Financial Statements Presentation under Companies Act, 2013: Practitioner's Perspective

Committee for Capacity Building of CA Firms and
Small & Medium Practitioners (CCBCAF&SMP)
The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)
New Delhi

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Foreword

In the fast changing business world, the role of Chartered Accountants is changing rapidly and gaining more importance. Over a period of time, the spectrum of services rendered by the Chartered Accountants has extended beyond conventional accounting, auditing and taxation matters. Today, the breadth of the services rendered by our members reflects their expertise in multiple diverse areas. At the same time, high expectations of the government, business world and society also place huge responsibility on chartered accountants. It is important for today's professional to not only deliver quality services but also strive for excellence in their work and be updated on the latest developments on matters relating to the profession.

The current economic environment poses many challenges in the financial and accounting world and Chartered Accountants always plays a pivotal role in assisting the management and other users of the financial statements. To help our members to understand the changes those have been made by Schedule III of the Companies Act, 2013, the Committee for Capacity Building of CA Firms and Small & Medium Practitioners (CCBCAF&SMP) of ICAI is bringing out a book titled *'Financial Statements Presentation under Companies Act, 2013: Practitioner's Perspective'*. This book will provide a knowledge base to the Practitioners for preparing the financial statements as per new Schedule III of the Companies Act, 2013.

I congratulate CA. Anuj Goyal, Chairman CCBCAF&SMP and his team for their efforts in bringing out this book. I sincerely hope that this publication would help the members in enhancing their knowledge base in the practice portfolio.

Best Wishes

CA. K. Raghu
President, ICAI

Preface

The Ministry of Corporate Affairs (MCA) has issued Schedule III which lays down a format for preparation and presentation of financial statements by Indian companies for financial years commencing on or after 1st April, 2014. This Schedule III has some significant Conceptual changes such as Current/Non-current distinction, primacy to the requirements of the accounting standards, etc.

The Schedule III, among other things, has also prescribed a format for Statement of Profit and Loss mandating classification of expenses by their nature as opposed to by function and added a host of incremental disclosures and Consolidate Financial Statement too. In this publication we have tried to cover the whole of Schedule III as per Companies Act, 2013 which will be very useful for the practitioners. I hope this book on 'Financial statements presentation under Companies Act, 2013: Practitioner Perspective', published by the Committee for Capacity Building of CA Firms and Small & Medium Practitioners (CCBCAF&SMP), ICAI will be very useful support material for practitioners.

I place on my record my deep sense of gratitude to CA. Mohammad Salim and all members of the Working Group on Research & Publications constituted by the Committee for preparing the draft of this publication thereby sharing their relevant experience and expertise amongst members. I appreciate the efforts put in by the members of CCBCAF&SMP & Dr. Sambit Kumar Mishra, Secretary, CCBCAF&SMP and other officials of the Secretariat who have provided necessary support for publishing the aforesaid book.

With Best Wishes

CA. Anuj Goyal

Chairman
Committee for Capacity Building of CA Firms and
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Chapter 1
Financial Statements under Companies Act, 2013 – An Introduction

The long-awaited Companies Bill 2013 got its assent in the Lok Sabha on 18th December 2012 and in the Rajya Sabha on 8th August 2013. After having obtained the assent of the President of India on 29 August 2013, it has now become the much awaited Companies Act, 2013 (2013 Act).

The Companies Act, 2013 comprises of 470 sections, 7 Schedules and 29 Chapters. Out of 470 sections, 99 sections were notified on 12.09.2013 and 183 sections of the Companies Act, 2013 were notified w.e.f. 01.04.2014 which include the sections regarding the financial statements of the Companies. The remaining Sections are expected to be notified in due course of time.

Highlights of Financial Reporting Under Companies Act, 2013

- Companies to follow uniform accounting period i.e. from 1^{st} April to 31^{st} March of next year, with exception of subsidiaries who with approval of Tribunal may opt for different accounting period.
- Financial Statements to include cash flow statement and statement of changes in equity which has made the components of financial statements at par with those under International Financial Reporting Standards.
- National Advisory Committee on Accounting Standards (NACAS) is to be replaced by National Financial Reporting Authority (NFRA) with enlarged power of setting audit standards and investigating professional misconduct.
- The Act provides for re-opening of books of accounts and recasting the financial statements.
- Companies (Accounts) Rules, 2014 details out various issues to be prescribed as per Chapter IX of the Companies Act, 2013.

Financial Statements under Companies Act, 2013

Financial Statement: Section 2(40)

Financial Statement in relation to a company, includes-

(i) *a* ***balance sheet*** *as at the end of the financial year;*

(ii) *a* ***profit and loss account****, or in case of company carrying out activity not for profit, an income and expenditure account for the financial year;*

(iii) ***cash flow statement*** *for the financial year;*

(iv) ***statement of changes in equity****, if applicable; and*

(v) *any explanatory note annexed to, or forming part of, any document referred to sub-clause (iv) stated above.*

Provided that the financial statement, with respect to One Person Company, small company and dormant company, may not include the cash flow statement.

If we go through the above definition the two striking differences are regarding inclusion of cash flow statement and statement of changes of equity under umbrella of the financial statements. It is pertinent to mention here that although earlier in the Companies Act, 1956 there was no specific definition of financial statements, however balance sheet and profit and loss account were only mandated to be laid down by the Board of Directors before the Company at the annual general meeting. However cash flow statement was earlier also required to be included in view of the Accounting Standard 3 Cash Flow Statements. The exemption in preparing the Cash Flow Statements to small companies has been intended to be maintained by Companies Act, 2013 as it states that its preparation may not be required for One Person Company, small company and dormant company.

Accordingly, if we see practically statement of changes in equity is now to be additionally prepared as was not required under Companies act, 1956.We shall discuss about statement in changes in equity later.

