Schedule VI of Companies Act, 1956 (As Revised)

1. APPLICABILITY

NOTIFICATION F. NO. 2/6/2008-C.L-V, DATED 30-3-2011

"The notification shall come into force for the Balance Sheet and Profit and Loss Account to be prepared for the financial year **commencing on or after 1.4.2011"**.

- ✓ Early adoption of the Revised Schedule VI is not permitted since Schedule VI is a statutory format.
- ✓ Comparative information will have to be presented starting from the first year of application. Thus for the financial statements prepared for the year 2011-12, comparative amounts need to be given for the financial year 2010-11, except if it is the first year of the entity.
- ✓ As per MCA's Circular financial statements for the purpose of IPO/FPO during the financial year 2011-12 maybe in the format of the pre revised schedule VI. However, for period beyond 31st March 2012, new format is applicable.
- ✓ Revised Schedule VI has been framed as per the existing non-converged Indian Accounting Standards notified under the Companies (Accounting Standards), Rules, 2006;

2. PRINCIPALS OF SCHEDULE VI (AS REVISED)

- ✓ The requirements of the Companies Act and AS will prevail over Schedule VI. Terms to be interpreted as per applicable Accounting Standards, e.g. Associates, Related Parties.
- ✓ Disclosure on the face of the financial statements or in Notes are minimum requirements.
- ✓ The concept of 'schedule' is now eliminated and such information is now to be furnished in the Notes to Accounts.
- ✓ Terms in the Revised Schedule VI will carry the meaning as defined by the applicable Accounting Standards.

3. REQUIREMENT OF SCHEDULE VI (AS REVISED)

Now before discussing Requirement, we shall once look at format of Schedule VI (As Revised)

Balance Sheet as at 31st March, 2011

Particulars	Note No	Figures as at the end of current reporting period	Figures as at the end of previous reporting period
I. EQUITY AND LIABILITIES			
(1) Shareholder's 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			
(c) Other current liabilities			

(d) Short-term provisions			
Total			
II.Assets			
(1) Non-current assets			
(a) Fixed assets			
(i) Tangible assets			
(ii) Intangible assets			
(iii) Capital work-in-progress			
(iv) Intangible assets under development			
(b) Non-current investments			
(c) Deferred tax assets (net)			
(d) Long term loans and advances			
(e) Other non-current assets			
(2) Current assets			
(a) Current investments			
(b) Inventories			
(c) Trade receivables			
(d) Cash and cash equivalents			
(e) Short-term loans and advances			
(f) Other current assets			
Total			

See accompanying notes to the financial statements

Format of 'Statement of Profit & Loss'

Particulars	**Note No**	**Figures as at the end of current reporting period**	**Figures as at the end of previous reporting period**
I. Revenue from operations			
II. Other Income			
III. Total Revenue (I +II)			
IV. Expenses:			
Cost of materials consumed			
Purchase of Stock-in-Trade			
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade			
Employee benefit expense			
Financial costs			
Depreciation and amortization expense			
Other expenses			
Total Expenses			
V. Profit before exceptional and extraordinary items and tax	(III - IV)		
VI. Exceptional Items			
VII. Profit before extraordinary items and tax (V - VI)			
VIII. Extraordinary Items			
IX. Profit before tax (VII - VIII)			

X. Tax expense: (1) Current tax (2) Deferred tax			
XI. Profit(Loss) from the period from continuing operations	(VII-VIII)		
XII. Profit/(Loss) from discontinuing operations			
XIII. Tax expense of discounting operations			
XIV. Profit/(Loss) from Discontinuing operations (XII - XIII)			
XV. Profit/(Loss) for the period (XI + XIV)			
XVI. Earning per equity share: (1) Basic (2) Diluted			

Key Highlights/ Major Changes

- ✓ Only vertical form of balance sheet is permitted.
- ✓ Shareholders' funds to be shown after deduction of debit balance of profit and loss account. As a result, shareholders' funds can be negative
- ✓ Separate head for "Miscellaneous Expenditure to the extent not written off or adjusted" discontinued.
- ✓ Current and non- current classification of assets and liabilities required on the lines of Ind AS and IFRS
- ✓ Concept of operating cycle introduced
- ✓ Separate head for
  - money received against share warrants
  - intangible assets
  - intangible assets under development
  - cash and cash equivalents
- ✓ Source of Funds now is Equity and Liabilities;
- ✓ Application of Funds now is Assets;
- ✓ Shareholding of more than 5% shares in the company now needs to be disclosed;
- ✓ Share allotments for non-cash consideration, buy back to be disclosed;
- ✓ Debtors are now Trade receivables, their ageing disclosures are now based on outstanding from "Due date" against "Bill date".
- ✓ All types of commitments are to be disclosed.
- ✓ Default in repayment of loans and interest to be disclosed.

