiaries along with complete details of the other intermediaries' or ultimate beneficiaries.
- (III) date and amount of guarantee, security or the like provided to or on behalf of the Ultimate Beneficiaries.
- (IV) declaration that relevant provisions of the Foreign Exchange Management Act, 1999 (42 of 1999) and Companies Act has been complied with for such transactions and the transactions are not violative of the Prevention of Money-Laundering Act, 2002 (15 of 2003).

8.9.14.1 The term Intermediary is not defined in the Act. The identification of any other person(s) or entity(ies), including foreign entities as an intermediary shall be made on the basis of their objective of receiving funds by way of advance or loan or investment from the company with the understanding that the they / it shall

- (i) directly (i.e. without any further intermediaries) or indirectly (i.e. through further intermediaries) lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company (Ultimate Beneficiaries) or
- (ii) provide any guarantee (viz. corporate, bank, personal or any other form of guarantee), security or the like (i.e. it may include any assets, comfort letter, Letter of Credit, Buyers credit, promissory note etc.) to or on behalf of the Ultimate Beneficiaries,

The ultimate beneficiary is the company (irrespective of single intermediary or multiple intermediaries used in the layer), when disclosure is to be made for the utilisation of funds.

8.9.14.2 The term Funding Party is not defined in the Act. The identification of any person(s) or entity(ies), including foreign entities as a Funding Party shall be made on the basis of their objective of providing funds to the company with the understanding that the they / it shall

- (i) directly (i.e. without any further funding party) or indirectly (i.e. through

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further funding party) lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or

- (ii) provide any guarantee (viz. corporate, bank, personal or any other form of guarantee), security or the like (i.e. it may include any assets, comfort letter, Letter of Credit, Buyers credit, promissory note etc.) to or on behalf of the Ultimate Beneficiaries,

The ultimate beneficiary is the funding party (in case of single layer) or the ultimate funding party (in case of multiple layers), when disclosure is to be made for the receipt of funds.

8.9.14.3 This disclosure requires company to cover transactions that do not take place directly between the company and the ultimate beneficiary but are camouflaged by including a pass-through entity in order to hide the ultimate beneficiary. The pass-through entity acts on the instructions of the company for channeling the funds to the ultimate beneficiary as identified by the company. It might be noted that the reporting obligation includes inbound as well as outbound funding transactions.

8.9.14.4 When providing this disclosure, the term ‘complete details’ used at various places would mean that details of each particular party / entity should include the name, registered address, any government identification number (for e.g., PAN, SSN, CIN, etc.) and relationship with the company making the disclosure.

9. Part II – Statement of Profit and Loss

Part II deals with disclosures relating to the Statement of Profit and Loss. The format prescribed is the vertical form wherein disclosure for revenues and expenses is in various line items. Part II of the Schedule contains items I to XVI which lists items of Revenue, Expenses and Profit / (Loss). “General Instructions for Preparation of Statement of Profit and Loss” govern the other disclosure and presentation.

As per the Guidance Note ‘Terms Used in Financial Statements’, the phrase ‘Profit and Loss statement’ is defined as *“the Financial Statement which presents the revenues and expenses of an enterprise for an accounting period and shows the excess of revenues over expenses (or vice versa) It is also known as profit and loss account.”*

As per Note 1 to “General Instructions for Preparation of Statement of Profit and Loss”, the provisions of this part also apply to the income and

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expenditure account referred to in sub clause (ii) of clause (40) of section 2 of the Companies Act, 2013 in the same manner as they apply to a Statement of Profit and Loss.

The specific format laid down for presentation of various items of Income and Expenses in the Statement of Profit and Loss indicates that expenses should be aggregated based on their nature. Accordingly, functional classification of expenses is prohibited.

As per the Framework for the Preparation and Presentation of Financial Statements, Income and expenses are defined as follows:

- (a) *Income* is increase in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity, other than those relating to contributions from equity participants.
- (b) *Expenses* are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

9.1 Revenue from operations:

The aggregate of Revenue from operations needs to be disclosed on the face of the Statement of Profit and Loss as per Schedule III

9.1.1 Note 2(A) to General Instructions for the Preparation of Statement of Profit and Loss require that in respect of a company other than a finance company, Revenue from operations is to be separately disclosed in the notes, showing revenue from:

- (a) Sale of products
- (b) Sale of services
- (ba) Grants or donations received (relevant in case of section 8 companies only)
- (c) Other operating revenues
- (d) Less: Excise duty

9.1.2 As per AS-9 “*Revenue Recognition*”, the above disclosure in respect of Excise Duty needs to be shown on the face of the Statement of Profit and Loss. Since Accounting Standards override Schedule III, the presentation in respect of excise duty will have to be made on the face of the Statement of

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Profit and Loss. In doing so, a company may choose to present the elements of revenue from sale of products, sale of services and other operating revenues also on the face of the Statement of Profit and Loss instead of the Notes.

9.1.3 Indirect taxes such as Sales tax, Service tax, Purchase tax etc. are generally collected from the customer on behalf of the government in majority of the cases. However, this may not hold true in all cases and it is possible that a company may be acting as principal rather than as an agent in collecting these taxes. Whether revenue should be presented gross or net of taxes should depend on whether the company is acting as a principal and hence responsible for paying tax on its own account or, whether it is acting as an agent i.e. simply collecting and paying tax on behalf of government authorities. In the former case, revenue should also be grossed up for the tax billed to the customer and the tax payable should be shown as an expense. However, in cases, where a company collects tax only as an intermediary, revenue should be presented net of taxes.

9.1.4 However, as per the Guidance Note on Value Added Tax, “Value Added Tax (VAT) is collected from the customers on behalf of the VAT authorities and, therefore, its collection from the customers is not an economic benefit for the enterprise and it does not result in any increase in the equity of the enterprise”. Accordingly, VAT should not be recorded as Revenue of the enterprise. At the same time, the payment of VAT should not be treated as an expense in the Financial Statements of the company.

9.1.5 Further, as per the definition of Revenue in the Guidance Note on Terms Used in Financial Statement, “It excludes amounts collected on behalf of third parties such as certain taxes”. The Guidance Note on VAT further states, “Where the enterprise has not charged VAT separately but has made a composite charge, it should segregate the portion of sales which is attributable to tax and should credit the same to ‘VAT Payable Account’ at periodic intervals”.

9.1.6 On the introduction of Goods & Services Tax from 1 July 2017 onwards, the collection of GST by an entity would not be an inflow on the entity’s own account but it shall be made on behalf of the government authorities. Accordingly, the revenue should be presented net of GST collected.

9.1.7 For non-finance companies, revenue from operations needs to be disclosed separately as revenue from

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- (a) sale of products,
- (b) sale of services and
- (c) other operating revenues.

It is important to understand what is meant by the term “other operating revenues” and which items should be classified under this head vis-à-vis under the head “Other Income”.

9.1.8 The term “other operating revenue” is not defined. This would include Revenue arising from a company’s operating activities, i.e., either its principal or ancillary revenue-generating activities, but which is not revenue arising from the sale of products or rendering of services. Whether a particular income constitutes “other operating revenue” or “other income” is to be decided based on the facts of each case and detailed understanding of the company’s activities. The classification of income would also depend on the purpose for which the particular asset is acquired or held. For instance, a group engaged in manufacture and sale of industrial and consumer products also has one real estate arm. If the real estate arm is continuously engaged in leasing of real estate properties, the rent arising from leasing of real estate is likely to be “other operating revenue”. On the other hand, consider a consumer products company which owns a 10 storied building. The company currently does not need one floor for its own use and has given the same temporarily on rent. In that case, lease rent is not an “other operating revenue”; rather, it should be treated as “other income”.

9.1.9 To take other examples, sale of Property, Plant and Equipment is not an operating activity of a company, and hence, profit on sale of Property, Plant and Equipment should be classified as other income and not as ‘other operating revenue’. On the other hand, sale of manufacturing scrap arising from operations for a manufacturing company should be treated as other operating revenue since the same arises on account of the company’s main operating activity.

9.1.10 Net foreign exchange gain should be classified as Other Income. This is because such gain or loss arises purely on account of fluctuation in exchange rates and not on account of sale of products or services rendered, unless the business of the company is to deal in foreign exchange.

9.1.11 As per Note 2(B) to General Instructions for Preparation of Statement of Profit and loss, in respect of a finance company, revenue from operations shall include revenue from

- (a) Interest; and

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(b) Other financial services

Revenue under each of the above heads is to be disclosed separately by way of Notes to Accounts to the extent applicable.

To align with Division III to Schedule III, a finance company may disclose the following as a separate line item, as may be applicable to its line of businesses, for example:

- (i) Dividend Income
- (ii) Rental Income
- (iii) Fees and commission Income

9.1.12 The term finance company is not defined under the Companies Act, 2013, or Schedule III. Hence, the same should be taken to include all companies carrying on activities which are in the nature of “business of non-banking financial institution” as defined under section 45I(f) of the Reserve Bank of India Act, 1935.

The relevant extract is reproduced below:

- (a) “business of a non-banking financial institution” means carrying on of the business of a financial institution referred to in clause (c) and includes business of a non-banking financial company referred to in clause (f);
- (c) “financial institution” means any non-banking institution which carries on as its business or part of its business any of the following activities, namely:–
 - (i) the financing, whether by way of making loans or advances or otherwise, of any activity other than its own;
 - (ii) the acquisition of shares, stock, bonds, debentures or securities issued by a Government or local authority or other marketable securities of a like nature;
 - (iii) letting or delivering of any goods to a hirer under a hire-purchase agreement as defined in clause (c) of section 2 of the Hire-Purchase Act, 1972;
 - (iv) the carrying on of any class of insurance business;
 - (v) managing, conducting or supervising, as foreman, agent or in any other capacity, of chits or kuries as defined in any law which is for the time being in force in any State, or any business, which is similar thereto;

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(vi) collecting, for any purpose or under any scheme or arrangement by whatever name called, monies in lump sum or otherwise, by way of subscriptions or by sale of units, or other instruments or in any other manner and awarding prizes or gifts, whether in cash or kind, or disbursing monies in any other way, to persons from whom monies are collected or to any other person, but does not include any institution, which carries on as its principal business,–

(a) agricultural operations; or

(aa) industrial activity; or

(b) the purchase or sale of any goods (other than securities) or the providing of any services; or

(c) the purchase, construction or sale of immovable property, so however, that no portion of the income of the institution is derived from the financing of purchases, constructions or sales of immovable property by other persons;

Explanation.– For the purposes of this clause, “industrial activity” means any activity specified in sub-clauses (i) to (xviii) of clause (c) of section 2 of the Industrial Development Bank of India Act, 1964;

(f) “non-banking financial company” means–

(i) a financial institution which is a company;

(ii) a non-banking institution which is a company and which has as its principal business the receiving of deposits, under any scheme or arrangement or in any other manner, or lending in any manner;

(iii) such other non-banking institution or class of such institutions, as the bank may, with the previous approval of the Central Government and by notification in the Official Gazette, specify;

9.1.13 Accordingly, applying the aforesaid definition, the term “finance company” would cover all NBFCs - Asset Finance companies, Investment companies, Leasing and Hire Purchase companies, Loan companies, Infra Finance companies, Core Investment companies, Micro-finance companies, etc. Further, Housing Finance Companies regulated by National Housing Bank should also be considered as a finance company.

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9.2 Other income:

The aggregate of 'Other income' is to be disclosed on face of the Statement of Profit and Loss.

9.2.1 As per Note 4 to General Instructions for the preparation of Statement of Profit and Loss 'Other Income' shall be classified as:

- (a) Interest Income (in case of a company other than a finance company);
- (b) Dividend Income;
- (c) Net gain / loss on sale of investments;
- (d) Other non-operating income (net of expenses directly attributable to such income).

9.2.2 All kinds of interest income for a company other than a finance company should be disclosed under this head such as interest on fixed deposits, interest from customers on amounts overdue, etc.

9.2.3 Clause (a) of Note 5 (vii) requires a separate disclosure for Dividends from subsidiary companies.

9.2.4 Other income items such as interest income, dividend income and net gain on sale of investments should be disclosed separately for Current as well as Long-term Investments as required by AS13 "*Accounting for Investments*". If it is a net loss the same should be classified under expenses.

9.2.5 For other non-operating income, income should be disclosed under this head net off expenses directly attributable to such income. However, the expenses so netted off should be separately disclosed.

9.3 Share of profits/losses in a Partnership firm

9.3.1 Though, there is no specific requirement in the Schedule III to disclose profit or losses on investments in a partnership firm, the same should be disclosed as under.

9.3.2 The accounting of return on investment (i.e. profit share from partnership) will depend on the terms of contract between Company and partnership firm. The share of profit in partnership firm shall be recognised as income in the statement of profit and loss as and when the right to receive the profit share is established. Hence, the same should be accordingly accounted for by the company in its Standalone Financial Statements.

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9.3.3 Separate disclosure of profits or losses from partnership firms should be made. In a case where the company was a partner during the year but is not a partner at the end of the year, the disclosure should be made for the period during which the company was a partner.

9.3.4 The company's share of the profits or losses of the partnership firm should be calculated by reference to the company's own accounting year. The Financial Statements of the partnership for computing the share of profits and losses should be drawn up to the same reporting date. If it is not practicable to draw up the Financial Statements of the partnership upto such date and, are drawn up to a different reporting date, drawing analogy from AS-21 and AS-27, adjustments should be made for the effects of significant transactions or other events that occur between that date and the date of the parent's Financial Statements. In such cases, the difference in reporting dates should be disclosed.

9.3.5 In case the year ending of the company and of the firm fall on different dates, the Financial Statements of the company should also contain a note to indicate that the accounting period of the partnership firm in respect of which the profits or losses have been accounted for in the company's books.

9.3.6 If however, a partnership firm happens to be in the nature of a Jointly Controlled Operation as defined in AS-27, the share of incomes, expenses, assets or liabilities will have to be accounted for in the Standalone Financial Statements as prescribed in AS-27.

9.3.7 In case the partnership firm is a Subsidiary under AS-21, Associate under AS-23 or Jointly Controlled Entity/Jointly Controlled Operation under AS-27, in the Consolidated Financial Statements, the share of profit/loss from the firm should be accounted for in terms of the applicable Accounting Standard as stated above.

9.3.8 The aforesaid principles should also be applied to accounting for the share of profits and losses in an Association of Persons (AOP).

9.4 Share of profits/losses in a Limited Liability Partnership (LLP)

9.4.1 A Limited Liability Partnership, as per the LLP Act, is a body corporate. The accounting of return on investment in LLP (i.e. profit share from LLP) will depend on the terms of contract between Company and LLP. The share of profit in LLP shall be recognised as income in the statement of profit and loss as and when the right to receive its profit share is established by the company.

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9.4.2 Depending upon the terms of agreement between the Partners, the LLP may be a Subsidiary under AS-21, Associate under AS-23 or Jointly Controlled Entity under AS-27. Hence, accounting in respect of the same in the Consolidated Financial Statements would be governed by the applicable Accounting Standards.

9.4.3 Additionally, principles of para 9.3.4 and 9.3.5 above will apply to an LLP as well.

9.5 Expenses

The aggregate of the following expenses are to be disclosed on the face of the Statement of Profit and Loss:

- Cost of materials consumed
- Purchases of Stock-in-Trade
- Changes in inventories of finished goods, work in progress and stock in trade
- Employee benefits expense
- Finance costs
- Depreciation and amortization expense
- Other expenses

9.5.1 Cost of materials consumed

9.5.1.1 This disclosure is applicable for manufacturing companies. Materials consumed would consist of raw materials, packing materials (where classified by the company as raw materials) and other materials such as purchased intermediates and components which are 'consumed' in the manufacturing activities of the company. Where packing materials are not classified as raw materials the consumption thereof should be disclosed separately. However, intermediates and components which are internally manufactured are to be excluded from the classification:

9.5.1.2 For purpose of classification of inventories, internally manufactured components may be disclosed as below:

- i. where such components are sold without further processing they are to be disclosed as 'finished products'.
- ii. where such components are sold only after further processing, the better course is to disclose them as 'work-in-progress' but they may also be disclosed as 'manufactured components' subject to further

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processing or with such other suitable description as 'semi-finished products' or 'intermediate products'.

- iii. where such components are sometimes sold without further processing and sometimes after further processing it is better to disclose them as 'manufactured components'.

