COMPANIES ACT 2013

1. **<u>Schedule III</u>**
   - **-Format Of Balance Sheet**
   - **-Format Of The Profit And Loss Account**

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Schedule III
GENERAL INSTRUCTIONS

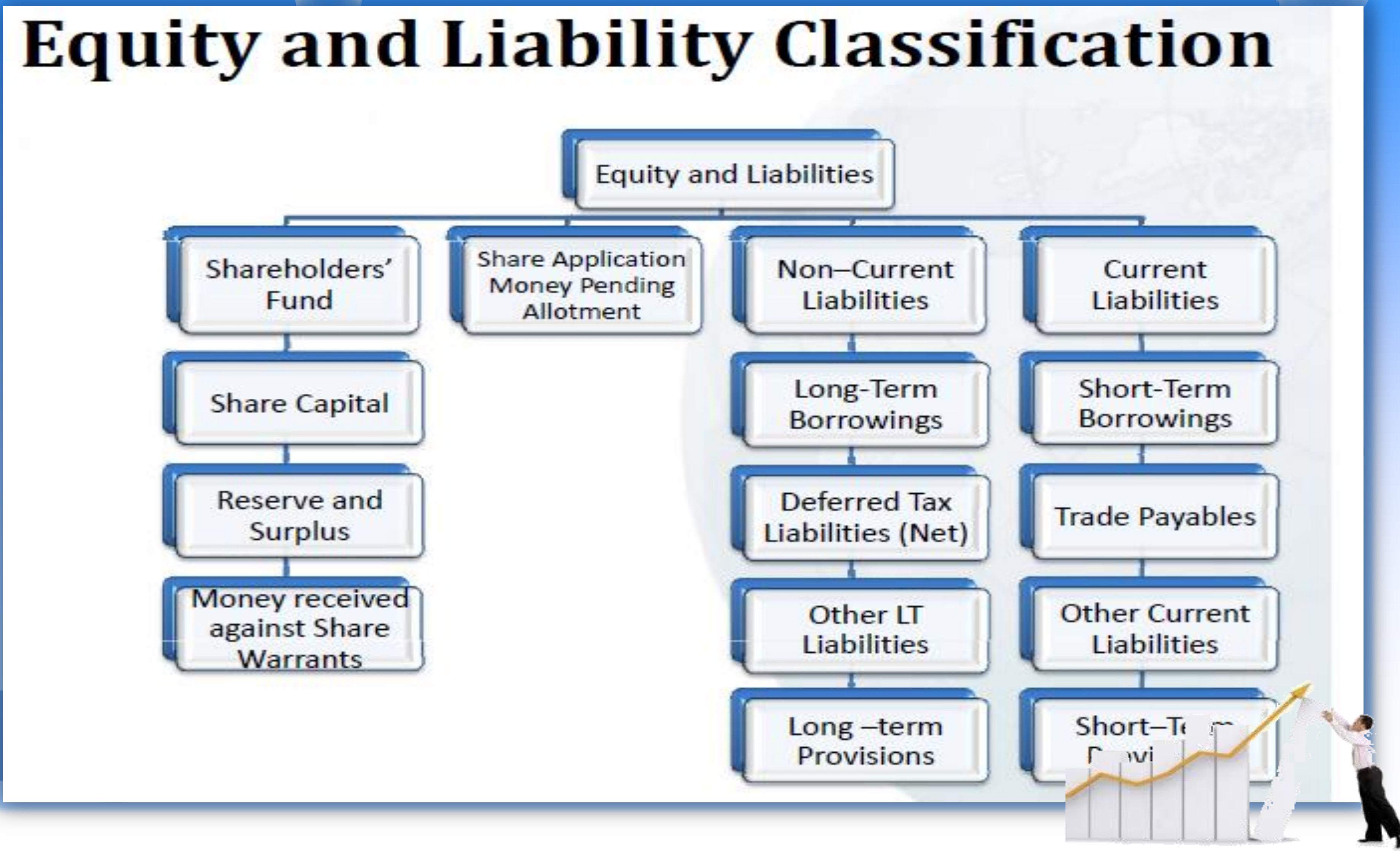
- Applicable for all FS from 1/4/2014
  - PART I- BALANCE SHEET
  - PART II- PROFIT AND LOSS ACCOUNT