The term 'financial statement' has been aligned with the IFRS concept of the financial statement.

Presentation of Financial Statement under Companies Act, 2013

Section 129 "Financial Statement" of the Companies Act, 2013 which corresponds to Section 210,211 and 212 of the Companies Act, 2012 is reproduced as under:-

Section 129(1) *The* ***financial statements*** *shall give a true and fair view of the state of affairs of the company or companies,* ***comply with the accounting standards notified under section 133*** *and* ***shall be in the form or forms*** *as may be provided for different class or classes of companies* ***in Schedule III****:*

Provided that the ***items contained in such financial statements*** *shall be* ***in accordance with the accounting standards:***

Provided further that ***nothing*** *contained in this sub-section* ***shall apply*** *to 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:*

Provided also that the financial statements shall not be treated as not disclosing a true and fair view of the state of affairs of the company, merely by reason of the fact that they do not disclose—-

(a) in the case of an insurance company, any matters which are not required to be disclosed by the Insurance Act, 1938, or the Insurance Regulatory and Development Authority Act, 1999;

(b) in the case of a banking company, any matters which are not required to be disclosed by the Banking Regulation Act, 1949;

(c) in the case of a company engaged in the generation or supply of electricity, any matters which are not required to be disclosed by the Electricity Act, 2003;

(d) in the case of a company governed by any other law for the time being in force, any matters which are not required to be disclosed by that law.

(2) At every annual general meeting of a company, the Board of Directors of the company shall lay before such meeting financial statements for the financial year.

(3) Where a company has one or more subsidiaries, it shall, in addition to financial statements provided under sub-section (2), prepare a consolidated financial statement of the company and of all the subsidiaries in the same form and manner as that of its own which shall also be laid before the annual general meeting of the company along with the laying of its financial statement under sub-section (2):

Provided that the company shall also attach along with its financial statement, a separate statement containing the salient features of the financial statement of its subsidiary or subsidiaries in such form as may be prescribed:

Provided further that the Central Government may provide for the consolidation of accounts of companies in such manner as may be prescribed.

Explanation.—For the purposes of this sub-section, the word "subsidiary" shall include associate company and joint venture.

(4) The provisions of this Act applicable to the preparation, adoption and audit of the financial statements of a holding company shall, mutatis mutandis, apply to the consolidated financial statements referred to in sub-section (3).

(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.

(6) The Central Government may, on its own or on an application by a class or classes of companies, by notification, exempt any class or classes of companies from complying with any of the requirements of this section or the rules made thereunder, if it is considered necessary to grant such exemption in the public interest and any such exemption may be granted either unconditionally or subject to such conditions as may be specified in the notification.

(7) If a company contravenes the provisions of this section, the managing director, the whole-time director in charge of finance, the Chief Financial Officer or any other person charged by the Board with the duty of complying with the requirements of this section and in the absence of any of the officers mentioned above, all the directors shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees, or with both.

Explanation.—For the purposes of this section, except where the context otherwise requires, any reference to the financial statement shall include any notes annexed to or forming part of such financial statement, giving information required to be given and allowed to be given in the form of such notes under this Act.

If we compare the above Section from the erstwhile Section 211 of the

Companies Act, 1956 on "Form and Contents of Balance Sheet and Profit and Loss Account" the major changes are stated as under:-

(a) The term 'financial statement' has been used instead of the term 'Balance Sheet and Profit and Loss Account' used in old Act.

(b) The Form and Content of Balance Sheet and Profit and Loss Account (Financial Statement) which was earlier provided in Schedule VI (Revised) in the Companies Act, 1956 has now been provided in Schedule III of the Companies Act, 2013.

(c) It has been stated that the items contained in such financial statements shall be in accordance with the accounting standards, which were not earlier included in Sec 211 of old Act and has further recognized the importance of Accounting Standards.

(d) Earlier under Sec 211(3C) of the Companies Act, 1956 defined the expression "accounting standard" which has now separately been defined under section 133 of the Companies Act, 2013 as such standards as prescribed by the Central Government as recommended by ICAI in consultation with and after examination of the recommendations made by National Financial Reporting Authority. However, as per Rule 7 of the Companies (Accounts) Rules, 2014 the standards of accounting as specified under the Companies Act, 1956 shall be deemed to be the accounting standards until accounting standards are specified by the Central Government under section 133. Accordingly, practically all the 28 Accounting Standards i.e. AS 1 to 7 and AS 9 to 29 as notified by the Central Government under Companies (Accounting Standard) Rules, 2006 (as amended) are still to be followed in FY 2014-15 also until separate standards are notified under section 133.

It is important to note here that all Companies whether public or private and irrespective of level of operations are required to prepare their financial statements, in the manner provided in Schedule III.

However, the requirements of the Schedule III, do not apply to 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 any other Act governing such class of company. This is in line with the earlier provisions wherein the Schedule VI was not applicable to above mentioned companies. However under Companies Act, 2013 an additional comfort has been provided in the form of third proviso to Section 129(1) wherein it has been stated that the financial statements of above mentioned class of companies shall not be treated as not disclosing a true and fair view of the state of affairs of the company, merely by reason of the fact that they do not disclose any matters which are not required to be disclosed by their governing Acts.

However, currently the above exception is not applicable to companies engaged in the generation or supply of electricity, as the act governing such companies i.e. Electricity Act, 2003 does not prescribe any specific format for presentation of Financial Statements by an electricity company. Accordingly, Schedule III would not be applicable only to insurance companies and banking companies. However, presentation of the financial statements of a non-banking finance companies would be governed by Schedule III.