9.5.1.3 For the purpose of interpreting the requirement to classify the raw materials, some guidance may be necessary with regard to the question as to what constitutes raw materials. According to the strict dictionary connotation of this term, raw materials would include only materials obtained in the state of nature. Such a definition would, however, be unrealistic in context of this requirement because it would exclude even a basic material such as steel. Generally speaking, the term “raw materials” would include materials which physically enter into the composition of the finished product. Materials, such as stores, fuel, spare parts etc., which do not enter physically into the composition of the finished product, would therefore, be excluded from the purview of the term “raw materials”.

9.5.1.4 The requirement is silent with regard to containers and packaging materials. It is, therefore, open to question whether such materials constitute a category of “raw materials” for the purpose of the classification. The matter should be decided in the light of the facts and circumstances of each case, the nature of the containers and packaging materials, their relative value in comparison to the raw materials consumed, and other similar considerations. Where, however, packaging materials, because of their nature are included in raw materials it is preferable to show the description as “raw materials including packaging materials consumed”.

9.5.1.5 Since in case of a company which falls under the category of manufacturing or manufacturing and trading company, disclosure is required with regard to raw materials consumed, care should be taken to ensure that the figures relate to actual consumption rather than “derived consumption”. The latter figure is ordinarily obtained by deducting the closing inventory from the total of the opening inventory and purchases, but this figure may not always represent a fair indication of actual consumption because it might conceal losses and wastages. On the other hand, if the figure of actual consumption can be compiled from issue records or other similar data, it is likely to be more accurate. Where this is not possible, the derived figure of consumption may be shown and it is left to the company, according to the circumstances of each case, to determine whether any footnote is required to indicate that the consumption disclosed is on the basis of derived figures

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rather than actual records of issue.

9.5.1.6 Where the consumption is disclosed on the basis of actual records of issue, a further question arises with regard to the treatment of shortages, losses and wastages. In most manufacturing companies, these are inevitable. It is, therefore, suggested that the company should itself establish reasonable norms of acceptable margins. Any shortages, losses or wastages which are within these norms may be regarded as an ordinary incidence of the manufacturing process and may, therefore, be included in the figure of consumption. On the other hand, any shortages, losses or wastages which are beyond the permitted margin or when they are known to have occurred otherwise than in the manufacturing process, should not be included in the consumption figures. Whether or not such abnormal variations need to be separately disclosed in the accounts would depend upon the facts and circumstances of each case. The General Instructions for Preparation of Statement of Profit and Loss does not require any specific disclosures.

9.5.1.7 In the case of industries where there are several processes, materials may move from process to process, so that the finished product of one department constitutes the raw materials of the next. Since the disclosure requirement provides only for disclosure of raw material under broad heads and goods purchased under broad heads and also having regard to the fact that the consumption of raw materials for production of such intermediates would have to be accounted as raw materials consumed, it follows that internal transfers from one department to another should be disregarded in determining the consumption figures to be disclosed. .

9.5.2 Purchases of Stock in Trade

Stock-in-trade refers to goods purchased normally with the intention to resell or trade in. In case, any semi-finished goods/materials are purchased with an intention of doing further processing activities on the same, the same should be included in 'cost of materials consumed' rather than under this item.

9.5.3 Changes in inventories of finished goods, work-in-progress and stock-in-trade

This requires disclosure of difference between opening and closing inventories of finished goods, work-in-progress and stock-in-trade. The difference should be disclosed separately for finished goods, work in progress and stock in trade.

9.5.4 Employee benefits expense [Note 5(i)(a)]

This requires disclosure of the following details:

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9.5.4.1 Salaries and wages

The aggregate amounts paid/payable by the company for payment of salaries and wages are to be disclosed here. Expenses on account of bonus, leave encashment, compensation and other similar payments also need to be disclosed here. Where a separate fund is maintained for Gratuity payouts, contribution to Gratuity fund should be disclosed under the sub-head Contribution to provident and other funds.

The term employee should be deemed to include directors who are either in whole-time or part-time employment of the company. It will exclude those directors who attend only Board meetings and are not under a contract of service with the company. Those who act as consultants or advisers without involving the relationship of master and servant with the company should also be excluded. A distinction should be made between persons engaged under a contract of service and those engaged under a contract for services. Only the former are to be included in the computation. Whether part-time employees are to be included would depend on the facts and circumstances of each case - the basic criterion being whether they are employed under a contract of service or a contract for services.

9.5.4.2 Contribution to provident and other funds

The aggregate amounts paid/payable by a company on account of contributions to provident fund and other funds like Gratuity fund, Superannuation fund, ESI, Labour Welfare Fund etc. are to be disclosed here.

Contributions for such funds for contract labour may also be separately disclosed here. However, penalties and other similar amounts paid to the statutory authorities are not strictly in the nature of 'contribution' and should not be disclosed here.

9.5.4.3 Expense on Employee Stock Option Scheme (ESOP) and Employee Stock Purchase Plan (ESPP)

The amount of expense under this head and all disclosures should be determined in accordance with the Guidance Note on Accounting for Employee Share based Payments.

9.5.4.4 Staff welfare expense

The total expenditure on Staff welfare is to be disclosed herein.

9.5.5 As per Note 3 of to the General Instructions for the Preparation of the Statement of Profit and Loss, disclosure of Finance costs is to be

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bifurcated under the following:

- (A) Interest expense
- (B) Other borrowing costs
- (C) Applicable net gain/loss on foreign currency transactions and translation

A) Interest expense

This would cover interest paid on borrowings from banks and others, on debentures, bonds or similar instruments etc. Finance charges on finance leases are in the nature of interest expense and hence should also be classified as interest expense.

B) Other borrowing costs

Other borrowing costs would include commitment charges, loan processing charges, guarantee charges, loan facilitation charges, discounts/premium on borrowings, other ancillary costs incurred in connection with borrowings, or amortization of such costs, etc.

C) Applicable net gain/loss on foreign currency transactions and translation

AS 11 and AS 16 deal with foreign exchange differences arising on foreign currency transactions included in the financial statements of an entity.

All exchange differences within the purview of AS 11 are recognized as exchange differences and presented accordingly. However, all exchange differences arising from foreign currency borrowings are within the purview of AS 16 and are regarded as a cost of borrowing irrespective of whether they are capitalized or not as a part of the cost of the asset.

In accordance with AS 16 – 'Borrowing Costs' that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. For the purpose of capitalization, borrowing costs also include exchange difference regarded as an adjustment to borrowing costs. Exchange difference eligible for capitalization are determined in accordance with para 4(e) of AS 16.

Accordingly, in case a company has utilized its foreign currency borrowings for the purpose of acquisition or construction of a qualifying asset, it would

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capitalize certain portion of foreign exchange difference in accordance with para 4(e) of AS 16. All other borrowing costs are recognized as an expense.

For presenting foreign exchange differences arising on foreign currency borrowings in statement of profit and loss, there is no specific requirement to apply the limit prescribed in paragraphs 4(e) of AS 16 since the nature of the exchange difference on foreign currency borrowing is effectively a cost of borrowing. Accordingly, the entire foreign exchange differences relating to foreign currency borrowings to the extent not capitalized in accordance with AS 16 can be presented under the head 'finance costs'.

9.5.6 Depreciation and amortization expense [Note 5(i)(b)]

A company has to disclose depreciation provided on Property, Plant and Equipment and amortization of intangible assets under this head.

9.5.7 Other Expenses

All other expenses not classified under other heads will be classified here. For this purpose, any item of expenditure which exceeds one percent of the revenue from operations or `Rs. 1,00,000, whichever is higher, needs to be disclosed separately.

Further Note 5(vi) requires a separate disclosure of each of the following items, which will also be classified under 'Other expenses'

- Consumption of stores and spare parts;
- Power and fuel;
- Rent;
- Repairs to buildings;
- Repairs to machinery;
- Insurance;
- Rates and taxes, excluding taxes on income;
- Miscellaneous expenses.

9.6 Exceptional items

The term 'Exceptional items' is not defined in Schedule III. However, AS-5 "*Net Profit or Loss for the period, Prior period items and changes in Accounting Policies*" has a reference to such items in Paras 12, 13 and 14.

"Para 12: When items of income and expense within profit or loss from ordinary activities are of such size, nature or incidence that their disclosure is

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relevant to explain the performance of the enterprise for the period, the nature and amount of such items should be disclosed separately.

Para 13: Although the items of income and expense described in paragraph 12 are not extraordinary items, the nature and amount of such items may be relevant to users of Financial Statements in understanding the financial position and performance of an enterprise and in making projections about financial position and performance. Disclosure of such information is sometimes made in the notes to the Financial Statements.

Para 14: Circumstances which may give rise to the separate disclosure of items of income and expense in accordance with paragraph 12 include: the write-down of inventories to net realisable value as well as the reversal of such write-downs; a restructuring of the activities of an enterprise and the reversal of any provisions for the costs of restructuring.”

- ✓ disposals of items of Property, Plant and Equipment;
- ✓ disposals of long-term investments;
- ✓ legislative changes having retrospective application;
- ✓ litigation settlements; and
- ✓ other reversals of provisions.

In case the company has more than one such item of income / expense of the above nature, the aggregate of such items should be disclosed on the face of the Statement of Profit and Loss. Details of the all individual items should be disclosed in the Notes.[Note 5 (i) (I) to the General Instructions for preparation of the Statement of Profit and Loss]

9.7 Extraordinary items

The term ‘Extraordinary items’ is not defined in Schedule III. However, AS 5 “Net Profit or Loss for the period, Prior period items and changes in Accounting Policies” at para 4.2 defines ‘extraordinary items’ as: ‘Extraordinary items are income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the enterprise and, therefore, are not expected to recur frequently or regularly. Further para 8 of AS-5 discusses about the disclosure of extraordinary items as below:

Extraordinary items should be disclosed in the Statement of Profit and Loss as a part of net profit or loss for the period. The nature and the amount of each extraordinary item should be separately disclosed in the Statement of Profit and Loss in a manner that its impact on current profit or loss can be

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perceived.”

In case the company has more than one such item of income / expense of the above nature, the aggregate of such items should be disclosed on the face of the Statement of Profit and Loss. Details of the all individual items should be disclosed in the Notes. [Note 5 (i) (I) to the General Instructions for Preparation of the Statement of Profit and Loss].

9.8 Tax expense:

This is to be disclosed on the face of the Statement to Profit and Loss and bifurcated into:

- (1) Current tax and
- (2) Deferred tax

9.8.1 Current tax

9.8.1.1 The term ‘Current tax’ has been defined under AS-22 “Accounting for Taxes” on Income as the amount of income tax determined to be payable (recoverable) in respect of the taxable income (tax loss) for a period. Hence, details of all taxes on income payable under the applicable taxation laws should be disclosed here.

9.8.1.2 Presentation for Minimum Alternate Tax (MAT) credit should be made as prescribed by the ICAI Guidance Note on “Accounting for Credit Available in Respect of Minimum Alternative tax under the Income-tax Act, 1961’. The relevant portion is as under:

“Profit and Loss Account:

15. According to paragraph 6 of Accounting Standards Interpretation (ASI) 6, ‘Accounting for Taxes on Income in the context of Section 115JB of the Income-tax Act, 1961’, issued by the Institute of Chartered Accountants of India, MAT is the current tax. Accordingly, the tax expense arising on account of payment of MAT should be charged at the gross amount, in the normal way, to the profit and loss account in the year of payment of MAT. In the year in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in this Guidance Note, the said asset should be created by way of a credit to the profit and loss account and presented as a separate line item therein.”

The Disclosure in this regard should be made as under:

Current tax (MAT)	XX
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Less : MAT credit entitlement	(XX)
Net Current tax	XX

9.8.1.3 Any interest on shortfall in payment of advance income-tax is in the nature of finance cost and hence should not be clubbed with the Current tax. The same should be classified as Interest expense under finance costs. However, such amount should be separately disclosed.

9.8.1.4 Any penalties levied under Income tax laws should not be classified as Current tax. Penalties which are compensatory in nature should be treated as interest and disclosed in the manner explained above. Other tax penalties should be classified under other expenses.

9.8.1.5 Excess/Short provision of tax relating to earlier years should be separately disclosed.

9.8.2 Deferred tax

9.8.2.1 Any charge / credit for deferred taxes needs to be disclosed separately on the face of the Statement of Profit and Loss.

9.8.2.2 AS 22 “Accounting for Taxes on Income” defines ‘Deferred tax’ as the tax effect of timing differences.

Timing differences are defined as “differences between taxable income and accounting income for a period that originate in one period and are capable of reversal in one or more subsequent periods.”

9.9 Profit / (loss) for the period from Discontinuing operations

9.9.1 The term ‘Discontinuing operations’ is defined in AS 24 “Discontinuing operations” as a component of an enterprise:

- (a) that the enterprise, pursuant to a single plan, is:
 - (i) disposing of substantially in its entirety, such as by selling the component in a single transaction or by demerger or spin-off of ownership of the component to the enterprise's shareholders; or
 - (ii) disposing of piecemeal, such as by selling off the component's assets and settling its liabilities individually; or
 - (iii) terminating through abandonment; and
- (b) that represents a separate major line of business or geographical area of operations; and
- (c) that can be distinguished operationally and for financial reporting

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purposes.

9.9.2 Profit or loss from Discontinuing Operations needs to be separately disclosed on the face of Statement of Profit and Loss. This disclosure is in line with the disclosure requirement of AS-24 Para 32(a) which requires the amount of pre-tax profit or loss from ordinary activities attributable to the discontinuing operation during the current financial reporting period, and the income tax expense related thereto to be disclosed on the face of the Statement of Profit and Loss.

9.9.3 Further, AS-24 Para 32(b) requires the following disclosure to be made on the face of the Statement of Profit and Loss as well:

“(b) the amount of the pre-tax gain or loss recognised on the disposal of assets or settlement of liabilities attributable to the discontinuing operation.”

Accordingly, such disclosures for discontinuing operations should be made wherever applicable.

9.10 Tax expense of discontinuing operations

In case there are any taxes payable / tax credits available on profits / losses of discontinuing operations, the same needs to be disclosed as a separate line item on the Statement of Profit and Loss.

9.11 Earnings per equity share

Computation of Basic and Diluted Earnings Per Share should be made in accordance with AS20 *Earnings Per Share*. It is pertinent to note that the nominal value of equity shares should be disclosed along with the Earnings Per Share figures as required by AS20.

10 Other additional information to be disclosed by way of Notes to Statement of Profit and Loss

Besides the above disclosures, Para 5 of the General instructions for Preparation of Statement of Profit and Loss also require disclosure on the following items:

10.1 Adjustments to the carrying amount of investments [Clause (h) of Note 5(i)]

In case there are any adjustments to carrying amount of investments pursuant to diminution in value of the investment (or reversal thereof) in conformity with AS 13 “*Accounting for Investments*”, the same should be disclosed here.

10.2 Net gain or loss on foreign currency translation (other than considered as finance cost) Clause (i) of Note 5(i)

Any gains / losses on account of foreign exchange fluctuations are to be disclosed separately as per AS11. Thus net exchange loss should be classified under 'other expenses' and the amount so included should be separately disclosed. Under this head, exchange differences to the extent classified as borrowing costs as per Para 4(e) of AS-16 should not be disclosed. Refer para 9.5.5 [Note 3(c) of Schedule III].

10.3 Payments to the auditor [Clause (j) of Note 5(i)]

Payments covered here should be for payments made to the firm of auditor(s). Expenses incurred towards such auditor's remuneration should be disclosed under each of the following sub-heads as follows:

As:

- (a) Auditor,
- (b) For taxation matters,
- (c) For company law matters,
- (d) For management services,
- (e) For other services,
- (f) For reimbursement of expenses;

10.4 Prior period items [Clause (m) of Note 5 (i)]

The term 'Prior period Items' is not defined in Schedule III. AS 5 "*Net Profit or Loss for the period, Prior period items and changes in Accounting Policies*", in para 4.3 defines 'Prior period items' as "*Prior period items are income or expenses which arise in the current period as a result of errors or omissions in the preparation of the Financial Statements of one or more prior periods*".

10.5 The Schedule III requires the following additional information to be given by way of notes:

Nature of company	Disclosures required
Manufacturing companies	Raw materials under broad heads Goods purchased under broad heads
Trading companies	Purchases of goods traded under

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	broad heads
Companies rendering or supplying services	Gross income derived from services rendered under broad heads
Company that falls under more than one category	It will be sufficient compliance with the requirements, if purchases, sales and consumption of raw material and the gross income from services rendered are shown under broad heads.