- *Supremacy given to Ind AS and Companies Act 2013*

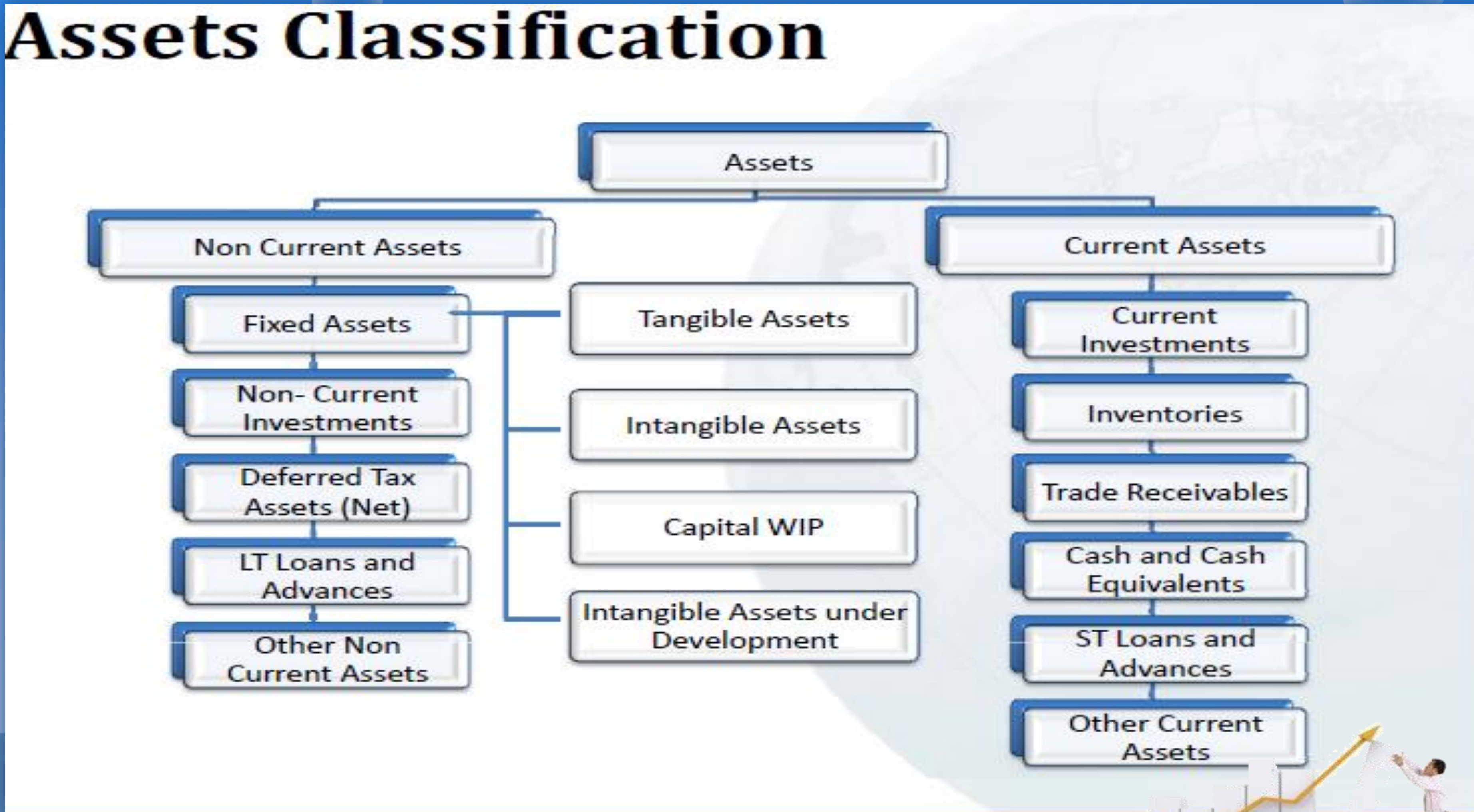
- *Cross referencing required for each item on the financial statements to NOTES and not to Schedules.*