Schedule III – Step Forward to Schedule VI

If we go back to the recent past the Ministry of Corporate Affairs (MCA), Government of India vide Notification No S.O. 447(E) dated 28th February, 2011 in exercise of the powers conferred by sub-section(1) of section 641 of the Companies Act,1956, had replaced the earlier Schedule VI by a Revised Schedule VI wherein several changes in the presentation and disclosures requirements vis-à-vis the old Schedule VI were made. The changes were mostly inspired from the International Financial Reporting Standards (IFRS) as the raison d'etre for Revised Schedule VI was to make format of Financial Statements of Indian corporates comparable with international format. Further, another triggering point for earlier revision was to align the presentation and disclosure requirements in financial statements with the notified Accounting Standards, considering old Schedule VI was incorporated around twenty three years prior to issue of first Accounting Standard in India.

As While Schedule VI has undergone major overhaul recently, the Ministry of Corporate Affairs has not carried out significant changes in the Schedule III of the Companies Act, 2013 which is mainly in line with the Revised Schedule VI of the Companies Act, 1956. However, certain changes have also been incorporated like separate disclosure of Corporate Social Responsibility expenses and new disclosure requirement by way of additional information in case of Consolidated Financial Statements etc which were not mandated in the Revised Schedule VI.

Schedule III – Influences from IFRS

Just to recapitulate, although the applicability of the Ind. AS converged to IFRS which was earlier stated to be implemented in a phased manner starting from 1st April, 2011 has been deferred, however the earlier notification of Revised Schedule VI was considered as a step towards convergence to IFRS to some extent with regard to presentation of financial statements as many features/ disclosures have been taken from these international standards, some of which are stated below:

- Accounting Standards have been given supremacy over Schedule VI. This is in line with IFRS which mandates that no statute can override the Standards.
- The schedule sets out minimum requirements for disclosure which is in spirit of International Accounting Standard (IAS) 1 "Presentation of Financial Statements" which also mandates minimum requirements for disclosure and provides flexibility in format of financial statements to the companies.
- Bifurcation of assets and liabilities amongst current and non-current is required. This concept as well as definition of current / non current and operating cycle have been inspired by IAS 1.
- Proposed dividend is not recognized and only disclosed which is also in consonance to IAS 1.
- Cross referencing of each item of the financial statements to related information in the notes and definition of notes to accounts, which has also been taken from IAS1.

As all the changes made in Revised Schedule VI have been kept in Schedule III except certain additional disclosures it appears that the intent of Central Government to converge with IFRS still exists. Further, as discussed earlier, the Statement of Changes in equity and cash flow statement have been included in the definition of Financial Statement to align with the concept under IFRS.

Companies Act, 2013 - Schedule III Relation with ASs

The Companies Act, 2013 gives great importance to the compliance of the accounting standards by the Companies as evident from Section 129(1) reproduced earlier wherein it has been stated that financial statements shall comply with the accounting standards. This is in line with the requirement of Section 211(3A) of the Companies Act, 1956. However, moving a further step ahead the first proviso to said section also states that the items contained in financial statements shall be in accordance with the accounting standards. Such proviso was not there earlier in Section 211 of Companies Act, 1956.

Further, as in Revised Schedule VI of Companies Act, 1956, the Schedule III of Companies Act, 2013 retains the supremacy to the accounting standards.

Further, as discussed earlier under section 133 of the Companies Act, 2013 'accounting standards' means such standards as prescribed by the Central Government as recommended by ICAI in consultation with and after examination of the recommendations made by National Financial Reporting Authority. However as per Rule 7 of the Companies (Accounts) Rules, 2014 the standards of accounting as specified under the Companies Act, 1956 shall be deemed to be the accounting standards until accounting standards are specified by the Central Government under section 133. Accordingly practically all the 28 Accounting Standards i.e. AS 1 to 7 and AS 9 to 29 as notified by the Central Government under Companies (Accounting Standard) Rules, 2006 (as amended) are still to be followed in FY 2014-15 also until separate standards are notified under section 133.

For ready reference the list of the twenty eight Accounting Standards notified under Companies (Accounting Standards) Rules, 2006, as amended, is given below:

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 6 Depreciation Accounting.

AS 7 Construction Contracts.

AS 9 Revenue Recognition.

AS 10 Accounting for Fixed Assets.

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.

AS 27 Financial Reporting of Interests in Joint Ventures.

AS 28 Impairment of Assets.

AS 29 Provisions, Contingent liabilities and Contingent assets.

Note: AS 8 on "Accounting for Research and Development" was withdrawn by ICAI consequent to the issuance of AS 26 on 'Intangible Assets' and accordingly AS 8 has not also been notified.

Schedule III – Applicability

As per the Government Notification no. F.No.1 I 15/2013-CL.V dated 26th March, 2014 inter alia the Section 129 and Schedule –III of Companies Act, 2013 were notified w.e.f 01.04.2014. Accordingly the Schedule III is applicable to the financial statements to be prepared for the financial year commencing on or after April 1, 2014. This means that the financial statements of all the companies from the financial year 2014-15 onwards would be required to be prepared in the manner prescribed in Schedule III and Section 129 of the Companies Act, 2013.

Schedule III – Does Not Cover All Financial Statements

As stated earlier that cash flow statement and Statement of Changes in equity are part of the definition of "Financial Statement" as mandated under Section 2(40) of the Companies Act, 2013. But it is interesting to note that no formats of said statements are provided in Schedule III. However, the preparation and presentation of the cash flow statement would continue to be governed by AS 3 " Cash Flow Statement". However, format of Statement of Changes in Equity is not available in Schedule III and is also not mandated in the existing accounting standards. For the convenience of readers, brief matter on cash flow statement and statement of changes in equity has been covered in Chapter 8 and 9 of this book.

Chapter 2

Schedule III to Companies Act, 2013 – Content Ready Reckoner

The Structure of Schedule III is as under:-

(I) General Instructions.

(II) Part I - Balance Sheet.