10.6 The disclosure requirements to be made for the above in the Financial Statements are discussed as under:

The disclosures required as above are not very clear and give rise to the following questions:

- Whether a company is required to disclose quantitative details or not?
- Whether a manufacturing company will disclose purchase, sale or consumption of raw materials?
- What is meant by “good purchased” in case of manufacturing companies?
- While there is a requirement to disclose gross income in case of a service company and sales in case of a company falling under more than one category, there is no clear requirement to disclose sales for a manufacturing or a trading company.
- With regard to a company falling under more than one category different interpretations seem possible. One interpretation is that it should disclose purchase, sale and consumption for raw material. The other interpretation is that purchase relates to traded goods, sale relates to all goods sold (both manufactured goods and traded goods) and for raw material, only consumption needs to be disclosed.

10.7 Since the Schedule III gives a note stating that “Broad heads shall be decided taking into account the concept of materiality and presentation of true and fair view of Financial Statements”, a company may consider the following in deciding the disclosures required:

- Apparently, there is no need to give quantitative details for any of the items.
- Considering the ambiguity and on a conservative interpretation, a

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manufacturing company may disclose the following under broad heads:

- (i) Consumption of major items of raw materials (including other items classified as raw material such as intermediates/components/packing material)
 - (ii) Goods purchased for trading (if any)
 - (iii) Though the Schedule III does not specifically require, it is also suggested to disclose major items of opening and closing stock. However, it is not mandatory.
 - (iv) Considering the requirement to disclose gross income in case of a service company and sales in case of a company falling in more than one category, disclosure of sales of finished goods should also be made under broad heads.
- (c) The term “broad heads” may be interpreted to mean broad categories of raw materials, goods purchased, etc. These categories should be decided based on the nature of each business and other facts and circumstances. Normally, 10 percent of total value of sales/services, purchases of trading goods and consumption of raw material is considered as an acceptable threshold for determination of broad heads. Any other threshold can also be considered taking into account the concept of materiality and presentation of true and fair view of Financial Statements.
- (d) Similar principle may be followed to decide disclosure requirement in other cases.

10.8 Based on the above perspectives, given below is a suggested format for making this disclosure:

10.8.1 Manufacturing company

(Amount in `)

Particulars	Consumption
Raw materials	
Raw material A	XX (YY)
Raw material B	XX

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	(YY)
Others	XX (YY)
Total	XX (YY)

Particulars	Purchases
Goods purchased	
Traded item A	XX (YY)
Traded item B	XX (YY)
Others	XX (YY)
Total	XX (YY)

Particulars	Sales values	Closing Inventory	Opening Inventory
Manufactured goods			
Finished goods A	XX (YY)	<u>XX</u>	<u>XX</u>
Finished goods B	XX (YY)	XX	XX
Others	XX (YY)	XX	XX
Total	XX (YY)	XX	XX
Traded goods			
Traded goods A	XX (YY)	XX	XX

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Traded goods B	XX (YY)	XX	XX
Others	XX (YY)	XX	XX
Total	XX (YY)	XX	XX

Particulars	WIP
Work in Progress	
Goods A WIP	XX (YY)
Goods B WIP	XX (YY)
Others	XX (YY)
Total	XX (YY)

10.8.2 Trading company

Particulars	Purchase	Sales
Traded goods		
Traded goods A	XX (YY)	XX (YY)
Traded goods B	XX (YY)	XX (YY)
Others	XX (YY)	XX (YY)
Total	XX (YY)	XX (YY)

10.8.3 Service Company

Particulars	Amount
Services rendered	

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Service A	XX (YY)
Service B	XX (YY)
Others	XX (YY)
Total	XX (YY)

Note: Figures in brackets represent previous year figures.

A company falling under more than one category will make the above disclosures, to the extent relevant.

10.9 The aggregate, if material, of any amounts set aside or proposed to be set aside, to reserve [Clause (a) of Note 5(iv)]

10.9.1 Disclosure is required for amounts set aside or proposed to be set aside to reserves out of the profits for the period. The said transfers can be in terms of the applicable statute under which the Financial Statements are prepared i.e., the Companies Act, 2013 or any other applicable statute e.g. Income Tax Act, 1961, or RBI Act, 1934, etc. Further, profits may also be appropriated to free reserves as deemed appropriate by the management.

10.9.2 The transfer to reserves as above should, however, not include provisions made to meet any specific liability, contingency or commitment known to exist at the date as on which the Balance Sheet is made up.

10.10 The aggregate, if material, of any amounts withdrawn from such reserves [Clause (b) of Note 5 (iv):

In case the company has made any withdrawals from any reserves created in terms of Clause (a) of Note 5 (iv) above, the same is to be disclosed separately.

It may be noted that such setting aside as well as withdrawal from reserves is to be disclosed under applicable Line item of Reserves and Surplus, and not under the Statement of Profit and Loss since the same is an appropriation of profits and not a charge against revenue.

10.11 The aggregate, if material, of the amounts set aside to provisions made for meeting specific liabilities, contingencies or

commitments and amounts withdrawn from such provisions, as no longer required [Clause (a) of Note5(v) and Clause (b) of Note5(v)]

The amounts in respect of the items under this requirement should be separately disclosed as a charge to the Statement of Profit and Loss. Provisions no longer required should be credited to the Statement of Profit and Loss.

10.12 Clause (b) of Note 5(vii) requires disclosure for ‘Provisions for losses of subsidiary companies’.

However, as per AS-13, a provision in respect of losses made by subsidiary companies is made only when the same results in a ‘other than temporary’ diminution in the value of investments in the subsidiary. Accordingly, the aforesaid disclosure should be made separately only where such a provision has been made in respect of the investment in such loss-making subsidiary.

10.13 Clause (k) and clause (x) of Note 5(i) requires disclosure pertaining to ‘corporate social responsibility activities’.

This new requirement introduced by the Companies Act 2013 is that the companies which are covered under Section 135 are required to disclose the amount of expenditure incurred on corporate social responsibility activities. The Guidance Note on Accounting for Expenditure on Corporate Social Responsibility Activities issued may be referred to for disclosure requirements, which are essentially as under:

- (a) From the perspective of better financial reporting and in line with the requirements of Schedule III in this regard, it is recommended that all expenditure on CSR activities, that qualify to be recognised as expense should be recognised as a separate line item as ‘CSR expenditure’ in the statement of profit and loss. Further, the relevant note should disclose the break-up of various heads of expenses included in the line item ‘CSR expenditure’.
- (b) The notes to accounts relating to CSR expenditure should also contain the following:
 - (1) Gross amount required to be spent by the company during the year.
 - (2) Amount spent during the year on:

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		Paid in cash	Yet to be paid in cash	Total
(i)	Construction / acquisition of any asset			
(ii)	On purposes other than (i) above			

The above disclosure, to the extent relevant, may also be made in the notes to the cash flow statement, where applicable.(c) Details of related party transactions, e.g., contribution to a trust controlled by the company in relation to CSR expenditure as per Accounting Standard (AS) 18, Related Party Disclosures.

- (d) Where a provision is made in accordance with paragraph 8 above the same should be presented as per the requirements of Schedule III to the Companies Act, 2013. Further, movements in the provision during the year should be shown separately.

MCA notification dated 24 March 2021 has included certain CSR-related disclosure requirements in addition to the existing disclosures. The additional disclosures included in clause (j) of Note 7 with regard to CSR activities are summarized below:-

- (i) The amount of shortfall at the end of the year out of the amount required to be spent by the Company during the year;
- (ii) The total of previous years' shortfall amounts;
- (iii) The reason for above shortfalls by way of a note;
- (iv) The nature of CSR activities undertaken by the Company.

While MCA notification does not specifically require disclosure of subsequent action taken by the Company for the amount of shortfall at the end of the year, in order to provide information pertaining to compliance of section 135 of the Act, the Company should also disclose the following:

- a) the shortfall amount (i.e. unspent amount), in respect of other than ongoing projects, transferred to a Fund specified in Schedule VII to the Act, as per section 135(5) of the Act;
- b) the shortfall amount (i.e. unspent amount), pursuant to any ongoing project, transferred to special account as per section 135(6) of the Act.

10.14 Clause (ix) of Note 5(i) requires disclosure pertaining to ‘undisclosed income’.

This clause brings in a new disclosure requirement. It requires that the company shall give details of any transaction not recorded in the books of accounts that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income Tax Act, 1961), unless there is immunity for disclosure under any scheme.

The company shall also state whether the previously unrecorded income and related assets have been properly recorded in the books of account during the year.

10.14.1 In this context, it is relevant to understand the meaning of “undisclosed income”. As per the Income Tax Act, 1961, “undisclosed income” includes any money, bullion, jewellery or other valuable article or thing or any income based on any entry in the books of account or other documents or transactions, where such money, bullion, jewellery, valuable article, thing, entry in the books of account or other document or transaction represents wholly or partly income or property which has not been or would not have been disclosed for the purposes of this Act, or any expense, deduction or allowance claimed under this Act which is found to be false.

10.14.2 The emphasis under this clause is limited to examination of those transactions, which were hitherto unrecorded in the books of account and which were surrendered or disclosed as income in the tax assessments under the Income Tax Act, 1961. The emphasis is on the words surrendered or disclosed which implies that the company must have voluntarily admitted to the addition of such income, which can be demonstrated on the basis of the returns filed by the company.

10.14.3 Where a statement is made in the course of search and survey to verify the nature of income so surrendered or disclosed however, such statement has been retracted on the ground that such disclosure was obtained under force, coercion, etc. the income cannot be treated as surrendered or disclosed by the company.

Accordingly, where the addition is made by the income tax authorities and the company has disputed such additions, reporting under this clause is not applicable. Even where the company chooses not to file an appeal, it cannot be presumed that the company has surrendered or disclosed the income.

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The details that are required to be provided by the company as part of this disclosure are prescribed below:

Sr. No.	Assessment Year	Section of the Act	Amount disclosed in tax return	Transaction description along with value treated as income	Assessment status	Whether transaction recorded in books of accounts?	FY in which transaction is recorded

10.14.4 Proper recording, by implication, includes proper disclosure thereof in the financial statements of the company which should be sufficient to enable the users to understand the impact of such transactions. . The nature of disclosure shall depend on the nature of undisclosed income and the treatment thereof if the same was duly disclosed and reported in the books of account in the year to which the undisclosed income relates to.

10.14.5 In case the company has not recorded / disclosed in the books of accounts – reason for not recording / disclosing.

10.15 Clause (xi) of Note 5(i) requires disclosure pertaining to ‘details of crypto currency or virtual currency’.

This new requirement is introduced vide MCA Notification dated 24th March 2021 under which the company shall give details of crypto currency or virtual currency.

Where the company has traded or invested in Crypto Currency or Virtual Currency during the financial year, the following shall be disclosed:

- (a) profit or loss on transactions involving Crypto Currency or Virtual Currency;
- (b) amount of currency held as at the reporting date;
- (c) deposits or advances from any person for the purpose of trading or investing in Crypto Currency / Virtual Currency.

10.15.1 Virtual currency is a digital representation of value, other than a

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representation of the Indian Rupee (INR) or a foreign currency (“real currency”), that functions as a unit of account, a store of value, and a medium of exchange. Some virtual currencies are convertible, which means that they have an equivalent value in real currency or act as a substitute for real currency.

10.15.2 Crypto currency is a form of digital / virtual currency generated through a series of written computer codes that rely on cryptography which is encryption and is thus independent of any central issuing authority per se.

11 Other Disclosures

The Statement of Profit and Loss shall also contain by way of a note the following information, namely:-

- (a) Value of imports calculated on C.I.F basis by the company during the financial year in respect of –
 - I. Raw materials;
 - II. Components and spare parts;
 - III. Capital goods;
- (b) Expenditure in foreign currency during the financial year on account of royalty, know-how, professional and consultation fees, interest, and other matters;
- (c) Total value if all imported raw materials, spare parts and components consumed during the financial year and the total value of all indigenous raw materials, spare parts and components similarly consumed and the percentage of each to the total consumption;
- (d) The amount remitted during the year in foreign currencies on account of dividends with a specific mention of the total number of non-resident shareholders, the total number of shares held by them on which the dividends were due and the year to which the dividends related;
- (e) Earnings in foreign exchange classified under the following heads, namely:-
 - Export of goods calculated on F.O.B. basis;
 - Royalty, know-how, professional and consultation fees;
 - Interest and dividend;

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- Other income, indicating the nature thereof

11.1 Value of imports calculated on C.I.F. basis by the company during the financial year [Clause (a) of Note 5(viii)]

The above disclosure is to be given in respect of –

Raw materials;

Components and spare parts;

Capital goods.

11.1.1 One of the requirements of disclosure as a note to the Statement of Profit and Loss is the value of imports of raw materials calculated on C.I.F. basis. The manner in which the term “raw materials” should be interpreted for this purpose, is as discussed in para 9.5.1.3 of this Guidance Note.

11.1.2 Disclosure is also required to be made as to the value of imports of components and spare parts and capital goods respectively. The term “components” may be interpreted in the same manner as the term “intermediates or components” in connection with the requirement, discussed earlier in para 9.5.1.2 of this Guidance Note, to disclose the consumption of purchased components or intermediates. The term “spare parts” would ordinarily relate to spare parts for plant and machinery and other capital equipment. The total value of imports of components and spare parts may be disclosed in the aggregate. It may be appropriate to sub-classify the value of imports between components and spare parts respectively since the nature of these two items is not entirely similar. Such separate classification however, is not a mandatory requirement of the Schedule III. However, wherever the records for raw materials and components are maintained together, the information required under this clause pertaining to components can be presented collectively with raw materials.

11.1.3 As regards “capital goods”, disclosure would be involved in respect of imported plant and machinery, furniture and fixtures, transport equipment, intangible assets and other types of expenditure which is treated as capital expenditure in the books of account. It is undoubtedly anomalous to disclose the value of imports of capital goods by way of a note on the Statement of Profit and Loss, since by the very definition, capital assets do not form part of the Statement of Profit and Loss. However, since this is the specific requirement of the Schedule III, it would have to be complied as such. Since this disclosure is required for the Statement of Profit and Loss, it would not be advisable to disclose the imports of capital goods by way of a note on

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Property, Plant and Equipment or Capital work-in-progress, even though it would be more appropriate to do so.

11.1.4 It is significant that this requirement covers only imported spare parts. It apparently does not apply to goods imported for sale, imported stores, etc. However, the practice followed by most companies is that imported stores are being clubbed with imported spare parts for the purposes of this disclosure. This is probably due to the practical difficulty involved in separating stores from spare parts. Hence, where it is not possible to segregate the two owing to practical difficulties, the total value of imports of stores and spare parts may be shown against a caption which clearly indicates that the value shown relates to both the stores as well as the spare parts.

11.1.5 The disclosure in respect of imports of the foregoing items is to be made on accrual basis. This is because disclosure is required in respect of the value of imports “during the financial year”. Consequently, if the particular item has been imported during the accounting year, it should be disclosed as such, even though the payment is not made in that year.

11.1.6 It is also to be noted that the disclosure under this requirement relates to the imports as such. It is not linked with the consumption of the material or utilization of capital goods.

11.1.7 While a subsequent requirement relates to expenditure in foreign currency for designated items, the requirement presently under discussion is not linked with any particular expenditure in foreign currency or local currency. Consequently, the value of imports of raw materials, components and spare parts and capital goods is to be disclosed irrespective of whether or not such imports have resulted in expenditure in foreign currency. It is possible that imports may have been arranged on Rupee payment terms without involving any foreign currency expenditure but even so, the value of the imports would have to be suitably disclosed.

11.1.8 Disclosure should be made in Indian currency. Where the imports involve foreign currency expenditure, the amount to be disclosed would be the corresponding Rupee value of the imports as translated in the books of account on normal principles relating to the translation of foreign currencies.

11.1.9 The value of the imports is to be calculated on C.I.F. basis – that is inclusive of cost, insurance and freight. It is possible that the imported materials may have been shipped by an Indian carrier and the insurance may have been arranged with an Indian insurer, so that, really, there is no

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element of import of services with regard to the insurance and freight. Even so, the Schedule III requires the value of the imports to be disclosed on a C.I.F. basis, and while this may be anomalous in the types of situations indicated above, the requirement should ordinarily be complied with. If for any reason, there is some practical difficulty in disclosing the value of the imports on C.I.F. basis, a footnote should be appended to the statement indicating the precise method by which the value of imports has been arrived at. For example, it may be stated that, because of practical difficulties in disclosing the value of imports on C.I.F. basis, such disclosure has been made on F.O.B. basis. Without attempting to particularize the various circumstances under which it may be difficult to disclose the value of imports on a C.I.F. basis, one example may be cited. A company may have standing arrangements with a shipping line or with an insurer so that all imports are covered through such a standing arrangement. In that case, it may be difficult to allocate the insurance or freight to each specific shipment. Similarly, if a company is a self-insurer, or if it owns its own fleet of ships, disclosure of the value of imports cannot be made on a C.I.F. basis. In situations of this kind the matter should be covered by a suitable explanatory note but otherwise, wherever possible, the value of imports should be disclosed on a C.I.F. basis. It may be noted that the requirement to disclose the value on a C.I.F. basis relates to the method of computation of the value, rather than the terms of the import contract. It is not to be implied that this method of valuation is restricted to a case where the import contract is itself on a C.I.F. basis.

