Welcome to Presentation on preparation of financial statements under revised schedule VI

K.Chandra Sekhar
Company Secretary
Ace Designers Limited
### Relevant provisions

- Indian Companies Act, 1956
- Rules
- Notifications
- Circulars
- Accounting Standards
### Highlights of revised schedule VI

- Only Vertical Format of BS & PL is permitted
- Format for P & L account is introduced
- Concept of operating cycle is introduced - major shift
- Clarity on rounding of the figures
- Revised schedule VI is inline with IFRS
- Companies act, Rules and accounting standards prevail over schedule VI - conflict avoided
- Uniform presentation of UOM
- Requirements of Part IV is dispensed with
- Qty details need not be reported
Highlights of revised schedule VI

- Schedule VI disclosure requirements are minimum disclosures
- Schedule VI are in addition to but not substitution thereof
- Applicable for companies commencing f.y on or after 1.4.2011
- Early adoption is not permitted
- Comparative figures need to be given for the period ending 2011-12
- Terms imported from accounting standards.
Separate heading for the following items:

(a) Money received against share warrants
(b) Intangible Assets
(c) Intangible Assets under development
(d) Cash and Cash Equivalents
(e) Share Application Money pending Allotment
## Balance Sheet format

### EQUITY & LIABILITIES

#### A. Shareholder’s Funds

1. Share Capital
2. Reserves and Surplus
3. Money received against share warrants
4. Share Application Money pending Allotment
## Balance Sheet format

### B. Non-current Liabilities

1. Long Term Borrowings
2. Deferred Tax Liabilities (Net)
3. Other Long Term Liabilities
4. Long Term Provisions
## Balance Sheet format

### C. Current Liabilities

1. Short Term Borrowings
2. Trade payables
3. Other Current Liabilities
4. Short Term Term Provisions
<table>
<thead>
<tr>
<th>Non-current Liabilities</th>
<th>Current Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Long Term Borrowings</td>
<td>1. Short Term Borrowings</td>
</tr>
<tr>
<td>2. Deferred Tax Liabilities (Net)</td>
<td>2. Trade payables</td>
</tr>
<tr>
<td>3. Other Long Term Liabilities</td>
<td>3. Other Current Liabilities</td>
</tr>
</tbody>
</table>
## Balance Sheet format

### ASSETS

A. Non - Current Assets

1. Fixed Assets
   - Tangible Assets
   - Intangible Assets
   - Capital Work-in-progress
   - Intangible Assets under development
## Balance Sheet format

### Non - Current Assets

1. Non-current Investments
2. Deferred tax Assets (Net)
3. Long Term Loans and Advances
4. Other Non-Current Assets
### Balance Sheet format

**B. Current Assets**

1. Current Investments
2. Inventories
3. Trade Receivables
4. Cash and Cash Equivalents
5. Short Term Loans and Advances
6. Other Current Assets
Balance Sheet format

CURRENT ASSET

- It is expected to be realized in, or is intended for sale or consumption in, or company’s normal operating cycle or
- Held primarily for the purpose of being traded or
- Expected to be realized within 12 months of the reporting date or
- Cash and Cash Equivalents
Balance Sheet format

Current Liability
- Expected to be settled in the company’s normal operating cycle or
- Held for the purpose of being traded or
- It is due to be settled within twelve months after the reporting date
- Company does not have right to postpone the settlement beyond 12 months
### Balance Sheet format

**New concepts**

*Operating cycle* means 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 duration of 12 months.
Balance Sheet – Additional Disclosures

1. Share Capital
   - Details of Shares held by the Holding Company / Subsidiary Company
   - Details of Shares held by each shareholder holding more than 5% of the shares.
   - Shares allotted by way of Bonus Shares, without cash, shares bought back - for a period of 5 years.
   - Details of Convertibility of Equity/Preference Shares.
Balance Sheet – Additional Disclosures

2. Reserves and Surplus

- Capital Redemption Reserve
- Debenture Redemption Reserve
- Revaluation Reserve
- Shares Option outstanding
- Share premium account

Debit balance in PL account need to be shown in the liabilities with –ve value
3. Money received against share warrants need to be shown separately in the BS

4. Share Application Money Pending allotment to be shown separately in BS but no under share capital schedule
**Balance Sheet – Additional Disclosures**

**Long Term Borrowings**
- Bonds, Debentures
- Term Loans:
  - From Banks and
  - From others
- Deferred payment liabilities
- Deposits
- Loans and advances from related parties
- Long term maturities
Balance Sheet – Additional Disclosures