(III) General Instructions for preparation of Balance Sheet.

(IV) Part II - Statement of Profit and Loss.

(V) General Instructions for preparation of Statement of Profit and Loss.

(VI) General Instructions for the preparation of the Consolidated Financial Statements.

The General Instructions for the preparation of the Consolidated Financial Statements were not included in Revised Schedule VI and is now a part of the Schedule III.

For ready reference for the members, the summary of each of contents of Schedule III is given as under:-

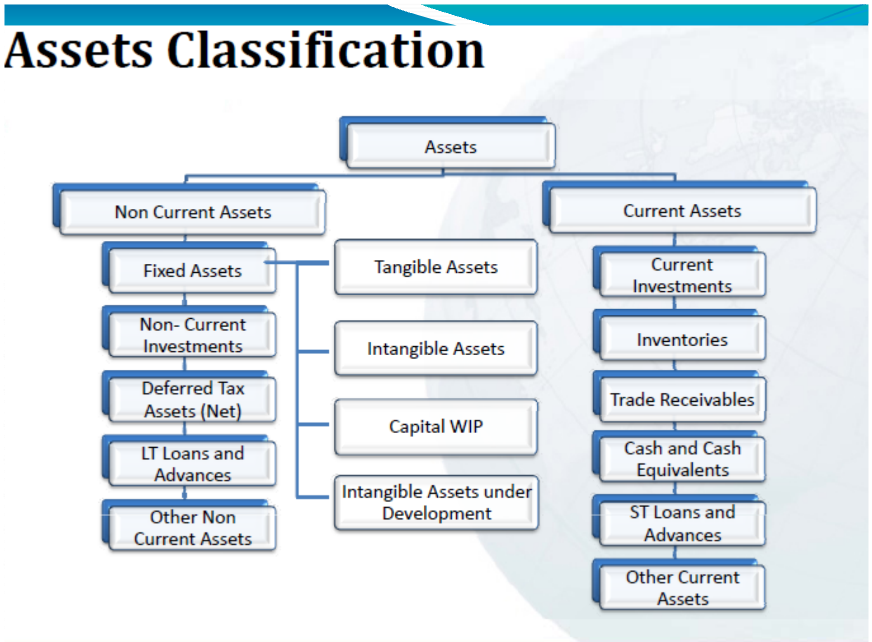
(I) General Instructions

Para No.	Brief Content
1	Supremacy accorded to Accounting Standards and provisions of Companies Act, 1956 over Revised Schedule VI.
2	Disclosure requirements of schedule are in addition to and not in substitution of disclosure requirements specified in Accounting Standards and Companies Act, 1956.
3	Notes to accounts defined as including disaggregations of items recognized in financial statements. Consequently, cross referencing required for each item on face of the financial statements to notes to accounts instead of schedules.
4	Rounding off rule (optional) revised. Uniform unit of measurement to be used across financial statements.
5	Comparative year figures to be given in financial statements including notes (except in case of new company).
6	Terms used in Revised Schedule VI shall be as per applicable Accounting Standards.

(II) Part I- Balance Sheet

The form of Balance Sheet is preceded by a note which states that **minimum requirements of disclosure on face of Balance Sheet and Statement of Profit and Loss has been prescribed in Schedule III** and the same can be changed when:-

- It is relevant to an understanding of company's financial position or performance or;
- To cater to industry / sector-specific disclosure requirements; or
- When required for compliance with amendments to the Companies Act or under the Accounting Standards.



Other changes in the format with discussions of each of the disclosure requirement has been discussed in Chapter-5.

(III) General Instructions for Preparation of Balance Sheet

Para No.	Particulars
1	Definition of current and non-current asset.
2	Definition of operating cycle.
3	Definition of current and non-current liability.
4	Definition of trade receivables.
5	Definition of trade payables.
6	Prescribes the disclosures required to be made in the Notes to accounts for following:
A.	Share capital
B.	Reserves and Surplus
C.	Long-term borrowings.
D.	Other Long-term liabilities.

E.	Long-term provisions.
F.	Short-term borrowing.
G.	Other current liabilities.
H.	Short-term provisions.
I.	Tangible assets.
J.	Intangible assets.
K.	Non-current investments.
L.	Other long term loans and advances.
M.	Other non-current assets.
N.	Current Investments.
O.	Inventories.
P.	Trade receivables.
Q.	Cash and cash equivalents.
R.	Short-term loans and advances.
S.	Other current assets
T.	Contingent liabilities and commitments.
U.	Proposed dividend including arrears of fixed cumulative dividend on preference shares.
V.	Details in respect use / investment of unutilized amounts out of issue of securities made for specific purpose.
W.	Board opinion regarding carrying amount not less than realization value of current assets.

The detailed disclosure requirements with analysis thereof has been discussed in Chapter-5.

(IV) Part II - Statement of Profit and Loss

The major highlights of Statement of Profit and Loss are:-

(a) Revenue from operations and other income to be separately shown.

(b) In the format there is no mention for any appropriation item like transfers to reserves etc., which need to be presented under “Reserves & Surplus” in the Balance Sheet. Accordingly it ends with Profit after Tax and disclosure of Earning per share. The disclosure regarding the appropriations like transfers to reserves, proposed dividend, tax on dividend etc is shown under subhead “Surplus” in head “Reserves and Surplus” in the Balance Sheet.

(c) The expenses are to be classified by nature .Earlier, even function based classification was permissible.

(d) Requires separate presentation of extraordinary and exceptional items.

(e) Requires separate disclosure of profit before tax, tax expense and profit after tax from discontinuing operations.

(f) Disclosure of Basic and Diluted Earning per equity share required to be provided on the face.

A detailed treatment of each of the items has been included in Chapter-6.

(V) General Instructions for Preparation of Statement of Profit and Loss.