- *Format of Cash Flow Statement is not prescribed in Schedule III. It os governed by Ind As on Cash Flow Statement*

Equity & Liability classification



Asset classification



Current & Non Current Classification

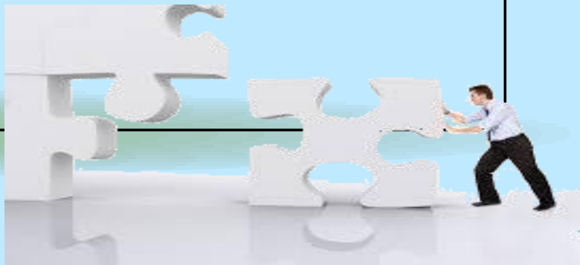
Classification of Current Liability: It should satisfy <u>ANY 1</u> of the following criteria… All other liabilities shall be classified as non-current.

Operating Cycle Criteria- Settled in normal operating cycle

Trading Criteria- Held primarily for trading

Settlement Criteria-Expected to be settled in 12 months after reporting date

Unconditional Rights to defer criteria-Company has no unconditional right to defer settlement for at least 12 month after reporting date



Current & Non Current Classification

<u>Classification of Current Asset: </u>It should satisfy <u>ANY 1</u> of the following criteria… All other assets shall be classified as non-current.

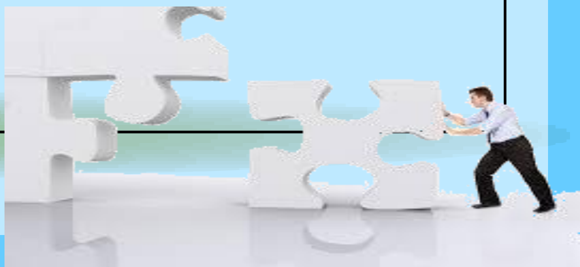
Operating Cycle Criteria- Asset is expected to be realized in, or is intended for sale or consumption in, the company's normal operating cycle;

Trading Criteria-

Held primarily for trading

Realisation Criteria- Expected to be realised within 12 months after reporting date

Restriction from use criteria-It is Cash or cash equivalent, unless it is restricted from being exchanged or used to settle a liability, for at least 12 months after reporting date



Classification Criteria- Imp points

Operating Cycle Criteria (for current assets & liabilities)

Operating Cycle = lead-time to acquire raw material+ Raw Material Holding Period + Work-in-process Period + Finished Goods Holding Period + Receivable Collection Period

Eg if a company's operating cycle is 120 days, Receivables =realized within 120 days from the date of recognition
Inventories =consumed within 120 days from date of purchase.
Trade payables and operating loans =settled in 120 days from date of date of recognition

Duration of Operating cycle- It can be > 12months. An asset can be current even if realizable after 12 months if it is realisable within the operating cycle.

Trading Criteria (for current assets & liabilities)

- No time limit for realization under this criterion.
- If an asset held for trading the same will always be current, irrespective of expected time taken to realize the same

Classification Criteria- Imp points

Criteria 3 & 4 for current assets	*Criteria 3 & 4 for current liabilities*
Realisation Criteria ❖ Applicable for all assets including other assets like loans and advances, held to maturity financial assets which were not covered in former two criterion. ❖ The realisation should be in the form of cash or cash equivalents, rather than through conversion of one asset into another non-current asset like preference shares,	***Settlement criteria*** ❖ This criterion is applicable for all liabilities such as dividend payable, income taxes, and other non-trade payables etc. ❖ Settlement should be in the form of cash or cash equivalents,
Restriction from use criteria All cash and cash equivalents are current unless there are restrictions imposed on their use to settle a liability for at least 12 months from reporting date.	***Unconditional right to defer criteria*** This is applicable for all liabilities. Where an entity has unconditional right to defer settlement of liability beyond 12 months from reporting date, such liability shall be classified as non-current.

Format of the Balance Sheet

PART I

BALANCE SHEET

Name of Company……………………………………………………………………

Balance Sheet as at ………………………………………………………………

(Rupees in……….)