- Borrowings shall be sub-classified as secured and unsecured.
- Nature of security shall be specified.
- Where loans are guarantee by directors or others the same need to be specified.
- Bonds and debentures, rate of interest and redemption date in the descending order.
- Terms of repayment, period and amount of default shall be specified.
Balance Sheet – Additional Disclosures

OTHER LONG TERM LIABILITIES

- Trade Payables
- Others (ex: Capex payments)

Payables which are due for payment beyond 12 months after reporting date or operating cycle
### Balance Sheet – Additional Disclosures

<table>
<thead>
<tr>
<th>LONG TERM PROVISIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Provision for Employee Benefits where it is a non current liability</td>
</tr>
<tr>
<td>- Others</td>
</tr>
</tbody>
</table>
## Balance Sheet – Additional Disclosures

### CURRENT LIABILITIES

**Short term borrowings**
- Repayable on Demand
  - From Banks &
  - From Others
- Loans from Related Parties
- Deposits
- Other Loans and advances
## Comparison

<table>
<thead>
<tr>
<th>Long term Borrowings</th>
<th>Short term Borrowings</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Bonds, Debentures</td>
<td>1. Loans repayable on Demand</td>
</tr>
<tr>
<td>2. Term Loans:</td>
<td>2. From Banks &amp;</td>
</tr>
<tr>
<td>3. From Banks and</td>
<td>3. From Others</td>
</tr>
<tr>
<td>4. From others</td>
<td>4. Loans from Related Parties</td>
</tr>
<tr>
<td>5. Deferred payment liabilities</td>
<td>5. Deposits</td>
</tr>
<tr>
<td>6. Deposits</td>
<td>6. Other Loans and advances</td>
</tr>
<tr>
<td>7. Loans and advances from related parties</td>
<td></td>
</tr>
<tr>
<td>8. Long term maturities</td>
<td></td>
</tr>
</tbody>
</table>

Difference between Long term and short term borrowing is due date for payment
Balance Sheet – Additional Disclosures

- Borrowings shall be sub-classified as secured and unsecured.
- Nature of security shall be specified.
- Where loans are guaranteed by directors or others, the same need to be specified.
- Bonds and debentures, rate of interest and redemption date in the descending order.
- Terms of repayment, period and amount of default shall be specified - Earlier only in CARO.
### Balance Sheet – Additional Disclosures

<table>
<thead>
<tr>
<th>Trade Payables</th>
</tr>
</thead>
<tbody>
<tr>
<td>other current liabilities</td>
</tr>
<tr>
<td>• Current Maturities of Long Term Debts</td>
</tr>
<tr>
<td>• Current Maturities of Lease Obligations</td>
</tr>
<tr>
<td>• Interest Accrued but not due</td>
</tr>
<tr>
<td>• Interest Accrued and Due</td>
</tr>
<tr>
<td>• Income received in <strong>advance</strong></td>
</tr>
<tr>
<td>• Unpaid Dividends</td>
</tr>
<tr>
<td>• Share application money to be refunded</td>
</tr>
<tr>
<td>• Others</td>
</tr>
</tbody>
</table>
## Balance Sheet – Additional Disclosures

**Short term Provisions**

- Provision for Employee Benefits
- For Others
## Balance Sheet – Additional Disclosures

**Assets - Non-Current Assets**

**Fixed Assets**
- Land
- Buildings
- Plant and Equipment
- Furniture and Fixtures
- Vehicles
- Office Equipment
- Others

**Intangible Fixed Assets**
Balance Sheet – Additional Disclosures

Non-current Investment
Where the investment is expected to be held beyond twelve months after reporting date.
- Shall be classified as Trade and Other investments
  - Investment in Properties
  - Equity Instruments
  - Preference Shares
  - Government or Trust Securities
  - Debentures or Bonds
  - Mutual Funds
  - Partnership Firms
  - Others
Quoted or Unquoted, Market Value Diminution
If investment is in subsidiary companies then details
## Balance Sheet – Additional Disclosures

### LONG TERM LOANS & ADVANCES

- **Capital Advances**
- **Security Deposits**
- Loans and advance to related parties
- **Others**

To be sub-classified as (a) Secured & considered Good (b) Unsecured considered Good and (c) Doubtful

Due by Directors, Relatives to be shown separately
## Balance Sheet – Additional Disclosures