11.1.10 Disclosure is required with regard to the value of imports “by the company”. This implies that only direct imports by the company are involved in the disclosure. If the company purchases imported materials in the open market, no disclosure would be necessary under this requirement. Similarly, if the company canalized its imports through another agency such as the State Trading Corporation, no disclosure would be required, since it is the latter agency which is the importing entity. On the other hand, if a company purchases import entitlements and thereafter imports materials on the basis of those entitlements, the value of such imports would need to be disclosed, since they are the imports of the company, irrespective of the manner in which the company procured the import entitlements. Within this rather broad statement of the case, it is apprehended that practical difficulties may arise in determining whether or not a particular import has been made “by the company”.

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11.1.11 For the purpose of this requirement, only direct imports are to be taken into consideration. Imported materials purchased locally, and imports canalized through other sources, need not be disclosed. While this distinction may be clear in the large majority of cases, problems may arise in individual cases. In particular, in the case of indirect imports, care should be taken to determine whether the source from which the imports have been obtained represent an agency or an independent principal. If a company has appointed a person or a company as its agent for the purpose of securing the import of raw materials, etc., the imports through such agent must be regarded as the company's imports, and the value of such imports should be disclosed pursuant to the requirement under this Note. On the other hand, if another person or company has already imported the materials and the company in question merely purchases such imported materials, on a principal to principal basis, (except in cases where importing the materials is done under specific requisition resulting in substance agent-principal relationship) the value of such imports should be ignored by the latter company, and included by the former.

11.1.12 The value of imports should also include goods which are in transit on the Balance Sheet date, provided significant risks and rewards of ownership in those goods have already passed to the purchasing company. For the purpose of determining whether or not the property has passed, reference may be made to the terms of the import contract, and recognized legal principles, relating to this matter. Conversely, goods-in-transit at the beginning of the year should be excluded on a similar basis so that they do not form part of the value of the current year's imports or succeeding years for the purpose of the same disclosure relating to the value of imports.

11.1.13 Since the requirement is to disclose the value of imports during the accounting year, it may be necessary to determine when the significant risks and rewards of ownership to the goods has passed from the overseas exporter to the Indian importer in accordance with the well-recognized legal principles relating to this matter, irrespective of the fact whether or not the goods have been physically received.

11.1.14 A particular problem may, however, arise in the case of import of capital goods where delivery is to be made in installments through part shipments from time to time. The contract may provide for the total value of the entire shipment and it may, therefore, be difficult to determine the separate value of the part shipments received during the accounting year.

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Since the disclosure which is required is in respect of imports during the accounting year, it may be necessary to estimate, on a reasonable basis, the separate value of part shipments. If such estimates are reasonable, no objection needs be taken thereto.

11.1.15 It follows from this that, in appropriate cases, the disclosure would include the value of goods in transit at the end of the year if the significant risks and rewards of ownership in such goods has already passed to the Indian importer. Conversely, it may be necessary to exclude the value of the opening inventory in transit if the title to such inventory had already passed to the Indian importer prior to the end of the previous year.

11.1.16 For the purpose of working out the C.I.F. value of imports, it may be necessary to make approximations in suitable cases. For example, a company may be actually importing materials on the basis of F.O.B. contracts so that the values directly available from its records would be those relating to F.O.B. terms. In such cases, a standard formula may be applied in order to convert the F.O.B. values to C.I.F. For example, the company's accountant may calculate that a loading of, say, eleven per cent on the F.O.B. values is ordinarily adequate and correct in order to convert the F.O.B. values to C.I.F. If such approximations are reasonable, no objection should ordinarily be taken thereto.

11.2 Expenditure in foreign currency during the financial year [Clause (b) of Note 5 (viii)]

The above is to be disclosed for expenditure incurred on account of royalty, know-how, professional and consultation fees, interest and other matters;

11.2.1 In addition to the requirement discussed earlier relating to the disclosure of the value imported materials, and the disclosure relating to the consumption of imported materials as compared to indigenous materials, there is also a further requirement to disclose expenditure in foreign currency on account of royalty, know-how, professional consultation fees, interest, and other matters.

11.2.2 In this particular case, the disclosure is to be made with regard to the expenditure in foreign currency. Consequently, if no foreign currency expenditure is involved, no disclosure would be required, even though the specific services covered by this requirement have been imported free of cost or against Rupee payment or against any other method of payment or adjustment not involving the expenditure of foreign currency. Although the disclosure is required to be made with regard to items involving expenditure

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in foreign currency, the amount to be disclosed would be the Indian Rupee amount. It should be noted that every company is required to follow accrual system of accounting and the requirement refers to 'expenditure', the disclosure should be on the basis of the expenditure incurred and recorded in the books of account and not on the basis of remittance. The appropriate Rupee figure can be obtained by converting the foreign exchange figure through the application of a rate of exchange which is suitable for that purpose, having regard to normal principles of foreign currency translation/conversion in accounts. If so desired, the foreign currency figure may also be given as additional information but this cannot be regarded as mandatory.

11.2.3 While the requirement relating to the disclosure of imports clearly specifies the different heads under which the disclosure is to be made, and while the requirement relating to foreign exchange earnings also similarly indicates the specific heads under which the disclosure is to be classified, there is no such requirement with regard to the disclosure of expenditure in foreign currency. It is true that the specific items in respect of which such disclosure is to be made have been indicated, but this does not by itself imply that the disclosure is to be classified with reference to those items. At the same time, since such classification should not be difficult, it is advisable to classify the foreign currency expenditure between royalty, know-how, professional consultation fees, interest and other matters. In other words, the classification as between these items is certainly desirable but is probably not mandatory, having regard to the precise terms of the Schedule III. It may also be noted that under old Schedule VI of Companies Act, 1956, for the same requirement, the practice has been to classify between different heads and disclose.

11.2.4 The various items specified above do not call for any particular comments since they are expressed through well understood terms. The residual item relating to "other matters" appears to be sufficiently exhaustive so as to cover any items for which foreign currency expenditure is involved. It is necessary to point out that disclosure is required with regard to "other matters" rather than with regard to "other similar matters". Consequently, it would not be reasonable to infer that disclosure is limited to items of a nature similar to royalty, know-how, professional consultation fees and interest. At the same time, however, it would be unreasonable to suggest that disclosure should be made once again with regard to the expenditure involved in foreign currency for an item whose import value has already been disclosed in response to the earlier requirement. Ordinarily, the requirement presently

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under discussion relates to expenditure on intangible items rather than on the import of tangible goods. However, if any foreign currency expenditure on the import of tangible goods has not been disclosed pursuant to the earlier requirements, it would need to be disclosed under this requirement. For example, foreign currency expenditure on the import of stores may not have been disclosed on the basis that the earlier requirement necessitates disclosure only with regard to the value of imports of “components and spare parts”. In that case, the foreign currency expenditure involved in the import of stores would need to be disclosed under the requirement presently under discussion since this requirement covers “expenditure in foreign currency” on account of royalty, know-how, professional consultation fees, interest and *other matters*. Disclosure would also be involved under this requirement of any foreign currency expenditure in the payment of taxes in an overseas country on income earned in that country in a case where the payment of such taxes involves actual remittance from India. Where, however, the payment of taxes in the overseas country is made through deduction at source rather than by actual remittance from India, the method of disclosure has been suggested in a subsequent paragraph of this Note dealing with foreign exchange earnings where it has been recommended that foreign exchange earnings received subject to deduction of tax at source should be disclosed both gross and net.

11.2.5 The disclosure of expenditure in foreign currency is to be made on accrual basis since all the items in the Statement of Profit and Loss are stated on an accrual basis.

11.2.6 A further question which needs to be resolved is whether the disclosure is to be made of the gross amount of the expenditure, or of the net amount after tax deduction at source, in a case where such deduction is involved. So far as the company is concerned the gross expenditure is the amount of expenditure incurred in foreign currency even though a part of it may have been paid in Rupees to the Government to meet the statutory obligation of deducting tax at source. Deduction of tax at source by itself is not the finality of the matter and is merely a preliminary stage towards settlement of tax liability of the non-resident. Ultimately, on assessment of the non-resident, the full amount of tax deducted at source may have to be refunded. In view of this, the preferable course seems to be to disclose the gross expenditure that has been incurred by the company.

11.2.7 Disclosure is to be limited only to those cases where the company itself incurs foreign currency expenditure. Where expenditure involves

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foreign currency but the original payment by the company itself is in Rupees, no disclosure is necessary. For instance, if a company has borrowed a loan from a Government agency and incurs expenditure in payment of interest on that loan, the company may be aware that the interest paid by it to the Government agency in Rupees will ultimately be remitted by the Government agency to a foreign lender. However, since the company itself does not incur any foreign currency expenditure, no disclosure is required in its accounts.

11.3 Total value of all imported raw materials, spare parts and components consumed during the financial year and the total value of all indigenous raw materials, spare parts and components similarly consumed and the percentage of each to the total consumption; [Clause (c) of Note 5(viii)]

11.3.1 Apart from the disclosure relating to the C.I.F. value of imports, separate disclosure is also required with reference to the value of imported raw materials, spare parts and components consumed during the accounting year. There is no guidance, for the purpose of this requirement, as to the manner in which the imported materials are to be evaluated i.e., C.I.F. basis or F.O.B. basis or any other basis. Even though the value of materials imported by the company itself is required to be stated on a C.I.F. basis, it does not follow that this basis is necessarily appropriate to the disclosure of the value of imported materials consumed. In the latter case, it would be more appropriate to make the disclosure on the basis of the actual cost to the company of the imported materials which have been consumed, since it is this cost which enters into the company's accounts. Consequently, the value of imported materials consumed should include not only their cost but also incidental expenses directly related to the purchase of such materials. There is another reason for this suggestion and that is based on the fact that the value imported materials consumed is required to be compared with the value of indigenous materials consumed. Moreover, in the company's accounts, the total figure shown for consumption of materials (inclusive of indigenous and imported materials) would ordinarily be based on the value inclusive of the cost of such materials and various incidental charges. Therefore, in order to facilitate correlation with the total amount shown for consumption of materials in the Statement of Profit and Loss account as well as in order to facilitate comparison between the value of indigenous consumption and imported consumption, it is desirable that the value of imported materials consumed should be stated on a similar and consistent basis by including the cost of such materials and various incidental charges.

11.3.2 On the face of it, it would appear that this requirement duplicates the

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earlier requirement relating to the disclosure of the value of imports of raw materials, components and spare parts. However, there is a difference. The earlier requirement relates to the disclosure of the value of imports *per se* irrespective of whether or not the materials imported have been consumed in the company's operations. The latter requirement, on the other hand relates only to the value of the imported materials consumed in the company's operation.

11.3.3 As in the case of earlier requirement, it is not relevant to consider whether or not the imported materials which have been consumed have necessitated expenditure in foreign currency. Even if no foreign currency expenditure is involved, the value of consumption of imported materials is still required to be disclosed.

11.3.4 The disclosure is to be made in Indian currency by applying normal methods for the translation of foreign currencies where the original expenditure was incurred in a foreign currency.

11.3.5 A question may arise whether to include the consumption of locally purchased materials of foreign origin. Apart from the difficulties of ascertaining which locally purchased materials are of imported origin, it is logical to interpret this requirement as requiring disclosure only of materials imported directly or indirectly by the company. This would include materials imported directly by the company as well as indirect imports made to be company's knowledge or at its request through canalizing agents such as the State Trading Corporation.

11.3.6 It is not entirely clear whether the requirement herein implies that the value of imported raw materials, spare parts and components should be separately disclosed for each of these three items, or whether a composite disclosure for all the three items taken together is sufficient. The latter part of this clause states that "the percentage of each to the total consumption" is also to be disclosed. This may be taken to imply that the consumption is to be shown separately for raw materials, spare parts and components respectively. However, wherever the records for raw materials and components are maintained together, the information required under this clause can be presented collectively.

11.3.7 While raw materials are undoubtedly consumed in the course of operations, this term is hardly appropriate to spare parts and components. Spare parts may be utilized for repairs and maintenance or for other similar purposes, and components may be assembled into the finished product. In either case, the spare parts and components can hardly be said to have been

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“consumed”. However, without going into the semantics relating to the word “consumed”, the intention appears to be reasonably clear and disclosure may, therefore, be made on the basis of indicating the value of imported spare parts and components utilized in the company’s operations.

11.3.8 In addition to disclosing the value of imported raw materials spare parts and components consumed during the accounting year, disclosure is also required with regard to the value of indigenous raw materials, spare parts and components similarly consumed during that year. In both cases, the value of the consumption should be determined on the same identical basis, so that like is compared with like. Thereafter, it is also required that the relative percentages of consumption value in respect of imported items and indigenous items should be stated as a percentage of total consumption for each of the categories of raw materials, spare parts and components respectively.

11.3.9 Care should be taken to ensure that the total consumption agrees with the figures in the Statement of Profit and Loss. In the case of consumption of raw materials, the separate figures for such consumption is generally disclosed in one figure in the Statement of Profit and Loss, in which case, the total consumption classified as between imported and indigenous should agree with this figure. Sometimes, however, the total consumption of raw materials is not shown as one figure in the Statement of Profit and Loss. Instead, a note is given indicating the consumption of raw materials shown under more than one head of account. In that case, care should be taken to ensure that the total figure for consumption of raw materials analysed as between imported and indigenous agrees with the total consumption shown in the Statement of Profit and Loss inclusive of the figure of consumption charged to other heads of account.

11.3.10 The term “spare parts” for the purpose of the foregoing requirements would refer to spares for plant and machinery and other items of a similar nature or intended for a similar purpose. This term would not ordinarily include stores. The term “stores” refers to materials and supplies which assist the manufacturing process but which do not directly enter into the furnished product. It is a term of wider import than “spare parts” and ordinarily, the term “stores” would include “spare parts”. Since the present requirement is limited to spare parts, it would appear to be unnecessary to disclose the separate figures relating to the consumption of stores – imported and indigenous. It is somewhat curious that disclosure should be required

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with regard to spare parts and not with regard to stores, but this is nevertheless, the logical interpretation of the words used in the relevant clause. Where the segregation between stores and spare parts is not possible owing to practical difficulties, the value of consumption of imported and indigenous stores and spare parts may be shown against a caption which clearly indicates that the value shown relates to both stores and spare parts.

11.3.11 As regards spare parts, the substantive requirement of Schedule III (Other expenses para 9.5.7) requires a composite figure to be disclosed in respect of consumption of stores and spare parts, whereas the analysis here is required only in respect of consumption of spare parts. Consequently, the total figure analysed for consumption of spare parts may not agree directly with the figure disclosed in the Statement of Profit and Loss for consumption of stores and spare parts, unless in the Statement of Profit and Loss, these two figures are separately itemized. In any case, however, a reconciliation statement should be kept on the company's working paper files to indicate that the figures have been agreed.

11.3.12 As regards components, the clause does not indicate clearly whether the classification of imported and indigenous components is to be restricted to purchased components, or whether it would also include components manufactured internally. Normally, imported components would in any case be restricted to those which are purchased, with the possible exception of a rare case in which components are fabricated outside India by a branch or department of the same company and are then shipped to India for incorporation into the finished product. Ignoring such an exception, it would appear that if imported components are to be restricted to those which are purchased, indigenous components would also have to be similarly restricted, otherwise the comparison would be vitiated. Consequently, it is suggested that this requirement may be interpreted in a manner whereby the classification of components between imported and indigenous would be limited to purchased components, ignoring any components which are manufactured internally.

11.3.13 Under some systems accounting, the consumption is originally charged in the accounts on the basis of standard or pre-determined rates. Periodically, an adjustment is made in the total consumption account in order to accord with the actual rates at which relevant materials may have been

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purchased. A problem may arise with reference to the classification of the total net debit or credit for such price adjustment as between imported and indigenous consumption. The most obvious method of solving this difficulty – which should be acceptable in most cases – is to allot the total debit or credit adjustment between imported and indigenous consumption, in the same ratio as the figure for imported and indigenous consumption prior to such debit or credit adjustment. A similar procedure may also be followed in the case of any other special debit or credit adjustments which are entered in the consumption accounts to reflect adjustments to the total consumption figure. On a slightly different context, a similar problem arises where the same item is partly purchased locally and partly imported and stocks are not physically kept separately. In such cases, it appears to be permissible to assume that consumption is on a pro-rata basis, e.g., in the ratio of opening stock plus purchase.