Para No.	Particulars
1	Provisions also applicable to Income and Expenditure account prepared by non for profit companies.
2 (A)	Disclosure requirement of revenue from operations for company other than finance company.
2 (B)	Disclosure requirement of revenue from operations for finance company.
3	Disclosure requirement of Finance Costs.
4	Disclosure requirement of Other income.
5	Additional information regarding aggregate expenditure and income on the following items to be disclosed by way of notes;-
(i) (a)	Employee Benefits Expense.
(i) (b)	Depreciation and amortization expense
(i) (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;
(i) (d)	Interest Income;
(i) (e)	Interest Expense;
(i) (f)	Dividend Income;
(i) (g)	Net gain/ loss on sale of investments;
(i) (h)	Adjustments to carrying amount of investments;

(i) (i)	Net gain/ loss on foreign currency translation and translation(other than considered as finance cost);
(i) (j)	Payments to the auditor.
(i) (k)	**Amount of expenditure incurred on corporate social responsibility activities.** (new addition)
(i) (l)	Details of items of exceptional and extraordinary nature.
(i) (m)	Prior period items;
(ii) (a)	Raw materials and goods purchased under broad heads in case of manufacturing companies.
(ii) (b)	Purchases of goods traded under broad heads in case of trading companies.
(ii) (c)	Gross income derived from services rendered or supplied under broad heads in case of service company.
(ii) (d)	Purchases, sales, consumption of raw material and gross income from services rendered under broad heads in case of companies engaged in trading, manufacturing and / or service rendering.
(ii) (e)	Gross income derived under broad heads in case of other companies.
(iii)	Work-in-progress under broad heads.
(iv) (a)	Aggregate, if material of amounts set aside or proposed to be set aside, to reserve.
(iv) (b)	Aggregate, if material of amounts withdrawn from reserve.
(v) (a)	Aggregate, if material of amounts set aside, to provisions.
(v) (b)	Aggregate, if material of amounts withdrawn from 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 for specific items.
(b)	Expenditure in foreign currency during the financial year on specified items.
(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.
(e)	Earnings in foreign exchange from specified items.

The detailed disclosure requirements with analysis thereof have been discussed in Chapter-6.

(VI) General Instructions for Preparation of Consolidated Financial Statements

Para No.	Particulars
1	Company shall mutatis mutandis follow Schedule III in Consolidated Financial Statements and same shall disclose information as per requirement of applicable accounting standard.
1 (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.
1 (ii)	Minority interests in the balance sheet within equity shall be presented separately from the equity of the owners of the parent.
2	Format of additional information to be given provided.

Chapter 3
Highlights and Major Changes Introduced in Schedule III

Schedule III to the Companies Act, 2013 is in majorly in line with the Revised Schedule VI to Companies Act, 1956, however certain additional disclosure requirements and some nomenclature changes have been incorporated in the Revised Schedule III.

For ready reference of the members the changes introduced in Revised Schedule III are briefly explained in this chapter.

Changes Introduced in Schedule III vis-à-vis Revised Schedule VI

(1) Change in nomenclature of first component of Schedule.

The Revised Schedule VI started with "General Instructions for Preparation of Balance Sheet and Statement of Profit and Loss of a Company in addition to the Notes incorporated above the heading of Balance Sheet under General Instructions". On the other hand Schedule III starts with "General Instructions for Preparation of Balance Sheet and Statement of Profit and Loss of a Company".

The heading under Revised Schedule VI specifically referred to the Notes incorporated in the above heading of Balance Sheet, which stated that Part I sets out minimum requirement of disclosure on the face of the Balance Sheet and Statement of Profit and Loss and line items etc can be added or substituted in certain cases. This Note has also been carried to Schedule III and thus flexibility in the format of financial statements has been retained. However there is mere change in the nomenclature as stated earlier which does not have any practical significance.

(2) Reference to Part I and II in Para 2 of General Instructions omitted.

Para 2 of General Instructions under Revised Schedule VI inter alia stated that the disclosure requirements specified in Part I and Part II of this Schedule are in addition to and not in substitution of disclosure requirements of Accounting Standards. The said para has also been included in Schedule

III except that reference to Part I and II has been omitted and reference is made only to the Schedule. It appears that this change has been made due to inclusion of the General Instruction for preparation of Consolidated Financial statements in Schedule III which was not there in Revised Schedule VI. However this change in view of author has no practical impact.

(3) Nomenclature of Part I and II changed:

The nomenclature of the Part I and II of Revised Schedule VI was "Form of Balance Sheet" and "Form of Statement of Profit and Loss", whereas it is "Balance Sheet" and "Statement of Profit and Loss" under Part I and II of Schedule III. This change is made in order to state that Schedule III is not limited to only Form of Financial Statements.

(4) Separate disclosure in notes regarding amount of expenditure incurred on Corporate social responsibility.

Section 135 of the Companies Act, 2013 mandates certain companies to incur expenditure on Corporate social responsibility, which was not required under the Companies Act, 1956. Consequently the Para 5 A (i) (k) required that in case of such companies the amount of expenditure incurred on corporate social responsibility activities need to be separately disclosed by way of notes.

(5) Insertion of new component namely "General Instructions for Preparation of Consolidated Financial Statements".

The striking difference between Schedule III and Revised Schedule VI is insertion of new component namely "General Instructions for Preparation of Consolidated Financial Statements" in the Schedule III. This component states that Schedule III requirement are applicable on consolidated financial statements also and that such statements should disclose the information required to be disclosed by the applicable accounting standard. Further a format of additional information is given, which needs to be provided in the Consolidated financial statements. For further discussion on these disclosures refer to Chapter- .

From above it is seen that no major changes have been carried out in Schedule III vis-à-vis Revised Schedule VI. The main reason for the same is that the Schedule VI was earlier completely overhauled through notification of Revised Schedule VI. All the changes incorporated in Revised Schedule VI have been retained in Schedule III.