### OTHER NON-CURRENT ASSETS

- Long Term Trade Receivables
- Others

To be sub-classified as (a) **Secured & considered Good** (b) **Unsecured considered Good** and (c) **Doubtful**

Due by Directors, Relatives to be shown separately
Balance Sheet – Additional Disclosures

Current Assets – Investments (current investments)

- Investment in Properties
- Equity Instruments
- Preference Shares
- Government or Trust Securities
- Debentures or Bonds
- Mutual Funds
- Partnership Firms
- Others

Quoted or Unquoted Market Value Dimunition
If investment is in subsidiary companies then details
# Comparison

<table>
<thead>
<tr>
<th>Non-current Investments</th>
<th>Current Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>i. Investment in Properties</td>
<td>i. Equity Instruments</td>
</tr>
<tr>
<td>ii. Equity Instruments</td>
<td>ii. Preference Shares</td>
</tr>
<tr>
<td>iii. Preference Shares</td>
<td>iii. Government or Trust Securities</td>
</tr>
<tr>
<td>iv. Government or Trust Securities</td>
<td>iv. Debentures or Bonds</td>
</tr>
<tr>
<td>v. Debentures or Bonds</td>
<td>v. Mutual Funds</td>
</tr>
<tr>
<td>vi. Mutual Funds</td>
<td>vi. Partnership Firms</td>
</tr>
<tr>
<td>vii. Partnership Firms</td>
<td>vii. Others</td>
</tr>
<tr>
<td>viii. Others</td>
<td></td>
</tr>
</tbody>
</table>

Difference between current and non current investment is expected date of realisation
<table>
<thead>
<tr>
<th>Current Assets – Inventories</th>
</tr>
</thead>
<tbody>
<tr>
<td>➢ Raw Materials</td>
</tr>
<tr>
<td>➢ Work-in-progress</td>
</tr>
<tr>
<td>➢ Finished Goods</td>
</tr>
<tr>
<td>➢ Stores &amp; Spares</td>
</tr>
<tr>
<td>➢ Loose Tools</td>
</tr>
<tr>
<td>➢ Others</td>
</tr>
<tr>
<td>➢ Goods in Transit to be shown as a sub item</td>
</tr>
<tr>
<td>➢ Method of valuation to be stated</td>
</tr>
</tbody>
</table>
## Balance Sheet – Additional Disclosures

### Current Assets – Trade receivables

- Only receivables from sale of goods or services
- Secured, considered good
- Unsecured considered good
- Doubtful
  - Receivables **outstanding more than six months from the due date** should be shown separately
  - Debts **due by Directors and other officers** should be specified
  - Allowances for bad and doubtful should be disclosed
Balance Sheet – Additional Disclosures

Current Assets - Cash and Cash equivalents

- Balance with Banks
- *Cheques, Drafts on hand*
- Cash on hand
- Others
- *Margin money* to be disclosed separately.

Deposit with maturity of more than 12 months to be shown separately.

Difference between AS 3 & Sch VI
Balance Sheet – Additional Disclosures

Current Assets - Short Term loans and advances

- Loans and advances to related parties
- To Others

- To be sub-classified as (a) Secured & considered Good (b) Unsecured considered Good and (c) Doubtful

- Due by Directors, Relatives to be shown separately and provision for bad and doubtful debts to be shown
Profit and Loss statement – Highlights

- Format for P&L Account introduced.
- Classification of Expenses by nature needs to be given
- Profit or Loss from discontinuing operation needs be shown separately.
- Quantitative details of Turnover, Raw Materials, Purchases, installed capacity, details of managerial remuneration done away with.
### Profit and Loss statement

**INCOME DETAILS**

- Revenue from operations
- Other income
- Total Revenue
Profit and Loss statement

EXPENDITURE DETAILS

- Same classification as present
- Additional disclosure in P&L account
- Exceptional items
  Ex: Compensation for earth quake etc.,
- Extra-ordinary items
- Ex: Profit on sale of land & Building etc.,
**Profit and Loss statement**

**REVENUE FROM OPERATIONS**

- Sale of Products
- Sale of Services
- Other operating Revenues

- Less : Excise Duty
## Profit and Loss statement

### OTHER INCOME

- Interest Income
- Dividend income
- Net gain/Loss on sale of investments
- Other than above (net of expenses)
### Profit and Loss statement

<table>
<thead>
<tr>
<th>OTHER EXPENSES</th>
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<tr>
<td>Any item of expenditure which is more than 1% of the revenue from operations or Rs. 1,00,000/- whichever is higher to be shown under a separate head.</td>
</tr>
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</table>
Profit and Loss statement