11.4 Total amount remitted during the year in foreign currencies on account of dividends with a specific mention of the total number of non-resident shareholders, the total number of shares held by them on which the dividends were due and the year to which the dividends related [Clause (d) of Note 5(viii)];

11.4.1 The requirement is to the disclosure with regard to the amount remitted to non-resident shareholders on account of dividends. This disclosure is to be made with reference to the amount remitted during the accounting year in foreign currencies. Consequently, if the dividend has been paid to a non-resident shareholder in Indian Rupees, disclosure would not appear to be necessary. Also, if a non-resident shareholder has indicated that all dividends payable to him are to be deposited in a Rupee account with his bankers in India, and if such deposit is actually made on the basis of the necessary sanctions from the Reserve Bank of India, no disclosure would be required because such a deposit does not constitute any payment in foreign currency. It is possible that the non-resident shareholder may ultimately arrange for foreign currency remittances out of his Rupee bank account but this would be no concern of the company which pays the dividends into his Rupee bank account. However, by way of additional information, deposits regarding such dividends paid in the bank account may be given, indicating the fact.

11.4.2 As in the case of other disclosure relating to imports, exports, foreign exchange expenditure and earnings, etc. the amount to be disclosed in

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respect of foreign currency dividends is to be stated in Indian Rupees. If so desired, additional information may be furnished with regard to the foreign currency equivalent to the dividend, which has been remitted, but the basic requirement is to disclose the rupee amount. Disclosure of the foreign currency equivalent is not mandatory.

11.4.3 Since disclosure is required with regard to the “amount remitted during the year”, it would appear that the information is to be furnished in the year of actual payment of dividend rather than in the year in which the dividend is proposed or declared. In other words, the disclosure should be made on a cash basis, contrary to the fact that the other disclosures are to be made on accrual basis.

11.4.4 In addition to the disclosure relating to the amount of dividends remitted in foreign currency, further disclosure is also required with regard to the number of non-resident shareholders to whom the dividends were remitted, the number of shares held by them, and the year to which the dividends relate. These requirements should not be difficult to comply with and no particular problem is likely to be encountered.

11.4.5 A question may arise as to whether or not any information is to be furnished with regard to the number of non-resident shareholders and the number of shares held by them, in particular year in which no dividend has been remitted to the non-resident shareholders. The answer is in negative, since, as already indicated earlier, the information relating to the number of non-resident shareholders and the number of shares held by them is intended to be linked to the basic information relating to the dividends remitted to non-resident shareholders.

11.5 Earnings in Foreign exchange [Clause (e) of Note 5 (viii)]

11.5.1 Foreign exchange earnings have to be classified under the following heads:-

- (i) export of goods calculated on F.O.B. basis;
- (ii) royalty, know-how, professional and consultation fees;
- (iii) interest and dividends; and
- (iv) other income (indicating the nature thereof).

11.5.2 In this case also, as in the case of disclosure relating to foreign currency expenditure, the question arises as to whether foreign currency

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earnings have to be disclosed on a cash basis or on an accrual basis. The considerations relating to this aspect of the matter are similar to those discussed earlier in connection with the requirement relating to the disclosure of foreign currency expenditure. Since the Statement of Profit and Loss is prepared on an accrual basis, it may be suggested that foreign currency earnings should also be disclosed on a similar basis.

11.5.3 Since, foreign exchange earnings are to be disclosed on an accrual basis, the subsequent receipt of foreign exchange in a later year should be ignored, as otherwise the same earnings would be disclosed twice.

11.5.4A further question which arises is whether the foreign exchange earnings should be disclosed gross of tax or whether they should be disclosed net of any tax deducted at source in the overseas country in which earnings have arisen. One way of looking at the matter is that the actual amount of earnings is the amount received after deduction of overseas tax at source, where such deduction is involved. On the other hand, the tax which is deducted at source in the overseas country is available by way of credit against the tax payable in that country. But for this credit, actual or constructive remittance may be involved from India to the overseas country for the purpose of meeting the tax liability in that country. It is, therefore, suggested that the more appropriate basis of disclosure would be gross of tax with a mention of the net of tax earnings and tax deducted at source. A further advantage of this method of disclosure is that the amount which is so disclosed would agree with the financial accounts, since, in the books of accounts kept in India, the gross amount of the foreign exchange earnings would be credited to revenue, while the tax deducted at source would be debited to an appropriate account relating to payment of taxes.

11.5.5 While the requirement relating to the disclosure of imports requires the “value of imports” to be disclosed, the disclosure of exports requires the “earnings from export of goods” to be disclosed. It would probably have been more consistent if the relevant clause had required the value of exports to be disclosed, rather than the earnings.

11.5.6 Considerations that apply in determining whether a purchase is an import by the company will also apply in determining whether sales is an export by the company. Any sales made direct by the company through an agent to any overseas buyer is an export by the company. However, goods sold to any canalizing agent like the State Trading Corporation for export is not the company's export.

12 Multiple Activity Companies

Where a company has multiple activities e.g. both manufacturing and trading i.e. it falls under more than one category, it should comply with the various disclosure requirements relating to each of its classified activities. For instance, in respect of its manufacturing activities, such a company should comply with the requirements relating to a manufacturing company, whereas in respect of its trading or service activities, it should comply with the requirements relating to those categories of companies. However, in case of complexities in segregating the required information it would be sufficient compliance if the information is disclosed with respect to main activities with a suitable disclosure explaining the reasons thereof.

13 Consolidated Financial Statements

The Companies Act 2013 has mandated that the companies which have one or more subsidiaries / associates (which as per the Act includes joint ventures) are required to prepare Consolidated Financial Statements, except under certain circumstances exempted under the Act and Rules.

The companies are expected to prepare the standalone financial statements and in addition prepare the consolidated financial statements also.

Schedule III provides for general instructions in regard to the preparation of consolidated financial statements. This is a new addition brought in under Companies Act 2013.

13.1. General requirement

Where the company is required to prepare consolidated financial statements, the company shall *mutatis mutandis* follow the requirements of Schedule III for the standalone financial statements. This means that all the reporting requirements of the Schedule III need to be aggregated and reported for the group as a whole in the consolidated financial statements.

This would also indicate the need to obtain such information for all the subsidiaries / associates of the consolidated financial statements, including where such subsidiaries / associates are not audited under the Companies Act 2013.

However, due note has to be taken of the fact that the Schedule III itself states that the provisions of the schedule are to be followed *mutatis mutandis* to a consolidated financial statement. MCA has also clarified vide General Circular No. 39 / 2014 dated 14th October 2014 that Schedule III to the Act [Refer **Annexure E (Pg 189)**] read with the applicable Accounting Standards

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does not envisage that a company while preparing its CFS merely repeats the disclosures made by it under stand-alone accounts being consolidated. Accordingly, the company would need to give all disclosures relevant for CFS only.

In this context, the requirements of Schedule III shall apply to a CFS, subject to the following exemptions / modifications based on the relevance to the CFS:

Schedule III Requirement	Applicability to CFS (if left blank, is applicable, as it is)
Share capital – authorized, issued, subscribed and paid up	It is adequate to present paid up capital and any calls in arrears Note: It has no relevance in the CFS context.
Capital reserve or goodwill arising on consolidation	Needs to be shown as a separate line item on the face of the Balance Sheet Note: IFRS / Ind AS does not require this to be stated separately. However, as per AS, differing treatment is given to goodwill arising on amalgamation and goodwill arising on consolidation and even SEBI format requires this to be separately disclosed.
(a) Period and amount of continuing default as on the Balance Sheet date in repayment of loans and interest, shall be specified separately in each case. (b) Loans and advances due by directors or other officers of the company or any of them either severally or jointly with any other persons or amounts due by firms or private companies	On all these items, disclosure can be limited to those which are material to the CFS; materiality could be considered at 10% of the respective balance sheet item

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respectively in which any director is a partner or a director or a member should be separately stated (c) Debts due by directors or other officers of the company or any of them either severally or jointly with any other person or debts due by firms or private companies respectively in which any director is a partner or a director or a member should be separately stated (d) Where in respect of an issue of securities made for a specific purpose, the whole or part of the amount has not been used for the specific purpose at the Balance Sheet date, there shall be indicated by way of note how such unutilized amounts have been used or invested Note: This item is required to be disclosed even if it is exempted as per AS- 21 by keeping it here, as it is only reinforcing the regulatory requirement for reporting – what is required by AS 21 cannot override regulatory requirements	
Application money received for allotment of securities and due for refund and interest accrued thereon. Share application money includes advances towards allotment of share capital. The terms and conditions including the number of shares	Separate notes should be given for such monies due outside the group in respect of entities which are consolidated.

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proposed to be issued, the amount of premium, if any, and the period before which shares shall be allotted shall be disclosed. It shall also be disclosed whether the company has sufficient authorized capital to cover the share capital amount resulting from allotment of shares out of such share application money. Further, the period for which the share application money has been pending beyond the period for allotment as mentioned in the document inviting application for shares along with the reason for such share application money being pending shall be disclosed. Share application money not exceeding the issued capital and to the extent not refundable shall be shown under the head Equity and share application money to the extent refundable i.e., the amount in excess of subscription or in case the requirements of minimum subscription are not met, shall be separately shown under 'Other current liabilities'	
Requirement to disclose excise duty separately	To be disclosed where such information is available for the entities consolidated. Note: Though AS 9 states excise to be shown separately, where subsidiaries are not disclosing it, it would not be practical and also no benefit is derived by disclosure of this.
(a) Payments to the auditor as (a)	Not relevant at CFS level and hence,

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auditor,(b) for taxation matters, (c) for company law matters, (d) for management services, (e) for other services, (f) for reimbursement of expenses (b) In case of Companies covered under section 135, amount of expenditure incurred on corporate social responsibility activities (c) Raw materials under broad heads (d) goods purchased under broad heads (e) In the case of trading companies, purchases in respect of goods traded in by the company under broad heads (f) In the case of companies rendering or supplying services, gross income derived from services rendered or supplied under broad heads (g) In the case of a company, which falls under more than one of the categories mentioned in (a), (b) and (c) above, it shall be sufficient compliance with the requirements herein if purchases, sales and consumption of raw material and the gross income from services rendered is shown under broad heads	may be dispensed with
(h) In the case of other companies, gross income derived under broad heads	Not relevant at CFS level and hence, may be dispensed with

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(i) In the case of all concerns having works in progress, works-in-progress under broad heads (j) Value of imports calculated on C.I.F basis by the company during the financial year in respect of (i) Raw materials (ii) Components and spare parts (iii) Capital goods (k) Expenditure in foreign currency during the financial year on account of royalty, know-how, professional and consultation fees, interest, and other matters (l) Total value if all imported raw materials, spare parts and components consumed during the financial year and the total value of all indigenous raw materials, spare parts and components similarly consumed and the percentage of each to the total consumption	
(m) The amount remitted during the year in foreign currencies on account of dividends with a specific mention of the total number of non-resident shareholders, the total number of shares held by them on which the dividends were due and the year to which the dividends related (n) Earnings in foreign exchange classified under the following	Not relevant at CFS level and hence, may be dispensed with

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heads, namely:	
(i) Export of goods calculated on F.O.B. basis	
(ii) Royalty, know-how, professional and consultation fees	
(iii) Interest and dividend	
(iv) Other income, indicating the nature thereof	

MCA notification dated 24 March 2021 has included certain disclosure requirements in addition to the existing disclosures. The applicability of additional disclosures at Consolidated financial statement (CFS) level with regard to its applicability is summarized below:-

The below requirements need to be disclosed at CFS level

Schedule III Requirement	Description
Disclosure of Shareholding of Promoters	Company should disclose the promoter shareholding at the CFS level. Generally, the promoter would be same for CFS level and standalone level.
Trade Payables ageing schedule	Trade payable ageing schedule should be disclosed at the CFS level after applying the principles of consolidation.
Trade Receivables ageing schedule	Trade receivables ageing schedule should be prepared at the CFS level after applying the principles of consolidation.
Revaluation of Property, Plant and	In case revaluation of property is done

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Equipment	at CFS level, or for any of the group entity, company may disclose the following: 1. Name of the entity in which revaluation is done; 2. Type & nature of PPE revalued; 3. Indicate whether the revaluation is based on the valuation as per the registered valuer.
Loans or Advances - additional disclosures	This disclosure should be done at the CFS level, on similar lines as the 'Related Party Transactions' are disclosed in CFS. In other words, parties to whom such loans or advances are provided should be assessed at consolidated group level for the purpose of this disclosure.
Details of Benami Property held	Company should disclose the required details of benami property at CFS level providing the name of each subsidiary / group entity that has such Benami Property. In case if there is any benami proceedings initiated against any associate company, then Company may decide to disclose in case if the proceeding is material to the group.
Wilful Defaulter	Company should disclose the required details of wilful defaulter at CFS level

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	providing the name of each subsidiary / group entity that is declared as a wilful defaulter. In case if there is any wilful default by an associate company, then Company should disclose if the default is material to the group.
Relationship with Struck off Companies	Company should disclose the required details of relationship with struck off companies at CFS level providing the name of each subsidiary / group entity that has such a relationship. In case if any of the subsidiary is the under the struck off company list, Company should indicate that fact as a part of disclosure. In case if there is any associate company having relationship with struck off companies, then company should disclose if the transaction is material to the group.
Compliance with number of layers of companies	Company should disclose this fact of compliance for each entity in its group.
Disclosure pertaining to 'undisclosed income'	Company should disclose the required details of undisclosed income at CFS level providing the name of each subsidiary / group entity that has an 'undisclosed income'. In case if there is any associate company having undisclosed income, then Company should disclose if such

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	income is material to the group.
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The below requirements need to be disclosed at CFS level, only if material in nature

Schedule III Requirement	Description
Capital work-in-progress (CWIP) ageing schedule / completion schedule	CWIP ageing schedule shall be given at CFS level if it is material to the group i.e. more than 10% of the respective balance sheet item in CFS.
Intangible assets under development ageing schedule / completion schedule	Ageing schedule shall be given at CFS level if it is material to the group i.e. more than 10% of the respective balance sheet item in CFS.
Security of current assets against borrowings	This disclosure shall be provided at CFS level if it is material to the group i.e. more than 10% of the respective balance sheet item in CFS.
Compliance with approved Scheme(s) of Arrangements	This disclosure shall be provided at CFS level if it is material to the group i.e. more than 10% of the respective financial statement line item in CFS.
Utilization of Borrowed funds and share premium	This disclosure shall be provided at CFS level after applying principles of consolidation i.e. this disclosure would be for funds borrowed / invested outside the group. However, it shall be disclosed only if material i.e. more than 10% of the respective financial

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	statement line item in CFS.
Disclosure pertaining to 'details of crypto currency or virtual currency'	This disclosure shall be provided at CFS level if it is material to the group i.e. more than 10% of the respective financial statement line item in CFS.

Not relevant at CFS level and hence, may be dispensed with

Schedule III Requirement	Description
Title deeds of Immovable Property not held in the name of the Company	This requirement is not relevant at the CFS level and hence company need not disclose in the CFS.
Registration of charges or satisfaction with Registrar of Companies	This requirement is not relevant at the CFS level and hence company need not disclose in the CFS.
Analytical Ratios	This requirement is not relevant at the CFS level and hence company need not disclose in the CFS.

13.2. Accounting Standards

The Consolidated Financial Statements shall also disclose the information as required under the various accounting standards applicable.

13.3. Minority Interest

Profit or loss attributable to “minority interest” shall be shown as an allocation for the period in the statement of profit and loss.

In the Balance Sheet, “minority interest” shall be presented within equity separately from equity of the owners of the parent.

13.4. Additional information on the entities included in the consolidated financial statements

Schedule III requires specific disclosure of additional information on the entities which are included in the consolidated financial statement in the

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following format.

Name of the entity in	Net Assets i.e., total assets minus total liabilities		Share in profit or loss	
	As % of Consolidated net assets	Amount	As % of Consolidated profit or loss	Amount
1	2	3	4	5
Parent				
Subsidiaries				
Indian				
1				
2				
3				
...				
.....				
Foreign				
1				
2				
3				
...				
.....				
Minority interest in all subsidiaries				
Associates (Investment as per equity method)				
Indian				
1				
2				

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3				
...				
...				
Foreign				
1				
2				
3				
...				
.....				
Joint Ventures (as per proportionate consolidation/ Investment as per equity method)				
1				
2				
3				
...				
.....				
Foreign				
1				
2				
3				
...				
.....				
TOTAL				

In this context, it needs to be considered that in order to ensure that the total can be matched with the reported profits and net assets in the consolidated

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financial statements, the inter-company eliminations need to be adjusted to the respective entities which are part of the consolidated financial statements. This would require management to take judgements as to which entity the profit element and inter-company balances are to be adjusted from in providing for an entity wise break up of net profits and net assets.

