Welcome to workshop on revised schedule VI

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Company Secretary
Ace Designers Limited, Bangalore
## Relevant provisions

- **Indian Companies Act, 1956**
- Rules
- Notifications
- Circulars
- Accounting Standards
<table>
<thead>
<tr>
<th>Highlights of revised schedule VI</th>
</tr>
</thead>
<tbody>
<tr>
<td>➤ Only Vertical Format of BS &amp; P &amp; L is permitted</td>
</tr>
<tr>
<td>➤ Format for P &amp; L statement is introduced</td>
</tr>
<tr>
<td>➤ Concept of operating cycle is introduced - major shift</td>
</tr>
<tr>
<td>➤ Clarity on rounding off the figures</td>
</tr>
<tr>
<td>➤ Revised schedule VI is inline with IFRS</td>
</tr>
<tr>
<td>➤ Companies act, Rules and accounting standards prevail over schedule VI - conflict avoided</td>
</tr>
<tr>
<td>➤ Uniform presentation of UOM</td>
</tr>
<tr>
<td>➤ Requirements of Part IV is dispensed with</td>
</tr>
<tr>
<td>➤ Qty details need not be reported</td>
</tr>
</tbody>
</table>
Highlights of revised schedule VI

- Schedule VI disclosure requirements are minimum disclosures
- Schedule VI requirements 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.
- There are no schedules but only notes under revised schedule
- Same format for Consolidated financials
Reason for amendment and its Impact

- Easy convergence with IFRS
- Improving transparency in reporting
- Distinguish profit from ordinary activities and extra-ordinary activities
- Uniformity and consistency in reporting

Impact

- Current ratio, Debt equity ratio affects substantially
- Working capital loans may reduce
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**

<table>
<thead>
<tr>
<th>EQUITY &amp; LIABILITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Shareholder’s Funds</strong></td>
</tr>
<tr>
<td>1. Share Capital</td>
</tr>
<tr>
<td>2. Reserves and Surplus</td>
</tr>
<tr>
<td>3. Money received against share warrants</td>
</tr>
<tr>
<td>4. Share Application Money pending Allotment</td>
</tr>
</tbody>
</table>
## 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
<table>
<thead>
<tr>
<th>Non-current Liabilities</th>
<th>Current Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Long Term Borrowings</strong></td>
<td><strong>1. Short Term Borrowings</strong></td>
</tr>
<tr>
<td><strong>2. Deferred Tax Liabilities (Net)</strong></td>
<td><strong>2. Trade payables</strong></td>
</tr>
<tr>
<td><strong>3. Other Long Term Liabilities</strong></td>
<td><strong>3. Other Current Liabilities</strong></td>
</tr>
</tbody>
</table>
Balance Sheet format

ASSETS

A. Non-Current Assets
1. Fixed Assets
   ➢ Tangible Assets
   ➢ Intangible Assets
   ➢ Capital Works-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 the 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

<table>
<thead>
<tr>
<th>CURRENT ASSET</th>
</tr>
</thead>
<tbody>
<tr>
<td>An asset is a current, when it satisfies any one of:</td>
</tr>
<tr>
<td>- It is expected to be realized in, or</td>
</tr>
<tr>
<td>- is intended for sale or consumption in, the company’s normal operating cycle or</td>
</tr>
<tr>
<td>Ex: RM Inventory, WIP, Consumables Stores</td>
</tr>
</tbody>
</table>
Case Laws

➢ An entity purchased certain items of inventory and expect to hold it for consumption for a period of 13 months. Whether is it current or non-current, if:

The Operating cycle of the entity is 14 months

➢ Current Asset

If Operating cycle of the entity is 6 months, then it is Non-current asset
Case Laws

➤ An entity purchased Spare parts, consumables for consumption within operating cycle of 12 months. Whether it is current or non-current:

➤ Current Asset
Case Laws

Inventory lying for past $\frac{3}{4}$ years, cannot be expected to be consumed within operating cycle is a non current unless strongly demonstrated or
Make provision for non moving items, else
Classify as non-current asset
Consumables bought for preventive maintenance in a batch qty and expected to be consumed beyond o.c
Balance Sheet format

CURRENT ASSET

2. Held primarily for the purpose of being traded
Ex: F.G stock held for sale

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”

Note: Operating cycle concept is not applicable for F.G. stock, ex: Flats ready for sale, vehicles with dealer, stock lying with whole sale dealer etc,
### Balance Sheet format

**CURRENT ASSET**

3. Expected to be realized within 12 months of the reporting date or
   
   Ex: Trade & other receivables, ICD, Employees loans and advances expected to received within 12 months. Cenvat receivable, Vat receivable etc.,
A company has sold goods 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.