Changes earlier introduced in Revised Schedule VI which have been retained in Schedule III.

As major changes incorporated in Revised Schedule VI have been retained in Schedule III it is important to recapitulate the following key changes introduced in Revised Schedule VI vis-à-vis Old Schedule VI.

(1) Classification of Assets and Liabilities into Current and Non-Current:-

Concept of classified balance sheet was introduced, according to which all assets and liabilities are classified into current and non-current categories applying the definitions of Current / Non-current asset / liability and operating cycle provided in the Schedule itself. The relevant definitions given in Revised Schedule VI are inspired by para 66, para 68 and para 69 of IAS 1 'Presentation of Financial Statements'. For further discussion and practical application of classification refer to Chapter- 7.

(2) Overriding effect of Accounting Standards and Flexibility:

The general instructions of Revised Schedule VI specifically provide that where compliance with the requirements of the Act including Accounting Standards require any change in treatment of disclosure including any change in head / subhead or any changes interse, the financial statements or statements forming part thereof, the same shall be made and the requirements of the Schedule-VI shall stand modified accordingly.

Even it has been stated that the format of the Balance Sheet and Statement of Profit and Loss as given in schedule sets out minimum requirements for disclosure and can be changed 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.

Accordingly all companies need to comply with the requirements of Revised Schedule VI (now Schedule III), as well as Accounting Standards and provisions of Companies Act, 1956. However in the event of any conflict, the requirements of Accounting Standards and Companies Act will have overriding effect and the requirements of the Schedule-VI (now Schedule III) shall stand modified accordingly. As against this, requirements of the Old Schedule VI prevailed over Accounting Standards.

(3) **Horizontal format of Balance Sheet deleted:**

Horizontal format of Balance Sheet known as conventional or customary form (T-shaped) of Balance Sheet was deleted in Revised Schedule VI (now Schedule III). Accordingly now a days only vertical format is being used. Under Old Schedule VI, the Companies had an option to use either of horizontal or vertical format for presentation of Balance Sheet.

(4) **Part III of Schedule VI omitted.**

Part III of Old Schedule VI, on Interpretation which contained definition of terms like provision, reserve etc has been omitted. The reason for the same may be that most of these terms are already defined in the Accounting Standards and consequently It has been stated in Revised Schedule VI (now Schedule III) that for the purpose of this Schedule, the terms used e.g. 'associate', 'related parties', etc. shall be as per the notified Accounting Standards.

(5) **New definitions provided:**

Definitions in respect of Current / Non-Current Asset, Current / Non Current Liability, Operating Cycle, Trade receivables and Trade Payables, which are relevant for Revised Schedule VI (now Schedule III), have been provided, considering that these terms are not currently defined in notified Accounting Standards.

(6) **Balance Sheet Abstract and Company's General Business Profile no longer required to be given:**

Balance Sheet Abstract and Company's General Business Profile as provided in Part-IV of Old Schedule VI was removed and same also does not form part of Schedule III as well.

(7) **Change in titles of upper and lower half of Balance Sheet:**

Under Revised Schedule VI (now Schedule III) the upper half is referred to as Equity and Liabilities and lower half is shown as Assets whereas in Old Schedule VI the same were referred as Sources of Funds and Application of Funds respectively. This change was made as the current liabilities (including short term provisions) are required to be shown in upper half of balance-sheet under Equity and Liabilities as against deduction from current assets, loans and advances (Asset Side) as prescribed in Old Schedule VI (vertical form).

(8) **Proposed Dividend:** Part I of Old Schedule VI requires 'proposed dividends' to be shown under "Provisions" and paragraph 3 (xiv) of Part II of the

same requires the "proposed dividends" to be disclosed in the Profit and Loss Account. Para 14 of the Accounting Standard 4 "Contingent and Events Occurring After the Balance Sheet Date" also requires that dividends in respect of period covered by financial statements which are proposed or declared after balance sheet date but before date of approval should be adjusted in accounts.

However para 6(U) of the General Instructions for preparation of Balance Sheet of Part I of Revised Schedule VI does not require the provision for proposed dividend to be made and only desires disclosure of same in notes to accounts which have been inspired from para 12 and 13 of IAS 10 "Events after the reporting period" wherein it is specifically stipulated that such dividends do not meet the criteria of a present obligation as per IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Further IAS 1 "Presentation of Financial statements" stipulates that such dividends are disclosed in the notes.

Although Revised Schedule VI (now Schedule III) does not require provision for proposed dividend, however as the Accounting Standards have an overriding effect over Revised Schedule VI. Accordingly companies will have to account for the same along with Dividend Distribution tax thereon, until revision to this effect is made in AS 4.

Till the revision of AS 4,the appropriation amount towards the proposed dividend along with tax on same would be shown as appropriation under sub-head "Surplus" under head "Reserves and Surplus" in the notes to accounts and provisions towards these items would be shown under head 'Short Term Provisions' under Current liabilities.

(9) Rounding off rule (optional):

The limit of turnover and the extent of rounding off was revised in Revised Schedule VI, which stipulated that financial statements of companies having turnover less than one hundred crores can be rounded off up to millions, whereas under Old Schedule VI the rounding off could be made upto thousands only. Further, for companies having turnover above hundred and less than five hundred crores the rounding off can now be made up to crores, whereas in old schedule VI the same was allowed upto millions. Further option to present figures in hundreds and thousands if turnover equals or exceeds 100 cr. has been curtailed.

Also, explicit requirement to use the same unit of measurement (i.e. figures in lacs/crores) uniformly throughout the financial statements (including notes to accounts) was introduced.

Both the above requirements have been kept intact in Schedule III.