Particulars	**Note No.**	**Figs as on 31.3….(current year end)**	**Figs as on 31.3….(previous year end)**
I. EQUITY & LIABILITIES			
(1) Shareholders' Funds (a) Share Capital (b) Reserves & Surplus (c) Money received against share warrants	 A B 		
(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	 C D 		
(4) Current Liabilities (a) Short-term borrowings (b) Trade payables (c) Other current liabilities (d) Short-term provisions	 E F G H		
TOTAL			

Format of the Balance Sheet

II ASSETS			
(1) Non-Current Assets			
(a) Fixed Assets	I		
(i) Tangible Assets	J		
(ii) Intangible Assets			
(iii) Capital Work-in Progress			
(iv) Intangible Assets under development			
(b) Non-current Investments	K		
(c) Deferred tax assets (net)			
(d) Long-term loans and advances	L		
(e) Other non-current assets	M		
(2) Current Assets			
(a) Current Investments	N		
(b) Inventories	O		
(c) Trade Receivables	P		
(d) Cash and cash equivalents	Q		
(e) Short-term loans and advances	R		
(f) Other current assets	S		
TOTAL			

Notes- Equity & Liabilities

A.SHARE CAPITAL

It includes Equity & Preference Shares

- ❖ Authorised, subscribed & fully / partly paid shares (No & Amount)
- ❖Face value of shares
- ❖Reconciliation of opening & closing
- ❖Rights, preferences & restrictions
- ❖Held by holding, subsidiary or associates co. including ultimate holding co.
- ❖Shareholders holding >5% shares
- ❖reserved for issue under options contracts/ commitments /disinvestment
- ❖For 5 years- no of shares issued for consideration other than cash, shares bought back & bonus shares issued
- ❖Securities convertible into shares with conversion date & terms
- ❖Forfeited shares (amount paid up)
- ❖ LESS Calls unpaid

B. RESERVES

Classified as:

- ❖ Capital Reserves
- ❖Capital Redemption Reserve
- ❖Securities Premium Reserve (Sec 52)
- ❖Debenture Redemption Reserve
  (used only for debenture redemption)
- ❖Revaluation Reserve
  (from tangible/ intangible assets. Depreciation on revalued amount to be deducted from this reserve NOT p&L)
- ❖Share Option Outstanding A/c
- ❖Other Reserves
- ❖Surplus in P&L
  (appropriations such as dividend, bonus shares and transfer to/from reserves to be shown in B/S)

Debit balance of P&L shall be shown as a (-ve) figure under 'Surplus'. Accumulated losses to be shown on Equity and Liability side even if total of Reserve and Surplus including accumulated loss turns (-ve).

Notes- Equity & Liabilities

C.LONG TERM LIABILITIES

It is 1st item under Non Current Liabilities.

- Long Term Borrowings
  - Maturity > 12 months
  - Long term maturities of finance lease obligations

  a. Bonds/ debentures

  b. Term Loans

    i. From banks

    ii. Other parties

  c. Deferred Payment liabilities (sales tax, deferred payment for asset bought)

  d. Deposits (accepted from public or inter corporate deposits)

  e. Loans & advances from Related parties

  f. Others
- Further classified as Secured/ Unsecured
- Loans guaranteed by 'Directors/ others'
- Power to reissue bonds
- Terms of repayment
- Period & Amt of continuing default in repayment of loan & interest.

D. OTHER LONG TERM LIABILITIES

A. Trade payables
   - Amt due for goods/ services <u>purchased in NORMAL COURSE of Business which is "Non Current" in nature ,</u> including acceptances (Exclude purchase of FA & interest on trade payables, PF contribution

B. Others: Dues under Statutory obligations

E. LONG TERM PROVISIONS

A. Provision for Employee Benefits (division between current & non current based on Actuarial Valuation Report)

B. Others (Eg. Provision for Warranties)

Notes- Equity & Liabilities

F.SHORT TERM BORROWINGS

All loans repayable on demand / within 12 months from the date of the loan

- ❖Loans repayable on demand
  - •From banks
  - •From other parties
- ❖ Loans /advances from Related parties
- ❖Deposits (from public/ICDs)
- ❖Others

-Further classified as secured/unsecured

-Loans guaranteed by 'Directors/ others'

-Period & Amt of continuing default in repayment of loan & interest.