13.5. Entities not consolidated

Entities which are not covered in the consolidated financial statement, whether subsidiaries, associates or joint ventures are to be listed in the consolidated financial statement along with the reasons for not consolidating such entities. This requirement is also in line with the requirements of the accounting standard on consolidated financial statements.

13.6 Comparative figures

Schedule III states that except for the first financial statements prepared by a company after incorporation, presentation of comparative amounts is mandatory. Schedule III however, clarifies that in case of any conflict between Accounting Standards and Schedule III, Accounting Standards will prevail over the requirements of Schedule III. The transitional provisions of AS 21 exempt presentation of comparative numbers in the first set of consolidated financial statements prepared, even by an existing group. Hence, an existing group preparing consolidated financial statements for the first time under AS 21, need not present comparative information.

13.7 Definition of terms relevant for consolidation

The terms “Control”, “Subsidiary” and “Associate” are defined very differently in the Companies Act as compared to definition in Accounting Standards. Rule 6 of the Companies (Accounts) Rules however states that consolidated financial statements shall be prepared in accordance with the provisions of Schedule III of the Act and the applicable accounting standards. Accordingly, for removal of all doubts it is hereby clarified that for the purposes of preparing consolidated financial statements, the definitions of the above terms as given in Accounting Standards should be followed.

Annexure A

SCHEDULE III (See section 129)

GENERAL INSTRUCTIONS FOR PREPARATION OF BALANCE SHEET AND STATEMENT OF PROFIT AND LOSS OF A COMPANY

Division I

**Financial Statements for a company whose Financial Statements are
required to comply with the Companies (Accounting Standards) Rules,
2006**

GENERAL INSTRUCTIONS

1. Where compliance with the requirements of the Act including Accounting Standards as applicable to the companies require any change in treatment or disclosure including addition, amendment, substitution or deletion in the head or sub-head or any changes, inter se, in the financial statements or statements forming part thereof, the same shall be made and the requirements of this Schedule shall stand modified accordingly.

2. The disclosure requirements specified in this Schedule are in addition to and not in substitution of the disclosure requirements specified in the Accounting Standards prescribed under the Companies Act, 2013. 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.

3. (i) Notes to accounts shall contain information in addition to that presented in the Financial Statements and shall provide where required (a) narrative descriptions or disaggregations of items recognised in those statements; and (b) information about items that do not qualify for recognition in those statements.

(ii) Each item on the face of the Balance Sheet and Statement of Profit and Loss shall be cross-referenced to any related information in the notes to accounts. In preparing the Financial Statements including the notes to accounts, a balance

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shall be maintained between providing excessive detail that may not assist users of financial statements and not providing important information as a result of too much aggregation.

4. (i) Depending upon the ¹¹[Total Income] of the company, the figures appearing in the Financial Statements ¹⁰[shall] be rounded off as given below:—

¹¹ [Total Income]	Rounding off
(a) less than one hundred crore rupees	To the nearest hundreds, thousands, lakhs or millions, or decimals thereof.
(b) one hundred crore rupees or more	To the nearest lakhs, millions or crores, or decimals thereof.

(ii) Once a unit of measurement is used, it ⁶[should] be used uniformly in the Financial Statements.

5. 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.

6. For the purpose of this Schedule, the terms used herein shall be as per the applicable Accounting Standards.

Note:— This part of 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” for the purpose of this Schedule) 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.

PART I – Form of BALANCE SHEET

Name of the Company.....

Balance Sheet as at

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(Rupees in.....)

	Particulars	Note No	Figures as at the end of (Current reporting period) (in Rs.) (DD/MM/YYYY)	Figures as at the end of (Previous reporting period) (in Rs.) (DD/MM/YYYY)
	1	2	3	4
I.	EQUITY AND LIABILITIES 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) Deferred tax liabilities (Net)			
	(c) Other Long term liabilities			
	(d) Long-term provisions			
(4)	Current liabilities			
	(a) Short-term borrowings			
	[(b) Trade payables:- (A) total outstanding			

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	dues of micro enterprises and small enterprises; and			
	(B) total outstanding dues of creditors other than micro enterprises and small enterprises.]			
	(c) Other current liabilities			
	(d) Short-term provisions			
	TOTAL			
II.	ASSETS			
(1)	Non Current Assets			
	(a) Property, Plant and Equipment and Intangible assets			
	(i) Property, Plant and Equipment (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			

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	(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

Notes

GENERAL INSTRUCTIONS FOR PREPARATION OF BALANCE SHEET

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.
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.
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

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- (d) the company 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.

All other liabilities shall be classified as non-current.

- 4. A receivable shall be classified as a 'trade receivable' if it is in respect of the amount due on account of goods sold or services rendered in the normal course of business.
- 5. A payable shall be classified as a '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.
- 6. A company shall disclose the following in the Notes to Accounts:

A. Share Capital

For each class of share capital (different classes of preference shares to be treated separately):

- (a) the number and amount of shares authorized;
- (b) the number of shares issued, subscribed and fully paid, and subscribed but not fully paid;
- (c) par value per share;
- (d) a reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period;
- (e) the rights, preferences and restrictions attaching to each class of shares including restrictions on the distribution of dividends and the repayment of capital;
- (f) shares in respect of each class in the company held by its holding company or its ultimate holding company including shares held by or by subsidiaries or associates of the holding company or the ultimate holding company in aggregate;
- (g) shares in the company held by each shareholder holding more than 5 percent shares specifying the number of shares held;
- (h) shares reserved for issue under options and contracts/commitments for the sale of shares/disinvestment, including the terms and amounts;
- (i) For the period of five years immediately preceding the date as at which the Balance Sheet is prepared:

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- (A) Aggregate number and class of shares allotted as fully paid-up pursuant to contract(s) without payment being received in cash.
- (B) Aggregate number and class of shares allotted as fully paid-up by way of bonus shares.
- (C) Aggregate number and class of shares bought back. (j) Terms of any securities convertible into equity/preference shares issued along with the earliest date of conversion in descending order starting from the farthest such date.
- (j) terms of any securities convertible into equity/preference shares issued along with the earliest date of conversion in descending order starting from the farthest such date;
- (k) Calls unpaid (showing aggregate value of calls unpaid by directors and officers)
- (l) Forfeited shares (amount originally paid up)
- (m) A company shall disclose Shareholding of Promoters* as below:

Shares held by promoters at the end of the year	% Change during the year***		
S. No	Promoter name	No. of Shares**	% of total shares**
Total			

*Promoter here means promoter as defined in the Companies Act, 2013.

** Details shall be given separately for each class of shares

*** percentage change shall be computed with respect to the number at the beginning of the year or if issued during the year for the first time then with respect to the date of issue.]

B. Reserves and Surplus

- (i) Reserves and Surplus shall be classified as:
- (a) Capital Reserves;
- (b) Capital Redemption Reserve;

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- (c) Securities Premium¹;
- (d) Debenture Redemption Reserve;
- (e) Revaluation Reserve;
- (f) Share Options Outstanding Account;
- (g) Other Reserves – (specify the nature and purpose of each reserve and the amount in respect thereof);
- (h) Surplus i.e. balance in Statement of Profit and Loss disclosing allocations and appropriations such as dividend, bonus shares and transfer to/from reserves etc.

(Additions and deductions since last Balance Sheet to be shown under each of the specified heads)

- (ii) A reserve specifically represented by earmarked investments shall be termed as a 'fund'.
- (iii) Debit balance of statement of profit and loss shall be shown as a negative figure under the head 'Surplus'. Similarly, the balance of 'Reserves and Surplus', after adjusting negative balance of surplus, if any, shall be shown under the head 'Reserves and Surplus' even if the resulting figure is in the negative.

C. Long-Term Borrowings

- (i) Long-term borrowings shall be classified as:
 - (a) Bonds/debentures.
 - (b) Term loans
 - From banks
 - From other parties
 - (c) Deferred payment liabilities.
 - (d) Deposits.
 - (e) Loans and advances from related parties.
 - (f) Long term maturities of finance lease obligations
 - (g) Other loans and advances (specify nature).
- (ii) Borrowings shall further be sub-classified as secured and unsecured. Nature of security shall be specified separately in each case.
- (iii) Where loans have been guaranteed by directors or others, the

¹ Word "Reserve" omitted pursuant to MCA Notification G.S.R. 1022 (E), dated 11th October, 2018

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aggregate amount of such loans under each head shall be disclosed.

- (iv) Bonds/debentures (along with the rate of interest and particulars of redemption or conversion, as the case may be) shall be stated in descending order of maturity or conversion, starting from farthest redemption or conversion date, as the case may be. Where bonds/debentures are redeemable by installments, the date of maturity for this purpose must be reckoned as the date on which the first installment becomes due.
- (v) Particulars of any redeemed bonds/ debentures which the company has power to reissue shall be disclosed.
- (vi) Terms of repayment of term loans and other loans shall be stated.
- (vii) Period and amount of continuing default as on the Balance Sheet date in repayment of loans and interest, shall be specified separately in each case.

D. Other Long term Liabilities

Other Long term Liabilities shall be classified as:

- (a) Trade payables
- (b) Others

E. Long-term provisions

The amounts shall be classified as:

- (a) Provision for employee benefits.
- (b) Others (specify nature).

F. Short-term borrowings

- (i) Short-term borrowings shall be classified as:

- (a) Loans repayable on demand
 - From banks
 - From other parties
- (b) Loans and advances from related parties.
- (c) Deposits.
- (d) Other loans and advances (specify nature).

- (ii) Borrowings shall further be sub-classified as secured and unsecured. Nature of security shall be specified separately in each case.
- (iii) Where loans have been guaranteed by directors or others, the

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aggregate amount of such loans under each head shall be disclosed.

- (iv) Period and amount of default as on the Balance Sheet date in repayment of loans and interest, shall be specified separately in each case.

14[(v) current maturities of Long term borrowings shall be disclosed separately.]

FA. Trade Payables²

The following details relating to Micro, Small and Medium Enterprises shall be disclosed in the notes:-

- (a) the principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier at the end of each accounting year;
- (b) the amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during each accounting year;
- (c) the amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006;
- (d) the amount of interest accrued and remaining unpaid at the end of each accounting year; and
- (e) the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.

Explanation.-The terms 'appointed day', 'buyer', 'enterprise', 'micro enterprise', 'small enterprise' and 'supplier', shall have the same meaning assigned to those under clauses (b), (d), (e), (h), (m) and (n) respectively of section 2 of the Micro, Small and Medium Enterprises Development Act, 2006.]

14[FB. Trade payables due for payment

The following ageing schedule shall be given for Trade payables due for

² Inserted pursuant to MCA Notification G.S.R. 679(E) dated 4th September, 2015

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payment:-

Trade Payables ageing schedule

				(Amount in Rs.)	
Particulars	Outstanding for following periods from due date of payment#				
	Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
(i)MSME					
(ii)Others					
(iii) Disputed dues —					
MSME					
(iv) Disputed dues —					
Others					

similar information shall be given where no due date of payment is specified in that case disclosure shall be from the date of the transaction.

Unbilled dues shall be disclosed separately;]

G. Other current liabilities

The amounts shall be classified as:

- (a) 15[Omitted];
- (b) Current maturities of finance lease obligations;
- (c) Interest accrued but not due on borrowings;
- (d) Interest accrued and due on borrowings;
- (e) Income received in advance;
- (f) Unpaid dividends
- (g) Application money received for allotment of securities and due for

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refund and interest accrued thereon. Share application money includes advances towards allotment of share capital. The terms and conditions including the number of shares proposed to be issued, the amount of premium, if any, and the period before which shares shall be allotted shall be disclosed. It shall also be disclosed whether the company has sufficient authorized capital to cover the share capital amount resulting from allotment of shares out of such share application money. Further, the period for which the share application money has been pending beyond the period for allotment as mentioned in the document inviting application for shares along with the reason for such share application money being pending shall be disclosed. Share application money not exceeding the issued capital and to the extent not refundable shall be shown under the head Equity and share application money to the extent refundable i.e., the amount in excess of subscription or in case the requirements of minimum subscription are not met, shall be separately shown under 'Other current liabilities'

- (h) Unpaid matured deposits and interest accrued thereon
- (i) Unpaid matured debentures and interest accrued thereon
- (j) Other payables (specify nature);

H. Short-term provisions

The amounts shall be classified as:

- (a) Provision for employee benefits.
- (b) Others (specify nature).

I. 16[Property, Plant and Equipment]

- (i) Classification shall be given as:
 - (a) Land.
 - (b) Buildings.
 - (c) Plant and Equipment.
 - (d) Furniture and Fixtures.
 - (e) Vehicles.
 - (f) Office equipment.
 - (g) Others (specify nature).
- (ii) Assets under lease shall be separately specified under each class of asset.

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- 17[(iii) A reconciliation of the gross and net carrying amounts of each class of assets at the beginning and end of the reporting period showing additions, disposals, acquisitions through business combinations, amount of change due to revaluation (if change is 10% or more in the aggregate of the net carrying value of each class of Property, Plant and Equipment) and other adjustments and the related depreciation and impairment losses/reversals shall be disclosed separately.]
- (iv) Where sums have been written off on a reduction of capital or revaluation of assets or where sums have been added on revaluation of assets, every Balance Sheet subsequent to date of such write-off, or addition shall show the reduced or increased figures as applicable and shall by way of a note also show the amount of the reduction or increase as applicable together with the date thereof for the first five years subsequent to the date of such reduction or increase.

J. Intangible assets

- (i) Classification shall be given as:
- (a) Goodwill.
 - (b) Brands /trademarks.
 - (c) Computer software.
 - (d) Mastheads and publishing titles.
 - (e) Mining rights.
 - (f) Copyrights, and patents and other intellectual property rights, services and operating rights.
 - (g) Recipes, formulae, models, designs and prototypes.
 - (h) Licenses and franchise.
 - (i) Others (specify nature).
- 18[(ii) A reconciliation of the gross and net carrying amounts of each class of assets at the beginning and end of the reporting period showing additions, disposals, acquisitions through business combinations, amount of change due to revaluation (if change is 10% or more in the aggregate of the net carrying value of each class of intangible assets) and other adjustments and the related depreciation and impairment losses or reversals shall be disclosed separately.]
- (iii) Where sums have been written off on a reduction of capital or revaluation of assets or where sums have been added on revaluation of assets, every Balance Sheet subsequent to date of such write-off,

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or addition shall show the reduced or increased figures as applicable and shall by way of a note also show the amount of the reduction or increase as applicable together with the date thereof for the first five years subsequent to the date of such reduction or increase.

K. Non-current investments

- (i) Non-current investments shall be classified as trade investments and other investments and further classified as:
 - (a) Investment property;
 - (b) Investments in Equity Instruments;
 - (c) Investments in preference shares
 - (d) Investments in Government or trust securities;
 - (e) Investments in debentures or bonds;
 - (f) Investments in Mutual Funds;
 - (g) Investments in partnership firms
 - (h) Other non-current investments (specify nature)

Under each classification, details shall be given of names of the bodies corporate (indicating separately whether such bodies are (i) subsidiaries, (ii) associates, (iii) joint ventures, or (iv) controlled special purpose entities) in whom investments have been made and the nature and extent of the investment so made in each such body corporate (showing separately investments which are partly-paid). In regard to investments in the capital of partnership firms, the names of the firms (with the names of all their partners, total capital and the shares of each partner) shall be given.

- (ii) Investments carried at other than at cost should be separately stated specifying the basis for valuation thereof.
- (iii) The following shall also be disclosed:
 - (a) Aggregate amount of quoted investments and market value thereof;
 - (b) Aggregate amount of unquoted investments;
 - (c) Aggregate provision for diminution in value of investments

L. Long-term loans and advances

- (i) Long-term loans and advances shall be classified as:

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- (a) Capital Advances;
- (b) 19[Omitted];
- (c) Loans and advances to related parties (giving details thereof);
- (d) Other loans and advances (specify nature).
- (ii) The above shall also be separately sub-classified as:
 - (a) Secured, considered good;
 - (b) Unsecured, considered good;
 - (c) Doubtful.
- (iii) Allowance for bad and doubtful loans and advances shall be disclosed under the relevant heads separately.
- (iv) Loans and advances due by directors or other officers of the company or any of them either severally or jointly with any other persons or amounts due by firms or private companies respectively in which any director is a partner or a director or a member should be separately stated.