Changes Related to Statement of Profit & Loss

- ✓ Specific format prescribed. In old schedule VI NO FORMAT was prescribed.
- ✓ It is now a "Statement" and no longer "Account".
- ✓ Separate disclosures for items exceeding 1% of revenue from operations or Rs 100,000, whichever is higher.
- ✓ Dividend income from subsidiary is now to be recognized under AS 9 -Revenue Recognition, when the right to receive is established.
- ✓ Revenue from operations disclosed as (a) Sale of Products, (b) Sale of services and (c) Other operating revenue.
- ✓ Exchange difference considered as Interest Cost as per AS 16 – Borrowing Cost, now needs to be disclosed separately as finance cost.

Now we shall discuss Head-Wise requirement of Schedule VI (as revised)

1. Share Capital

1) Includes both Equity as well as Preference Capital
2) Early adoption of AS 30 and AS 31 on Financial Instruments based on which Preference shares have been treated as Liability
3) Reconciliation of number of shares outstanding at the beginning and end of the period
4) Rights, preference and restrictions attaching to each class are to be disclosed
5) Shares in respect of each class held by holding company, ultimate holding company and subsidiaries or associates of the holding or ultimate holding company

2. Share Application Money Pending Allottment

1) Required to be shown as a separate line item on the face of the Balance Sheet after Shareholders' Funds.
2) Share application money not exceeding the issued capital and to the extent not refundable shall be shown under this head.
3) 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'.

3. Non-current liabilities

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

- ✓ It is expected to be settled in the company's normal operating cycle;
- ✓ It is held primarily for the purpose of being traded;
- ✓ It is due to be settled within twelve months after the reporting date;
- ✓ 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.

> ***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
> Where a company is engaged in running multiple businesses, the operating cycle could be different for each line of business and hence classification has to be done depending upon the operating cycles for the respective business.

Example of Current Liabilities:

- ✓ Short-term borrowings (secured / unsecured);
- ✓ Trade payables;
- ✓ Other current liabilities;
  - Current maturities of long-term debt, finance lease
  - Interest accrued on borrowings (due and not due);
  - Income received in advance;
  - Unpaid dividends;
  - Application money received with accrued interest
  - Unpaid matured deposits and interest accrued thereon;
  - Unpaid matured debentures and interest accrued thereon;
  - Other payables (specify nature).
- ✓ Short-term provisions – Employee benefits & others

4. Tangible Assets

- ✓ Classification shall be given as:
  - Land;
  - Buildings;
  - Plant and Equipment;
  - Furniture and Fixtures;
  - Vehicles;
  - Office equipment;
  - Others (specify nature).
- ✓ Assets under lease shall be separately specified under each class of asset.
- ✓ Capital advances to be disclosed under long term loans and advances and not under CWIP.

5. Intangible Assets

- ✓ Classification of intangible assets was not there in Old Schedule VI
- ✓ Intangibles assets to be classified as Goodwill, Brands/trademarks, Computer software, Mastheads and publishing titles, Mining rights, Copyrights, patents and other intellectual property rights, services and operating rights, Others (specify)

6. Investments

- ✓ To be classified into Current and Non-current.
- ✓ Further bifurcated in Trade and Non trade.
- ✓ Current Investment is an investment that is by its nature readily realisable and is intended to be held not more than one year from the date on which such investment is made.
- ✓ Long term investment is an investment other than a current investment.
- ✓ Investments in Equity, Preference shares, Govt or trust securities, debentures or bonds, Mutual funds, Partnership, Others.
- ✓ Basis of valuation to be disclosed

7. Long Term Advances & Other Assets

- ✓ To be bifurcated in to long term and short term and secured, unsecured and doubtful.
- ✓ Further classified as Capital advances , Securities deposits (long term), Loans and advances to related parties and Others (specify)
- ✓ Capital advances – default non-current
- ✓ Other inclusions:
- ✓ Prepaid Expenses, Advance tax, CENVAT, VAT recoverable etc which are not expected to be realised within next 12 months or operating cycle whichever is longer as on the balance sheet date.
- ✓ No due date / on demand loans and advances - Current
- ✓ Other non-current assets to be bifurcated in to Long term trade receivables (secured, unsecured and doubtful) and Others (specify)