H.SHORT TERM PROVISIONS

- ❖Provision for employee benefits
  - ❖(leave encashment, superannuation, gratuity to be settled in 12 months from reporting date)
- ❖Others
  - ❖(provision for taxation, provision for dividend)

G.OTHER CURRENT LIABILITIES

- ❖ Current maturities of long term debt
- ❖Current maturities of finance lease obligations
- ❖Interest accrued on borrowings
  - ❖not due
  - ❖Due
- ❖Income received in advance (current)
- ❖Unpaid dividend
- ❖Application money for allotment of securities & due for refund with interest (If not refundable shown under "Equity")
- ❖Unpaid matured deposits/ debentures & interest
- ❖Others (WHT, Service TAx

Notes- Assets

I. TANGIBLE ASSETS

1. Classification as:
   - (a) Land
   - (b) Buildings
   - (c) Plant and Equipment
   - (d) Furniture and Fixtures
   - (e) Vehicles
   - (f) Office equipment
   - (g) Others (specify nature)
2. Assets under lease (disclosed separately)
3. Reconciliation of opening & closing bal
4. Revaluation: Amount & date to be shown for 5 years

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, patents, intellectual property right, services and operating rights.
(g) Recipes, formulae, models, designs & prototype
(h) Licenses and franchise.
(g) Others (specify nature).
Reconciliation details & revaluation clauses same ..

K. NON CURRENT INVESTMENTS

Classified as Trade & Other investments, further 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

(i) Names of subsidiaries, (ii) associates, (iii) joint ventures, or (iv) controlled special purpose entities) in whom investments have been made & nature and extent of the investment

(ii) investments in the capital of partnership firms

(iii) Investments carried at other than at cost (AS 13- permanent decline)

(iv) Quoted / Unquoted investments & reduction in value

Notes- Assets

L. LONG TERM LOANS/ADVANCES

1. Classification as:
   - Capital advances (for assets)
   - Security Deposits
   - To Related parties
   - Others (Advance Tax, Prepaid expenses)

2. Further sub-classified as:
(a) Secured, considered good;
(b) Unsecured, considered good;
(c) Doubtful. (Allowance disclosed separately)

3. Due by Directors/Officers jointly/severally or Firm in which Director is a partner / director/ member)

M.OTHER NON CURRENT ASSETS

(i) Classification shall be given as:

a. Long Term Trade Receivables (including trade receivables on deferred credit terms); (non-current portion of amount due in respect of goods sold or services rendered in normal course of business is to be included here.)

b. Others

2. Further sub-classified as:
(a) Secured, considered good;
(b) Unsecured, considered good;
(c) Doubtful. (Allowance disclosed separately)

3. Due by Directors/Officers jointly/severally or Firm in which Director is a partner / director/ member)

N. CURRENT INVESTMENTS

NO Classification as Trade & Other investments, only 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

(i) Names of subsidiaries, (ii) associates, (iii) joint ventures, or (iv) controlled special purpose entities) in whom investments have been made & nature and extent of the investment

(ii) investments in the capital of partnership firms

(iii) Quoted / Unquoted investments & Basis of Valuation. (Market value is best evidence of Fair Value)

Notes- Assets

O. INVENTORIES

1. Classification 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 subhead
(iii) Mode of valuation (Cost/NRV whichever lower)

P. TRADE RECEIVABLES

Aggregate amount of Trade Receivables outstanding for a period exceeding six months from the due date for payment

2. Further sub-classified as:
(a) Secured, considered good;
(b) Unsecured, considered good;
(c) Doubtful. (Allowance disclosed separately)
3. Due by Directors/Officers jointly/severally or Firm in which Director is a partner / director/ member)

Q. CASH & CASH EQUIVALENTS

(i)Classified as:
- Balances with banks;
- Cheques, drafts on hand;
- Cash on hand
- Others (specify nature)

(ii) Earmarked balances with banks (for example, for unpaid dividend)
(iii)held as margin money or security against the borrowings, guarantees, (shown as "Other bank balances".)
(iv) Repatriation restrictions
(v) Bank deposits with more than 12 months maturity (Shown as "Other Non Current Assets")

Format of the Profit & Loss A/C

PART II

STATEMENT OF PROFIT AND LOSS

Name of the Company……………………

Profit and loss statement for the year ended ……………………… (Rupees in……….)