M. Other non-current assets

Other non-current assets shall be classified as:

- (i) Long Term Trade Receivables (including trade receivables on deferred credit terms);
- [(ia)¹⁴ Security Deposits]
- (ii) Others (specify nature)
- (iii) Long term Trade Receivables, shall be sub-classified as:
 - (a) Secured, considered good;
 - (b) Unsecured considered good;
 - (c) Doubtful

14[(iv) For trade receivables outstanding, following ageing schedule shall be given:

Trade Receivables ageing schedule

					(Amount in Rs.)	
Particulars	Outstanding for following periods from due date of					

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	payment#					
	Less than 6 months	6 months -1 year	1-2 years	2-3 years	More than 3 years	Total
(i) Undisputed Trade receivables — considered good						
(ii) Undisputed Trade Receivables — considered doubtful						
(iii) Disputed Trade Receivables considered good						
(iv) Disputed Trade Receivables considered doubtful						

similar information shall be given where no due date of payment is specified, in that case disclosure shall be from the date of the transaction.

Unbilled dues shall be disclosed separately.]

(A) (a) Secured, considered good;

(B) Unsecured, considered good;

(C) Doubtful.

(b) Allowance for bad and doubtful debts shall be disclosed under the relevant heads separately.

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(c) Debts due by directors or other officers of the company or any of them either severally or jointly with any other person or debts due by firms or private companies respectively in which any director is a partner or a director or a member should be separately stated.

N. Current Investments

(i) Current investments shall be classified as:

- (a) Investments in Equity Instruments;
- (b) Investment in Preference Shares
- (c) Investments in government or trust securities;
- (d) Investments in debentures or bonds;
- (e) Investments in Mutual Funds;
- (f) Investments in partnership firms
- (g) Other investments (specify nature).

Under each classification, details shall be given of names of the bodies corporate (indicating separately whether such bodies are (i) subsidiaries, (ii) associates, (iii) joint ventures, or (iv) controlled special purpose entities) in whom investments have been made and the nature and extent of the investment so made in each such body corporate (showing separately investments which are partly-paid). In regard to investments in the capital of partnership firms, the names of the firms (with the names of all their partners, total capital and the shares of each partner) shall be given.

(ii) The following shall also be disclosed:

- (a) The basis of valuation of individual investments
- (b) Aggregate amount of quoted investments and market value thereof;
- (c) Aggregate amount of unquoted investments;
- (d) Aggregate provision made for diminution in value of investments.

O. Inventories

(i) Inventories shall be classified as:

- (a) Raw materials;
- (b) Work-in-progress;

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- (c) Finished goods;
 - (d) Stock-in-trade (in respect of goods acquired for trading);
 - (e) Stores and spares;
 - (f) Loose tools;
 - (g) Others (specify nature).
- (ii) Goods-in-transit shall be disclosed under the relevant sub-head of inventories.
- (iii) Mode of valuation shall be stated.

P. Trade Receivables

20[(i) Trade Receivables ageing schedule

					(Amount in Rs.)	
Particulars	Outstanding for following periods from due date of payment#					
	Less than 6 months	6 months -1 year	1-2 years	2-3 years	More than 3 years	Total
(i) Undisputed Trade receivables — considered good						
(ii) Undisputed Trade Receivables — considered doubtful						
(iii) Disputed Trade Receivables considered						

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good						
(iv) Disputed Trade Receivables considered doubtful						

similar information shall be given where no due date of payment is specified, in that case disclosure shall be from the date of the transaction.

Unbilled dues shall be disclosed separately.]

(i) **omitted**

- (ii) Trade receivables shall be sub-classified as:
 - (a) Secured, considered good;
 - (b) Unsecured considered good;
 - (c) Doubtful.
- (iii) Allowance for bad and doubtful debts shall be disclosed under the relevant heads separately.
- (iv) Debts due by directors or other officers of the company or any of them either severally or jointly with any other person or debts due by firms or private companies respectively in which any director is a partner or a director or a member should be separately stated.

Q. Cash and cash equivalents

- (i) Cash and cash equivalents shall be classified as:
 - (a) Balances with banks;
 - (b) Cheques, drafts on hand;
 - (c) Cash on hand;
 - (d) Others (specify nature).
- (ii) Earmarked balances with banks (for example, for unpaid dividend) shall be separately stated.
- (iii) Balances with banks to the extent held as margin money or security against the borrowings, guarantees, other commitments shall be disclosed separately.
- (iv) Repatriation restrictions, if any, in respect of cash and bank balances shall be separately stated.

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- (v) Bank deposits with more than 12 months maturity shall be disclosed separately.

R. Short-term loans and advances

- (i) Short-term loans and advances shall be classified as:
 - (a) Loans and advances to related parties (giving details thereof);
 - (b) Others (specify nature).
- (ii) The above shall also be sub-classified as:
 - (a) Secured, considered good;
 - (b) Unsecured, considered good;
 - (c) Doubtful.
- (iii) Allowance for bad and doubtful loans and advances shall be disclosed under the relevant heads separately.
- (iv) Loans and advances due by directors or other officers of the company or any of them either severally or jointly with any other person or amounts due by firms or private companies respectively in which any director is a partner or a director or a member shall be separately stated.

S. Other current assets (specify nature).

This is an all-inclusive heading, which incorporates current assets that do not fit into any other asset categories.

T. Contingent liabilities and commitments (to the extent not provided for)

- (i) Contingent liabilities shall be classified as:
 - (a) Claims against the company not acknowledged as debt;
 - (b) Guarantees;
 - (c) Other money for which the company is contingently liable
- (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 and other investments partly paid
 - (c) Other commitments (specify nature).

- U.** The amount of dividends proposed to be distributed to equity and

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preference shareholders for the period and the related amount per share shall be disclosed separately. Arrears of fixed cumulative dividends on preference shares shall also be disclosed separately.

V. Where in respect of an issue of securities made for a specific purpose, the whole or part of the amount has not been used for the specific purpose at the Balance Sheet date, there shall be indicated by way of note how such unutilized amounts have been used or invested.

14[VA. Where the company has not used the borrowings from banks and financial institutions for the specific purpose for which it was taken at the balance sheet date, the company shall disclose the details of where they have been used.]

W. If, in the opinion of the Board, any of the assets other than Property, Plant and Equipment³ and non-current investments do not have a value on realization in the ordinary course of business at least equal to the amount at which they are stated, the fact that the Board is of that opinion, shall be stated

X. Omitted

14[Y. Additional Regulatory Information

(i) Title deeds of Immovable Property not held in name of the Company

The company shall provide the details of all the immovable property (other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee) whose title deeds are not held in the name of the company in format given below and where such immovable property is jointly held with others, details are required to be given to the extent of the company's share.

Relevant line item in the Balance sheet	Description of item of property	Gross carrying value	Title deeds held in the	Whether title deed holder is a promoter, director or relative# of promoter*/direc	Property held since which date	Reason for not being held in the name of the
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³ Amended pursuant to MCA Notification G.S.R 1022(E), dated 11th October, 2018

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			nam e of	tor or employee of promoter/direct or		company **
PPE -	Land Building	-	-	-	-	**also indicate if in dispute
Investme nt property						
-	Land Building					
PPE retired from active use and held for disposal						
others						

#Relative here means relative as defined in the Companies Act, 2013.

*Promoter here means promoter as defined in the Companies Act, 2013.

(ii) Where the Company has revalued its Property, Plant and Equipment, the company shall disclose as to whether the revaluation is based on the valuation by a registered valuer as defined under rule 2 of the Companies (Registered Valuers and Valuation) Rules, 2017.

(iii) Following disclosures shall be made where Loans or Advances in the nature of loans are granted to promoters, Directors, KMPs and the related parties (as defined under Companies Act, 2013,) either severally or jointly with any other person, that are:

(a) repayable on demand or

(b) without specifying any terms or period of repayment

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Type of Borrower	Amount of loan or advance in the nature of loan outstanding	Percentage to the total Loans and Advances in the nature of loans
Promoters		
Directors		
KMPs		
Related Parties		

(iv) Capital-Work-in Progress (CWIP)

(a) For Capital-work-in progress, following ageing schedule shall be given:

CWIP ageing schedule

					(Amount in Rs.)	
	Amount in CWIP for a period of					Total*
CWIP	Less than 1 year	1-2 years	2-3 years	More than 3 years		
Projects in progress						
Projects temporarily suspended						

*Total shall tally with CWIP amount in the balance sheet.

(b) For capital-work-in progress, whose completion is overdue or has exceeded its cost compared to its original plan, following CWIP completion schedule shall be given**:

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				(Amount in Rs.)	
	To be completed in				
CWIP	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects 1					
Project 2					

**Details of projects where activity has been suspended shall be given separately.

(v) Intangible assets under development:

(a) For Intangible assets under development, following ageing schedule shall be given:

Intangible assets under development aging schedule

				(Amount in Rs.)	
	Amount in CWIP for a period of				Total*
Intangible assets under development	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress					
Projects temporarily suspended					

* Total shall tally with the amount of Intangible assets under development in the balance sheet.

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(b) For Intangible assets under development, whose completion is overdue or has exceeded its cost compared to its original plan, following Intangible assets under development completion schedule shall be given**:

				(Amount in Rs.)	
	To be completed in				
Intangible assets under development	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects 1					
Project 2					

**Details of projects where activity has been suspended shall be given separately.

(vi) Details of Benami Property held

Where any proceedings have been initiated or pending against the company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and the rules made thereunder, the company shall disclose the following:

- (a) Details of such property, including year of acquisition,
 - (b) Amount thereof,
 - (c) Details of Beneficiaries,
 - (d) If property is in the books, then reference to the item in the Balance Sheet,
 - (e) If property is not in the books, then the fact shall be stated with reasons,
 - (f) Where there are proceedings against the company under this law as an abettor of the transaction or as the transferor then the details shall be provided,
 - (g) Nature of proceedings, status of same and company's view on same.
- (vii) Where the Company has borrowings from banks or financial institutions on the basis of security of current assets, it shall disclose the following:-
- (a) whether quarterly returns or statements of current assets filed by the

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Company with banks or financial institutions are in agreement with the books of accounts.

(b) if not, summary of reconciliation and reasons of material discrepancies, if any to be adequately disclosed.

(viii) Wilful Defaulter*

Where a company is a declared wilful defaulter by any bank or financial institution or other lender, following details shall be given:

(a) Date of declaration as wilful defaulter,

(b) Details of defaults (amount and nature of defaults),

*wilful defaulter” here means a person or an issuer who or which is categorized as a wilful defaulter by any bank or financial institution (as defined under the Act) or consortium thereof, in accordance with the guidelines on wilful defaulters issued by the Reserve Bank of India.

(ix) Relationship with Struck off Companies

Where the company has any transactions with companies struck off under section 248 of the Companies Act, 2013 or section 560 of Companies Act, 1956, the Company shall disclose the following details:-

Name of struck off Company	Nature of transactions with struck off Company	Balance outstanding	Relationship with the Struck off company, if any, to be disclosed
	Investments in securities		
	Receivables		
	Payables		
	Shares held by struck off company		
	Other outstanding balances (to be specified)		

(x) Registration of charges or satisfaction with Registrar of Companies

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Where any charges or satisfaction yet to be registered with Registrar of Companies beyond the statutory period, details and reasons thereof shall be disclosed.

(xi) Compliance with number of layers of companies

Where the company has not complied with the number of layers prescribed under clause (87) of section 2 of the Act read with Companies (Restriction on number of Layers) Rules, 2017, the name and CIN of the companies beyond the specified layers and the relationship/extent of holding of the company in such downstream companies shall be disclosed.

(xii) Following Ratios to be disclosed:-

(a) Current Ratio,

(c) Debt-Equity Ratio,

(c) Debt Service Coverage Ratio,

(d) Return on Equity Ratio,

(e) Inventory turnover ratio,

(f) Trade Receivables turnover ratio,

(g) Trade payables turnover ratio,

(h) Net capital turnover ratio,

(i) Net profit ratio,

(j) Return on Capital employed,

(k) Return on investment.

The company shall explain the items included in numerator and denominator for computing the above ratios. Further explanation shall be provided for any change in the ratio by more than 25% as compared to the preceding year.

(xiii) Compliance with approved Scheme(s) of Arrangements

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Where any Scheme of Arrangements has been approved by the Competent Authority in terms of sections 230 to 237 of the Companies Act, 2013, the Company shall disclose that the effect of such Scheme of Arrangements have been accounted for in the books of account of the Company in accordance with the Scheme' and in accordance with accounting standards' and deviation in this regard shall be explained.

(xiv) Utilisation of Borrowed funds and share premium:

(A) Where company has advanced or loaned or invested funds (either borrowed funds or share premium or any other sources or kind of funds) to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding (whether recorded in writing or otherwise) that the Intermediary shall

(i) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company (Ultimate Beneficiaries) or

(ii) provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries;

the company shall disclose the following:-

(I) date and amount of fund advanced or loaned or invested in Intermediaries with complete details of each Intermediary.

(II) date and amount of fund further advanced or loaned or invested by such Intermediaries to other intermediaries or Ultimate Beneficiaries alongwith complete details of the ultimate beneficiaries.

(III) date and amount of guarantee, security or the like provided to or on behalf of the Ultimate Beneficiaries

(IV) declaration that relevant provisions of the Foreign Exchange Management Act, 1999 (42 of 1999) and Companies Act has been complied with for such transactions and the transactions are not violative of the Prevention of Money-Laundering act, 2002 (15 of 2003).;

(B) Where a company has received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the company shall

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(i) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or

(ii) provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries, the company shall disclose the following:-

(I) date and amount of fund received from Funding parties with complete details of each Funding party.

(II) date and amount of fund further advanced or loaned or invested other intermediaries or Ultimate Beneficiaries alongwith complete details of the other intermediaries' or ultimate beneficiaries.

(III) date and amount of guarantee, security or the like provided to or on behalf of the Ultimate Beneficiaries

(IV) declaration that relevant provisions of the Foreign Exchange Management Act, 1999 (42 of 1999) and Companies Act has been complied with for such transactions and the transactions are not violative of the Prevention of Money-Laundering act, 2002 (15 of 2003).]

PART II – Form of STATEMENT OF PROFIT AND LOSS

Name of the Company.....

Profit and loss statement for the year ended

(Rupees in.....)

	Particulars	Note	Figures for the current reporting period (in) From _____ (DD/MM/YYYY) To _____ (DD/MM/YYYY)	Figures for the previous reporting period (in) From _____ (DD/MM/YYYY) To _____ (DD/MM/YYYY)
	1	2	3	4
I.	Revenue from operations		xxx	xxx
II.	Other income		xxx	xxx

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III.	Total Income (I + II)		xxx	xxx
IV.	Expenses			
	Cost of materials consumed			
	Purchases of Stock-in-Trade			
	Changes in inventories of finished goods		xxx	xxx
	Work-in-progress and Stock-in-Trade		xxx	xxx
	Employee benefits expense		xxx	xxx
	Depreciation and amortization expense		xxx	xxx
	Other expenses		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		xxx	xxx
	(2) Deferred tax		xxx	xxx
XI	Profit (Loss) for the period from continuing operations (VII-VIII)		xxx	xxx
XII	Profit/(loss) from discontinuing		xxx	xxx

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	operations			
XIII	Tax expense of discontinuing operations		xxx	xxx
XIV	Profit/(loss) from Discontinuing operations (after tax) (XII-XIII)		xxx	xxx
XV	Profit/ (Loss) (XI + XIV)		xxx	xxx
XVI	Earnings per equity share		xxx	xxx
	(1) Basic		xxx	xxx
	(2) Diluted		xxx	xxx

See accompanying notes to the financial statements

General Instructions for Preparation of Statement of Profit and Loss

1. The provisions of this Part shall apply to the income and expenditure account referred to in subclause (ii) of clause (40) of section 2 in like manner as they apply to a statement of profit and loss.

2. (A) In respect of a company other than a finance company revenue from operations shall disclose separately in the notes revenue from—

(a) Sale of products;

(b) Sale of services;

—²³(ba) Grants or donations received (relevant in case of section 8 companies only).]

(c) Other operating revenues;

Less:

(d) Excise duty.

(B) In respect of a finance company, revenue from operations shall include revenue from—

(a) Interest; and

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(b) Other financial services.

Revenue under each of the above heads shall be disclosed separately by way of notes to accounts to the extent applicable.

3. Finance Costs

Finance costs shall be classified as:

- (a) Interest expense;
- (b) Other borrowing costs;
- (c) Applicable net gain/loss on foreign currency transactions and translation.