(10) Concept of Schedules eliminated:

As per Old Schedule VI disaggregations (i.e. break up) of items recognized in financial statements were disclosed by way of Schedules. Revised Schedule VI as well as Schedule III states that the same should be provided in the Notes to Accounts.

Consequently, 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. Earlier, such cross referencing was made to Schedules. Due to this, Column of Schedule No. on face of Balance Sheet has been changed to Note No. in Revised Schedule VI and Column of Note No. is there in newly introduced format of Statement of Profit and Loss.

(11) Notes to Accounts defined:

Revised Schedule VI (now Schedule III) states that 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 recognized in those statements and (b) information about items that do not qualify for recognition in those statements. This definition is as per IAS 1 ‘Presentation of Financial Statements’.

(12) Relief from disclosing more than 5 years old issue of shares for consideration other than cash/ Bonus Shares:

Share-based payments for acquisition of goods or services including tangible and intangible assets and issue of Bonus Shares were earlier required to be reported on continuous basis but in Revised Schedule VI (now Schedule III) the same need to be disclosed for transactions of period of five years immediately preceding the relevant Balance Sheet Date.

(13) Disclosure of shareholding pattern:

Two new disclosures regarding disclosures of share holding pattern for each class of share capital were introduced in revised Schedule VI (now Schedule III).

(i) Shares 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.

(ii) Shares in the company held by each shareholder holding more than 5 percent shares (as on Balance Sheet date) specifying the number of shares held.

(15) Disclosure of Shares reserved:

New requirement for disclosure of Shares reserved for issue under options (e.g ESOPs) and contracts/commitments for the sale of shares/ disinvestment, including the terms and amounts, was introduced in Revised Schedule VI which has been maintained in Schedule III.

(16) Disclosure of Reserves & Surplus:

New line items for Debenture Redemption Reserve, Revaluation Reserve, Share Option Outstanding Account have been inserted under Reserves & Surplus. Further additional requirement of specifying purpose of reserves falling under residual head of other reserves were introduced in Revised Schedule VI, which are carried forward in Schedule III.

(17) Disclosure of Accumulated Losses.

Debit balance of profit and loss shall be shown as a negative figure under the head 'Surplus'. Similarly, the balance of 'Reserve and Surplus' after adjusting negative balance of surplus,if any shall be shown under the head 'Reserve and Surplus' even if the figure is in the negative. Under old Schedule VI, any debit balance in Profit and Loss Account carried forward after deduction from uncommitted reserves was required to be shown as the last item on the Assets side of the Balance Sheet as Profit and Loss Account after Miscellaneous Expenditure. It is pertinent to mention here that the line item of Miscellaneous expenditure on Asset side of Old Schedule VI was also omitted.

The Schedule III is in line with above requirement of Revised Schedule VI.

(18) Money received against Share Warrants:

Revised Schedule VI had inserted a new line item under Shareholders' funds towards Money received against Share Warrants after Share Capital and Reserves and Surplus. Schedule III also retains the above form.

(19) Share Application Money:

Revised Schedule VI had inserted a new line item Share Application Money pending allotment under Equity & Liabilities (upper part of balance sheet) between Shareholder funds and Non-current liabilities. Share application money not exceeding the issued capital and to the extent not refundable is to be disclosed here.

Share application money to the extent refundable should be shown separately under the head "Other Current Liabilities".

Schedule III also mandates the above disclosure requirement.

(20) Disclosure of Borrowing:

The portion of borrowing which is **not due within 12 months** after the reporting date (i.e balance Sheet date) is only required to be shown as Long term borrowing. Further for disclosure by the lessee of finance lease obligations not due within 12 months, a new line item of "Long term maturities of finance lease obligations" was inserted by Revised Schedule VI, under Long-term Borrowings.

Any installment of the long term borrowings / finance lease obligations that are due for payment within 12 months after the reporting date is classified as "other current liabilities" and shown against newly inserted line items of current maturities of long term debt / current maturities of finance lease obligations.

Further borrowings repayable on demand or whose original tenure is less than twelve months or period of operating cycle (in case of loans for operations) are shown as short term borrowing under current liabilities.

Other new disclosure requirements in respect of borrowing which were introduced by Revised Schedule VI and which have been retained in Schedule III as well are:-

(i) Long term Loans from Directors and Managers to be shown separately.

(ii) Bonds / Debentures (along with rate of interest and particulars of redemption) shall be stated in descending order of maturity or conversion,

(iii) Terms of repayment of long term terms loans to be stated.

(iv) Period of continuing default / default (no practical difference) in case of long term borrowing / short term borrowing as on Balance Sheet Date in repayment of loans and interest to be specified separately in each case. Earlier, no such disclosure was required in the Financial Statements.

(21) Disclosure of Provisions:

Under Old Schedule VI, all the provisions were shown as Current Liabilities, but in Revised Schedule VI provisions for which the related claim is expected to be settled beyond 12 months after the reporting date are classified as non-current liabilities and shown under new line item of Long-term provisions. The provisions which will be settled within 12 months after the reporting period are classified as a current liability and shown under line item of Short-term provisions. The above provisions (long term as well as short term) were to be further classified as provision for employee's benefits and others (nature to be specified). Schedule III also has the same requirement.

(22) Disclosure of Interest accrued and due on borrowing:

Revised Schedule VI (now Schedule III), requires Interest accrued and due on borrowing to be shown under other current liabilities. In Old Schedule VI these were shown as part of Loan Funds.

(23) Trade Receivables and Trade payables:

The terms of Debtors and Creditors were scrapped and replaced with Trade Receivables and Trade payables.

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.

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.

Hence, amounts due / payable on account of other contractual obligations were no longer to be included in the trade receivables / payables. Further their classification into non current and current is now required and accordingly corresponding line items have been inserted in non-current assets / liabilities.