Particulars	**Note No.**	**Figs (current yr)**	**Figs (last year)**
I. Revenue From Operations			
II. Other Income			
III. Total Revenue (I+II)			
IV. Expenses:			
a. Cost of materials consumed b. Purchases of stock in trade c. Changes in inventories of finished goods, WIP & stock in trade d. Employee benefit expenses e. Finance costs f. Depreciation and amortization expenses g. 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) for the period from continuing operations (VII-VIII)			
XII Profit/(loss) from discontinuing operations			
XIII. Tax expense of discontinuing operations			
XIV. Profit/(loss) from Discontinuing operations (after tax) (XII-XIII)			
XV. Profit (Loss) for the period (XI + XIV)			
XVI. Earnings per equity share: (1) Basic (2) Diluted			

Notes- Profit & Loss

- All **appropriations to be shown under the head "Surplus"** in "Reserves and Surplus" of Balance Sheet.
- Only **Nature based classification** permissible
- Limit for **not including expenses under "Miscellaneous expenditure"** is Rs 1,00,000 or 1% of revenue from operations whichever is higher.
- **Dividend Income**: to be recognised only when Right to Receive is established at AGM.
- **Gain/Loss on forex transactions** to be separated into finance costs (i.e interest expense related) and other expenses
- Separate disclosure for **Exceptional and Extraordinary Items** on P&L
- **Basic and Diluted EPS** to be provided.

Notes- Profit & Loss -Revenue

REVENUE FROM OPERATIONS (NON FINANCE COS)

It includes
(a) sale of products;
(b) sale of services;
(c) other operating revenues;
Less:
(d) Excise duty.

Excise Duty needs to be shown on the face of the Statement of Profit and Loss.

VAT should other indirect taxes like service tax, purchase tax **not be included** in Revenue

Other operating revenues are revenues arising out of the company's **main operating activity eg. Sale of scrap**

REVENUE FROM OPERATIONS (FINANCE COS)

It includes
(a) Interest
(b) Other financial charges

❖ ***Interest is a charge on loan***

❖ ***Other financial*** *services* includes incomes like processing charges, appraisal fee, guarantee fees, lead FI fees and other revenues of a finance company earned in normal course of business ***other than interest.***

❖ **Finance Companies** are companies carrying on activities in nature of ***"business of non-banking financial institution" as defined under section 45I(f) of the Reserve Bank of India Act, 1935***.

Notes- Profit & Loss- Revenue

OTHER INCOME

Income not arising out of the Company's main activities.

(a) **Interest Income** (for non finance company)

(b) **Dividend Income (recognised when right to receive has been established in AGM, even for subsidiaries)**

(c) **Net gain/loss on sale of investments (excludes investments held as stock in trade)**

(d) **Other non operating income** (net of expenses directly attributed to such income)- ***income which exceeds 1% of revenue from operations or Rs 1,00,000/-*** <u>whichever is higher</u> should be disclosed by way of notes

Revenue from operations Less: Excise duty

+

Other Income (income not from main activities)

=

Total Revenue

Notes- Profit & Loss -Expenses

COST OF MATERIALS CONSUMED

Required for a ***manufacturing company***
(a) Raw material
(b) Packing material (when classified as raw material)
(c)Purchased intermediates and components consumed in manufacturing
(d) semi finished goods purchased for processing and sales.

PURCHASES OF STOCK IN TRADE

Applicable for ***Trading companies***
goods purchased normally with the intention to resell or trade in, without any processing / manufacture at their end.

CHANGES IN INVENTORIES OF FINISHED GOODS, WORK IN PROGRESS AND STOCK IN TRADE

- This represents ***the difference between opening and closing inventories of finished goods, work-in progress and stock-in- trade***. The differences would be shown separately for each major items of opening and closing stock.
- No further disclosure requirement in the notes to accounts for this item is there.