4. Other income

Other income shall be classified as:

- (a) Interest Income (in case of a company other than a finance company);
- (b) Dividend Income;
- (c) Net gain/loss on sale of investments;
- (d) Other non-operating income (net of expenses directly attributable to such income).

5. Additional Information

A Company shall disclose by way of notes additional information regarding aggregate expenditure and income on the following items:—

- (i) (a) Employee Benefits Expense [showing separately (i) salaries and wages, (ii) contribution to provident and other funds, (iii) expense on Employee Stock Option Scheme (ESOP) and Employee Stock Purchase Plan (ESPP), (iv) staff welfare expenses].
- (b) Depreciation and amortisation expense;
- (c) Any item of income or expenditure which exceeds one per cent. of the revenue from operations or Rs.1,00,000, whichever is higher;
- (d) Interest Income;
- (e) Interest expense;
- (f) Dividend income;

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- (g) Net gain/loss on sale of investments;
- (h) Adjustments to the carrying amount of investments;
- (i) Net gain or loss on foreign currency transaction and translation (other than considered as finance cost);
- (j) Payments to the auditor as (a) auditor; (b) for taxation matters; (c) for company law matters; (d) for management services; (e) for other services; and (f) for reimbursement of expenses;
- (k) In case of Companies covered under section 135, amount of expenditure incurred on corporate social responsibility activities;
- (l) Details of items of exceptional and extraordinary nature;
- (m) Prior period items;
- (ii) (a) In the case of manufacturing companies,—
 - 4[(1) Raw materials under broad heads.
 - (2) goods purchased under broad heads.
- (b) In the case of trading companies, purchases in respect of goods traded in by the company under broad heads.
- (c) In the case of companies rendering or supplying services, gross income derived from services rendered or supplied under broad heads.
- (d) In the case of a company, which falls under more than one of the categories mentioned in (a), (b) and (c) above, it shall be sufficient compliance with the requirements herein if purchases, sales and consumption of raw material and the gross income from services rendered is shown under broad heads.
- 5[(e) In the case of other companies, gross income derived under broad heads.
- (iii) In the case of all concerns having works in progress, works-in-progress under broad heads.
- (iv) (a) The aggregate, if material, of any amounts set aside or proposed to be set aside, to reserve, but not including provisions made to meet any specific

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liability, contingency or commitment known to exist at the date as to which the balance sheet is made up.

(b) The aggregate, if material, of any amounts withdrawn from such reserves.

(v) (a) The aggregate, if material, of the amounts set aside to provisions made for meeting specific liabilities, contingencies or commitments.

(b) The aggregate, if material, of the amounts withdrawn from such provisions, as no longer required.

(vi) Expenditure incurred on each of the following items, separately for each item:—

(a) Consumption of stores and spare parts;

(b) Power and fuel;

(c) Rent;

(d) Repairs to buildings;

(e) Repairs to machinery;

(f) Insurance;

(g) Rates and taxes, excluding, taxes on income;

(h) Miscellaneous expenses,

(vii) (a) Dividends from subsidiary companies.

(b) Provisions for losses of subsidiary companies.

(viii) The profit and loss account shall also contain by way of a note the following information, namely: —

§[(a) Value of imports calculated on C.I.F basis by the company during the financial year in respect of—

I. Raw materials;

II. Components and spare parts;

III. Capital goods;

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(b) Expenditure in foreign currency during the financial year on account of royalty, know-how, professional and consultation fees, interest, and other matters;

(c) Total value if all imported raw materials, spare parts and components consumed during the financial year and the total value of all indigenous raw materials, spare parts and components similarly consumed and the percentage of each to the total consumption;

(d) The amount remitted during the year in foreign currencies on account of dividends with a specific mention of the total number of non-resident shareholders, the total number of shares held by them on which the dividends were due and the year to which the dividends related;

⁵⁴(e) Earnings in foreign exchange classified under the following heads, namely:—

I. Export of goods calculated on F.O.B. basis;

II. Royalty, know-how, professional and consultation fees;

III. Interest and dividend;

IV. Other income, indicating the nature thereof.]

Note:— Broad heads shall be decided taking into account the concept of materiality and presentation of true and fair view of financial statements.

¹⁴[(ix) Undisclosed income

The Company shall give details of any transaction not recorded in the books of accounts that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income Tax Act, 1961), unless there is immunity for disclosure under any scheme and also shall state whether the previously unrecorded income and related assets have been properly recorded in the books of account during the year.;

(x) Corporate Social Responsibility (CSR)

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Where the company covered under section 135 of the companies act, the following shall be disclosed with regard to CSR activities:-

- (a) amount required to be spent by the company during the year,
- (b) amount of expenditure incurred,
- (c) shortfall at the end of the year,
- (d) total of previous years shortfall,
- (e) reason for shortfall,
- (f) nature of CSR activities,
- (g) details of related party transactions, e.g., contribution to a trust controlled by the company
in relation to CSR expenditure as per relevant Accounting Standard,
- (h) where a provision is made with respect to a liability incurred by entering into a contractual obligation, the movements in the provision during the year should be shown separately.

(xi) Details of Crypto Currency or Virtual Currency

Where the Company has traded or invested in Crypto currency or Virtual Currency during the financial year, the following shall be disclosed:-

- (a) profit or loss on transactions involving Crypto currency or Virtual Currency
- (b) amount of currency held as at the reporting date,
- (c) deposits or advances from any person for the purpose of trading or investing in Crypto Currency/ virtual currency.]

General Instructions for the Preparation of Consolidated Financial Statements

1. Where a company is required to prepare Consolidated Financial Statements, i.e., consolidated balance sheet and consolidated statement of profit and loss, the company shall mutatis mutandis follow the requirements of this Schedule as applicable to a company in the preparation of balance sheet and statement of profit and loss. In addition, the consolidated financial statements shall disclose

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the information as per the requirements specified in the applicable Accounting Standards including the following:

(i) Profit or loss attributable to “minority interest” and to owners of the parent in the statement of profit and loss shall be presented as allocation for the period.

(ii) “Minority interests” in the balance sheet within equity shall be presented separately from the equity of the owners of the parent.

2. In Consolidated Financial Statements, the following shall be disclosed by way of additional information:

Name of the entity in the	Net Assets, i.e., total assets minus total liabilities		Share in profit or loss	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount
1	2	3	4	5
Parent Subsidiaries Indian				
1.				
2.				
3.				
.				
.				
Foreign				
1.				
2.				

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3.				
.				
.				
Minority Interest in all subsidiaries Associates (Investment as per the equity method)				
1.				
2.				
3.				
.				
.				
Foreign				
1.				
2.				
3.				
.				
.				
<u>Joint Ventures</u> (as per proportionate consolidation/investment as per the equity method)				
Indian				

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1.				
2.				
3.				
.				
.				
Foreign				
1.				
2.				
3.				
.				
.				
Total				

3. All subsidiaries, associates and joint ventures (whether Indian or foreign) will be covered under consolidated financial statements.

4. An entity shall disclose the list of subsidiaries or associates or joint ventures which have not been consolidated in the consolidated financial statements along with the reasons of not consolidating.

Annexure B

Analytical Ratios

1. Current Ratio

The current ratio indicates a company's overall liquidity position. It is widely used by banks in making decisions regarding the advancing of working capital credit to their clients.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

2. Debt – Equity Ratio

Debt-to-equity ratio compares a Company's total debt to shareholders equity. Both of these numbers can be found in a Company's balance sheet.

$$\text{Debt – Equity Ratio} = \frac{\text{Total Debt}}{\text{Shareholder's Equity}}$$

3. Debt Service Coverage Ratio

Debt Service coverage ratio is used to analyse the firm's ability to pay-off current interest and instalments.

$$\text{Debt Service Coverage Ratio} = \frac{\text{Earnings available for debt service}}{\text{Debt Service}}$$

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Debt Service

Earning for Debt Service = Net Profit after taxes + Non-cash operating expenses like depreciation and other amortizations + Interest + other adjustments like loss on sale of Fixed assets etc.

Debt service = Interest & Lease Payments + Principal Repayments

4. Return on Equity (ROE):

It measures the profitability of equity funds invested in the Company. The ratio reveals how profitability of the equity-holders' funds have been utilized by the Company. It also measures the percentage return generated to equity-holders. The ratio is computed as:

$$\text{ROE} = \frac{\text{Net Profits after taxes} - \text{Preference Dividend (if any)}}{\text{Average Shareholder's Equity}}$$

5. Inventory Turnover Ratio

This ratio also known as stock turnover ratio and it establishes the relationship between the cost of goods sold during the period or sales during the period and average inventory held during the period. It measures the efficiency with which a Company utilizes or manages its inventory.

$$\text{Inventory Turnover ratio} = \frac{\text{Cost of goods sold OR sales}}{\text{Average Inventory}}$$

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Average inventory is $(\text{Opening} + \text{Closing balance} / 2)$

When the information opening and closing balances of inventory is not available then the ratio can be calculated by dividing COGS OR Sales by closing balance of Inventory.

6. Trade receivables turnover ratio

It measures the efficiency at which the firm is managing the receivables.

$$\text{Trade receivables turnover ratio} = \frac{\text{Net Credit Sales}}{\text{Average Accounts Receivable}}$$

Net credit sales consist of gross credit sales minus sales return. Trade receivables includes sundry debtors and bill's receivables.

Average trade debtors = $(\text{Opening} + \text{Closing balance} / 2)$

When the information about credit sales, opening and closing balances of trade debtors is not available then the ratio can be calculated by dividing total sales by closing balances of trade receivables.

7. Trade payables turnover ratio

It indicates the number of times sundry creditors have been paid during a period. It is calculated to judge the requirements of cash for paying sundry creditors. It is calculated by dividing the net credit purchases by average creditors.

$$\text{Trade payables turnover ratio} = \frac{\text{Net Credit Purchases}}{\text{Average Trade Payables}}$$

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Net credit purchases consist of gross credit purchases minus purchase return

When the information about credit purchases, opening and closing balances of trade creditors is not available then the ratio is calculated by dividing total purchases by the closing balance of trade creditors.

8. Net capital turnover ratio

It indicates a company's effectiveness in using its working capital.

The working capital turnover ratio is calculated as follows: **net sales divided by the average amount of working capital during the same period.**

$$\text{Net capital turnover ratio} = \frac{\text{Net Sales}}{\text{Working Capital}}$$

Net sales shall be calculated as total sales minus sales returns.

Working capital shall be calculated as current assets minus current liabilities.

9. Net profit ratio

It measures the relationship between net profit and sales of the business.

$$\text{Net Profit Ratio} = \frac{\text{Net Profit}}{\text{Net Sales}}$$

Net profit shall be after tax.

Net sales shall be calculated as total sales minus sales returns.

10. Return on capital employed (ROCE)

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Return on capital employed indicates the ability of a company's management to generate returns for both the debt holders and the equity holders. Higher the ratio, more efficiently is the capital being employed by the company to generate returns.

$$\text{ROCE} = \frac{\text{Earning before interest and taxes}}{\text{Capital Employed}}$$

Capital Employed = Tangible Net Worth + Total Debt + Deferred Tax Liability

11. Return on investment

Return on investment (ROI) is a financial ratio used to calculate the benefit an investor will receive in relation to their investment cost. The higher the ratio, the greater the benefit earned. The one of widely used method is Time Weighted Rate of Return (TWRR) and the same should be followed to calculate ROI. It adjusts the return for the timing of investment cash flows and its formula / method of calculation is commonly available.

Annexure C

Illustrative list of disclosures required under the Companies Act 2013

1. Section 69 - Transfer of certain sums to capital redemption reserve account.

Where a company purchases its own shares out of free reserves or securities premium account, a sum equal to the nominal value of the shares so purchased shall be transferred to the capital redemption reserve account and details of such transfer shall be disclosed in the balance sheet.

2. Section 129 - Financial Statement

- (5) Without prejudice to sub-section (1), where the financial statements of a company do not comply with the accounting standards referred to in sub-section (1), the company shall disclose in its financial statements, the deviation from the accounting standards, the reasons for such deviation and the financial effects, if any, arising out of such deviation.

3. Section 131 - Voluntary revision of financial statements or Board's report

- (1) If it appears to the directors of a company that—
- (a) the financial statement of the company; or
 - (b) the report of the Board, do not comply with the provisions of section 129 or section 134 they may prepare revised financial statement or a revised report in respect of any of the three preceding financial years after obtaining approval of the Tribunal on an application made by the company in such form and manner as may be prescribed and a copy of the order passed by the Tribunal shall be filed with the Registrar:

Provided that the Tribunal shall give notice to the Central Government and the Income tax authorities and shall take into consideration the representations, if any, made by that Government or the authorities before passing any order under this section:

Provided further that such revised financial statement or report shall not be prepared or filed more than once in a financial year:

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Provided also that the detailed reasons for revision of such financial statement or report shall also be disclosed in the Board's report in the relevant financial year in which such revision is being made.

4. Section 135 - Corporate Social Responsibility

- (2) The Board's report under sub-section (3) of section 134 shall disclose the composition of the Corporate Social Responsibility Committee.

5. Section 182 - Prohibitions and restrictions regarding political contributions

- (3) Every company shall disclose in its profit and loss account any amount or amounts contributed by it to any political party during the financial year to which that account relates, giving particulars of the total amount contributed and the name of the party to which such amount has been contributed.

6. Section 183 - Power of Board and other persons to make contributions to national defence fund, etc.

- (2) Every company shall disclose in its profit and loss account the total amount or amounts contributed by it to the Fund referred to in sub-section (1) during the financial year to which the amount relates.

7. Section 186 - Loan and investment by company

- (4) The company shall disclose to the members in the financial statement the full particulars of the loans given, investment made or guarantee given or security provided and the purpose for which the loan or guarantee or security is proposed to be utilised by the recipient of the loan or guarantee or security.

8. Section 272 - Petition for winding up

- (4) The Registrar shall be entitled to present a petition for winding up under subsection (1) on any of the grounds specified in sub-section (1) of section 271, except on the grounds specified in clause (b), clause (d) or clause (g) of that sub-section:

Provided that the Registrar shall not present a petition on the ground that the company is unable to pay its debts unless it appears to him either from the financial condition of the company as disclosed in its balance sheet or from the report of an inspector appointed under

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section 210 that the company is unable to pay its debts:

Provided further that the Registrar shall obtain the previous sanction of the Central Government to the presentation of a petition:

Provided also that the Central Government shall not accord its sanction unless the company has been given a reasonable opportunity of making representations.

Annexure D

List of Accounting Standards notified as on date:

- AS 1 Disclosure of accounting policies:
- AS 2 Valuation of Inventories
- AS 3 Cash Flow Statements
- AS 4 Contingencies and Events Occurring After the Balance sheet Date
- AS 5 Net Profit or Loss for the period, Prior Period items and Changes in Accounting Policies.
- AS 7 Construction Contracts.
- AS 9 Revenue Recognition.
- AS 10 Property, Plant and Equipment.
- AS 11 The Effects of Changes In Foreign Exchange Rates.
- AS 12 Accounting for Government Grants.
- AS 13 Accounting for Investments.
- AS 14 Accounting for Amalgamation.
- AS 15 Employee Benefits.
- AS 16 Borrowing Costs.
- AS 17 Segment Reporting.
- AS 18 Related Party Disclosures.
- AS 19 Accounting for Leases.
- AS 20 Earnings Per Share.
- AS 21 Consolidated Financial Statements.
- AS 22 Accounting for Taxes on Income.
- AS 23 Accounting for Investments in Associates in Consolidated Financial Statements.
- AS 24 Discontinuing Operations.
- AS 25 Interim Financial Reporting.
- AS 26 Intangible Assets.

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AS 27 Financial Reporting of Interests in Joint Ventures.

AS 28 Impairment of Assets.

AS 29 Provisions, Contingent liabilities and Contingent assets.

Annexure E

General Circular No. 39/2014 dated: 14th October, 2014

To

All Regional Directors,

All registrars of Companies,

All Stakeholders

Subject: Clarification on matters relating to Consolidated Financial Statement.

Sir,

Government has received representations from stakeholders seeking clarifications on the manner of presentation of notes in Consolidated Financial Statement (CFS) to be prepared under Schedule III to the Companies Act, 2013(Act). These representations have been examined in consultation with the Institute of Chartered Accountants of India (ICAI) and it is clarified that Schedule III to the Act read with the applicable Accounting Standards does not envisage that a company while preparing its CFS merely repeats the disclosures made by it under stand-alone accounts being consolidated. In the CFS, the company would need to give all disclosures relevant for CFS only.

2. This issues with the approval of the competent authority.