8. Trade Receivable

- ✓ Trade receivable for period exceeding six months from Due Date
- ✓ Secured, Unsecured, Doubtful
- ✓ Debts due by directors or other officers of the company

9. Cash & Cash equivalents

1) Cash & bank balances" in the Old Schedule VI is replaced with "Cash & Cash Equivalents"
2) Cash and cash equivalents include
   a. Cash & Cash Equivalents as:
      i. Balances with banks;
      ii. Cheques, drafts on hand;
      iii. Cash on hand;

iv. Others (specify nature)

b. Margin Deposit with Banks
c. Earmarked balances with banks
d. Balances with repatriation restrictions

3) Removed disclosures of scheduled and non-scheduled banks.

10. Contingent liabilities and commitments

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

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

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.

11. Other significant disclosures

1. The amount of dividends proposed to be distributed to equity and preference shareholders for the period and the related amount per share should be disclosed separately.
2. Arrears of fixed cumulative dividends on preference shares should also be disclosed separately.
3. Where in respect of issue of Securities made for specific purpose, the whole or part of the amount has not been used for the specific purpose at balance sheet date, it should be disclosed by way of note that how such unutilized amount have been used or invested.
4. If, in the opinion of the Board, any of the assets other than fixed 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, should be stated.

Now dealing with items of 'Statement of Profit & Loss'

- ✓ It is no more an account
- ✓ Functional classification not permitted
- ✓ Requirement of parent company to recognize dividends declared by subsidiary companies even after the date of the Balance Sheet no longer exists in the Revised Schedule VI. AS-9 is required to be followed. (Consolidation point!!)
- ✓ Any item of income or expense which exceeds 1% of the revenue from operations or Rs.100,000 (earlier 1 % of total revenue or Rs.5,000), whichever is higher, needs to be disclosed separately.
- ✓ Specific disclosure required by AS-24 Discontinuing Operations is now on the face of the Statement.

12. Revenue from Operations

Sale of products	xx
Sale of services	xx
Other operating revenues	xx
Less: Excise duty	xx

13. Other Income

Interest Income (for non-finance company);	xx
Dividend Income;	xx
Net gain / loss on sale of investments;	xx
Other non-operating income (net of expenses directly attributable to such income).	xx

14. Requirements: relating to Expenses

14.1 Raw material & Work in Progress

14.2 Finance costs

1. Interest Expenses
2. Other borrowing cost
3. Applicable net gain/loss on foreign currency transactions and translation (AS – 16)

14.3 Employee benefits expense

The following amounts in respect of employee benefit expenses should be shown:

i. Salaries and wages;
ii. Contribution to provident & other funds;
iii. Expense on ESOP & EOPP;
iv. Staff welfare Expenses.

14.4 Depreciation & Amortisation expense

1. Depreciation
2. Amortisation
3. Impairment ((impairment amount would need to be shown virtue of AS 28)

14.4 Payment to auditors

1. auditor;
2. taxation matters
3. company law matters
4. management services
5. other services
6. reimbursement of expenses

14.5 Other Expenses

1. Consumption of stores and spare parts.
2. Power and fuel.
3. Rent.
4. Repairs to buildings.
5. Repairs to machinery.
6. Insurance.
7. Rates and taxes, excluding, taxes on income.

Besides, the following items would also require a separate disclosure:

1. Item exceed 1,00,000 or 1% limit
2. Net gain/loss on sale of investments
3. Adjustments to the carrying amount of investments
4. Net gain or loss on foreign currency transaction and translation (other than considered as finance cost).

14.6 **Imports/ foreign exchange income, expenditure etc.**

The profit and loss account should contain following information by way of a note:

(a) **Value of imports calculated on C.I.F basis by the company during FY on —Raw materials, Components & spare parts and Capital goods**

(b) Expenditure in foreign currency during the FY on account of royalty, know-how, professional, 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
   a. Export of goods calculated on F.O.B. basis;
   b. Royalty, know-how, professional and consultation fees;
   c. Interest and dividend;
   d. Other income, indicating the nature thereof.

15. Rounding off of Figures appearing in financial statement

Turnover of less than 100 Crores - Rounding off to the nearest Hundreds, thousands, lakhs or millions or decimal thereof

Turnover of 100 Crores or more – Rounding off to the nearest lakhs, millions or crores, or decimal thereof