Notes- Profit & Loss - Expenses

EMPLOYEE BENEFIT EXPENSES

Aggregate to be shown in P&L and break up in Notes.
(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

DEPRECIATION/AMORTISATION

Depreciation and amortization expenses need to be arrived at as per ***Section 123 and Schedule II*** **of the Companies Act, 2013** where mode of amortization of intangible assets provided and **useful life of various assets have been given**.

Amortisation- means systematic allocation of the depreciable amount of an intangible asset over its useful life.

FINANCE COSTS

❖Break up into **(a) Interest expense; (b Other borrowing costs;** (c) Applicable **net gain/loss on foreign currency transactions** and translation.
❖Other borrowing costs' **includes amortization of issue expenses and discount** as per AS 16.
❖**The net gain/loss on foreign currency** transactions and translation to the extent that they are regarded as an **adjustment towards interest**.

Notes- Profit & Loss - Expenses

OTHER EXPENSES

(a) Consumption of stores and spare parts.

(b) Power & Fuel.

(c) Rent

(d) Repairs to machinery

(e) Repairs to buildings

(f) Insurance

(g) Rates & taxes (except Income Tax)

(h) Miscellaneous expenses

<u>General Instructions</u>

1. **Limit for non inclusion in miscellaneous expenses-** expenditure exceeding 1% of the revenue from operations or Rs 1,00,000/-, whichever is higher to be disclosed separately in Notes.
2. **Adjustments to carrying amount of investments shown under Other Expenses-** In case of current investments cost or fair value whichever is lower and for Long term investments in case of permanent decline.
3. **Provision for losses of subsidiary companies:** Not to be shown unless the decline in value of investments is permanent.
4. **Net gain or loss on foreign currency transaction and translation** (other than considered as finance cost)-loss shown under Other Expenses
5. **Payments to the auditor** 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;- part of head "other expenses'.
6. Separate disclosure of **expenditure incurred on corporate social responsibility** activities under Section 135 of the Companies Act, 2013.

Notes- Profit & Loss - Expenses

EXCEPTIONAL ITEMS

- Egs. gain / loss on disposals of long-term investments, legislative changes having retrospective application, litigation settlements, disposals of items of fixed assets and other reversals of provisions etc.
- Total amount to be shown in P/L and break up in Notes.

EXTRAORDINARY ITEMS

- Egs. Expense related to previous periods, arising out of long term settlement with the employees, loss due to fire etc are to be shown.
- *Prior period items*: They are incomes and expenses which arise in current year due to errors and omissions in preparing FS of ealriler years. Separat disclosure is required so that their impact on current P&L can be known.
- Total amount to be shown in P/L and break up in Notes.

TAX EXPENSE

Current Tax-amount of income tax determined to be payable (recoverable) in respect of the taxable income (tax loss) for a period.

Deferred Tax is the tax effect of timing differences. "Timing differences" are the 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.

Notes- Profit & Loss - Expenses

PROFIT/LOSS FROM DISCONTINUTING OPERATIONS Less TAX EXPENSE OF THE SAME

A discontinuing operation is 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 purposes.

PROFIT/LOSS for the period

Appropriations are not depicted on face of statement of profit and loss and they need to be shown under Reserves and Surplus in Balance Sheet.
Provisions/Reserves created for meeting specific liabilities to be included in the relevant head to which it pertains.

Notes- Profit & Loss - Expenses

EARNINGS PER SHARE

Basic earnings per share should be calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating *diluted earnings per share*, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period should be adjusted for the effects of all dilutive potential equity shares. A potential equity share is a financial instrument or other contract that entitles, or may entitle, its holder to equity shares.

Other Information in Notes

1. **Value of Imports on CIF Basis**
2. **Expenditure in foreign currency**
3. *Total value if all **imported and indegenous raw materials**, spare parts and components consumed during the financial year and % of each to total consumption*
4. The *amount remitted during the year in foreign currencies on account of **dividends***
5. ***Earnings in foreign currency.***

THANK YOU

CA PIYALI PARASHARI