If the Company expects to receive within 12 months, then it is current asset.
# 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
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:
3rd year: 25% - f.y 2011-12
4th year: 25% - f.y on 2012-13
5th year: 50% - f.y 2013-14

Year ending: 31/03/2011

Maturity during f.y. 11-12 (due before 12 months) – 25%
Other Current liability Rs. 2.5 Lakhs
Long term borrowing Rs. 7.5 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
### 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 a duration of 12 months.
Balance Sheet format

- Operating Cycle is compulsorily required to determine, where the actual operating cycle is more than 12 months.
- Operating cycle needs to be determined for the entities engaged in manufacturing, mining, processing etc.,
- Software/BPO/KPO need not calculate O.C
- Multiple business segments need multiple operating cycle period
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
Balance Sheet – Additional Disclosures

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
- 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
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
<table>
<thead>
<tr>
<th>Balance Sheet – Additional Disclosures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LONG TERM PROVISIONS</strong></td>
</tr>
<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 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 – Earlier only in CARO.
Balance Sheet – Additional Disclosures

Trade Payables
other current liabilities

- Current Maturities of Long Term Debts
- Current Maturities of Lease Obligations
- Interest Accrued but not due
- Interest Accrued and Due
- Income received in advance
- Unpaid Dividends
- Share application money to be refunded
- Others
**Balance Sheet – Additional Disclosures**

<table>
<thead>
<tr>
<th>Short term Provisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision for Employee Benefits</td>
</tr>
<tr>
<td>For Others</td>
</tr>
</tbody>
</table>
## 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>viii. 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
Balance Sheet – Additional Disclosures

Current Assets - Inventories

- Raw Materials
- Work-in-progress
- Finished Goods
- Stores & Spares
- Loose Tools
- Others

- Goods in Transit to be shown as a sub item
- Method of valuation to be stated
# 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

<table>
<thead>
<tr>
<th>Current Assets - Cash and Cash equivalents</th>
</tr>
</thead>
<tbody>
<tr>
<td>➢ Balance with Banks</td>
</tr>
<tr>
<td>➢ Cheques, Drafts on hand</td>
</tr>
<tr>
<td>➢ Cash on hand</td>
</tr>
<tr>
<td>➢ Others</td>
</tr>
<tr>
<td>➢ Margin money to be disclosed separately.</td>
</tr>
</tbody>
</table>

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

**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

## 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.
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

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Earlier</th>
<th>Now</th>
</tr>
</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>
</tr>
</tbody>
</table>
## Disclosure Requirements

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Earlier</th>
<th>Now</th>
</tr>
</thead>
<tbody>
<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>
</tr>
<tr>
<td>Disclosure of Dues from Managerial persons – maximum amount due etc</td>
<td>Required</td>
<td>Not required</td>
</tr>
<tr>
<td>Disclosure of dues from Companies under the same management</td>
<td>Required</td>
<td>Not required</td>
</tr>
</tbody>
</table>
## DISCLOSURE REQUIREMENTS

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Earlier</th>
<th>Now</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reconciliation of no. of shares of each class – opening to closing</td>
<td>Not Required</td>
<td>Required for each class of shares</td>
</tr>
<tr>
<td>Disclosure of Rights, Preferences and restrictions</td>
<td>Not Required</td>
<td>Required for each class of shares</td>
</tr>
<tr>
<td>Disclosure of shares in the Company held by each shareholder holding more than 5% shares specifying no. of shares held</td>
<td>Not Required</td>
<td>Required for each class of shares</td>
</tr>
<tr>
<td>Share Application Money pending allotment</td>
<td>No Guidance</td>
<td>To be shown as a separate line item</td>
</tr>
<tr>
<td>Current and non-current classification of liabilities</td>
<td>Not Required</td>
<td>Required based on the timing.</td>
</tr>
<tr>
<td>Other Commitments</td>
<td>Not Required</td>
<td>Required for</td>
</tr>
</tbody>
</table>

61
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

• 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.
Questions please
Thank you