OTHER EXPENSES

Any item of expenditure which is more than 1% of the revenue from operations or Rs. 1,00,000/- whichever is higher to be shown under a separate head.
Profit and Loss statement – special items

Finance cost should be shown as
- Interest expense
- Other borrowing cost
- Net gain/loss on forex transactions
Profit and Loss statement

AUDITOR’S REMUNERATION

To be shown under the following heads:

- For Audit
- For taxation matters
- For Company law matters
- For Management Services
- For other services
- For reimbursement of expenses
## DISCLOSURE REQUIREMENTS Pre-V/s Post

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Earlier</th>
<th>Now</th>
</tr>
</thead>
<tbody>
<tr>
<td>Source from which bonus shares issued</td>
<td>Required</td>
<td>Not required</td>
</tr>
<tr>
<td>Disclosure of Utilization of share premium account</td>
<td>Required</td>
<td>Not required</td>
</tr>
<tr>
<td>Break up turnover – each class of goods</td>
<td>Required</td>
<td>Not required</td>
</tr>
<tr>
<td>Bifurcation between income from trade &amp; other investments</td>
<td>Required</td>
<td>Not required</td>
</tr>
<tr>
<td>Bank Balance with Scheduled and non-scheduled Banks</td>
<td>Required</td>
<td>Not required</td>
</tr>
</tbody>
</table>
## DISCLOSURE REQUIREMENTS

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<thead>
<tr>
<th>Particulars</th>
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<th>Now</th>
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</thead>
<tbody>
<tr>
<td>Calculation of managerial remuneration u/s 349</td>
<td>Required</td>
<td>Not required</td>
</tr>
<tr>
<td>Investments purchased and sold during the year</td>
<td>Required</td>
<td>Not required</td>
</tr>
<tr>
<td>Commission paid to brokerage paid</td>
<td>Required</td>
<td>Not required</td>
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<tr>
<td>TDS amount disclosures in case of income</td>
<td>Required</td>
<td>Not required</td>
</tr>
<tr>
<td>Disclosure of Opening &amp; closing stocks – quantities</td>
<td>Required</td>
<td>Not required</td>
</tr>
<tr>
<td>Quantitative information, Licensed capacity etc.</td>
<td>Required</td>
<td>Not required</td>
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<tr>
<td>Disclosure of Dues from Managerial persons – maximum amount due etc</td>
<td>Required</td>
<td>Not required</td>
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<td>Disclosure of dues from Companies under the same management</td>
<td>Required</td>
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<td>Reconciliation of no. of shares of each class – opening to closing</td>
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<td>No Guidance</td>
<td>To be shown as a separate line item</td>
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<tr>
<td>Other Commitments</td>
<td>Not Required</td>
<td>Required for</td>
</tr>
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Open Issues

- Format of cash flow statement is not prescribed
- MSMED Disclosure not specified
- XBRL taxonomy requires changes in line with revised schedule XI
- Applicability for Listed companies Clause 41
- Applicability for interim financial statements
Case Laws

- An entity purchased certain items of inventory and expect to hold it for consumption for a period of 13 months. Whether it is current or non-current, if Operating cycle of the entity is 14 month

- Current Asset
An entity has raised Rs.10 lacs of Rs.100 8% debentures in September 2008. As per the terms, 25% of debentures will be redeemed at par after 3 years, other 25% after 4 years and balance 50% after 5 years. What should be the amount of current liability as on 31st March 2011?

Terms of maturity:
3\(^{rd}\) year : 25% - f.y 2011-12
4\(^{th}\) year : 25% - f.y on 2012-13
5\(^{th}\) year: 50% - f.y 2013-14
Year ending: 31/03/2011
Maturity during f.y. 11-12 (due before 12 months) – 25%
Current liability Rs. 2.5 Lakhs
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 previous quarter;
Whether the loan is current or non current
Case Laws

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”.
Case Laws

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.
Case Laws

• Is margin money deposit, a part of current asset?

• X Ltd. has taken huge loans from Pink bank and is in default of repayment. The entity expects to refinance or roll over the obligation on a long term basis. Hence, the mgmt. has classified the loan as non-current liability. Is the treatment proper?
Case Laws

• Liability toward bonus, etc., payable within one year from the Balance Sheet date is classified as “current”.
• In case of accumulated leave outstanding as on the reporting date, the employees have already earned the right to avail the leave.
• 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.
Q & A
Thank you