Further, separate disclosure of trade receivables outstanding for a period exceeding 6 months from the date they become due for payment as against the billing / accounting date was required under Revised Schedule VI.

The above requirement / definitions have been retained in Schedule III.

(24) Fixed Assets:

The amount of tangible, intangible assets and intangible assets under development (new line item) were required to be depicted on face of balance sheet separately under Revised Schedule VI. Further, the net block is required to be disclosed on face of balance sheet whereas under Old Schedule VI the amount of Gross Block and accumulated depreciation were also shown. Schedule III is completely in line with Revised Schedule VI in this respect.

(25) Tangible Assets:

Tangible assets under lease are required to be separately specified under each class of asset under Revised Schedule VI as well as Schedule III. The said disclosure is in respect of assets given on operating lease in the case of lessor and assets held under finance lease in the case of lessee.

(26) Intangible Assets:

New line items of Computer Software, mastheads and publishing rights, Mining Rights, Recipes, formulae, models, designs and prototypes, Licenses & Franchise as introduced in Revised Schedule VI have been maintained in Schedule III.

(27) Disclosure of Capital Advances:

Capital Advances are required to be presented separately under the head "Long term loans and advances" both in Revised Schedule VI as well as Schedule III. Earlier in era of old Schedule VI they were being shown as part of fixed assets / capital work in progress in absence of any heading available for such advances.

(28) Cash and cash equivalents:

Name changed from cash & bank balances as in Old Schedule VI. The bifurcation of bank deposits amongst scheduled and non scheduled banks was dispensed with.

However, necessary correction with regard to depiction of Bank deposits of more than 3 months maturity as suggested by the Guidance Note on Revised Schedule VI has not been incorporated in Schedule III. As per AS 3 "Cash Flow Statements" Bank Deposits of only upto 3 months can be included in cash and cash equivalents, accordingly it was stated in said Guidance Note that instead of using the head cash and cash equivalents we may use the old head on face of balance sheet i.e. cash and bank balances which may be bifurcated between cash and cash equivalents and other bank balances. The bank balances which are cash and cash equivalents as per AS 3 "Cash Flow Statements" be included in relevant head and others should be shown as other bank balances.

Also interestingly, para 6Q (v) of Schedule III states that within cash and cash equivalents Bank deposits with more than twelve months maturity shall be disclosed separately. It is well known that as per classification basis provided in Schedule III (earlier Revised Schedule VI) for a company having operating cycle of 12 months any asset having maturity above 12 months would be regarded as non-current asset and cannot in any case be regarded as cash and cash equivalent. Further, as per FAQs issued by ICAI (refer Chapter-8) earlier on

Revised Schedule Vi which still holds good, Bank deposits with more than 12 months cannot be shown as cash and cash equivalents and would be shown as non-current assets.

(29) Inventories:

A new line item of Finished Goods was inserted in Revised Schedule VI which has been kept in Schedule III. Earlier such goods were shown as Stock-in-trade, which has now been restricted for goods acquired for trading. Further Goods in Transit are to be separately disclosed under the relevant sub-head of inventories.

(30) Format of Statement of Profit and Loss prescribed:

The nomenclature of Profit and Loss Account was changed to Statement of Profit and Loss under Revised Schedule VI. Further Part II of Revised Schedule VI prescribes the format of Statement of Profit and Loss which was not there in Old Schedule VI.

The format of Statement of Profit and Loss ends with depiction of Profit after tax and Earning Per Share, and accordingly it does not depict any appropriation item on its face, as the below the line adjustments i.e. dividend, bonus shares and transfer to / from reserves etc are to be disclosed under sub-head “Surplus” in head “Reserve and Surplus” in the Notes to accounts referenced to Balance Sheet.

The format and requirements as above has been maintained in Schedule III.

However, it is interesting to note that in the definition of Financial Statement under section 2(40) of Companies Act, 2013 Financial Statement inter alia includes a “profit and loss account”, whereas Part-II of Schedule III speaks of “Statement of Profit and Loss” . As well as of “Profit and Loss Statement.”

(31) Disclosure of revenue- other than a finance company:

In respect of a company other than a finance company revenue from operations shall be disclosed separately in notes revenue from a) sale of products b) sale of services (c) other operating revenues less:- (d) Excise Duty.

However, the Revised Schedule VI (now Schedule III) has not taken cognizance of AS-9 “Revenue Recognition”, according to which the disclosure in respect of Excise Duty needs to be shown on the face of the Statement of Profit and Loss. Since Accounting Standards override Revised Schedule VI (now Schedule III), the presentation in respect of excise duty will have to be made on the face of the Statement of Profit and Loss. As per the Guidance Note on Revised Schedule VI 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.

(32) Disclosure of revenue- finance company:

In case of finance company, revenue from operations shall include revenue from (a) Interest and (b) Other financial services. It has further been stated both the Revised Schedule VI as well as Schedule III that revenue from each of the above heads shall be disclosed separately by way of notes to accounts to the extent applicable. The above disclosure is more detailed than old schedule VI.

(33) As per the format provided in Revised Schedule VI as well as Schedule III the expenses are to be classified by nature. Earlier, even function based classification was permissible. Under the 'function of expense method', expenses are classified according to their function as part of cost of sales, distribution or administrative expenses i.e. the costs directly associated with generating revenues should be included in cost of sales which should include indirect costs also like depreciation on assets used in production etc. It is pertinent to mention here that under IAS 1 "Presentation of Financial Statements" both nature based as well as function based classification is allowed, however in Ind. AS 1 which is the converged standard only nature based classification is permissible.

(34) Limit for non-inclusion in miscellaneous expenditure:

Additional information regarding aggregate income or expenditure exceeding 1% of the revenue from operations or Rs 1,00,000/-, whichever is higher, need to be disclosed by way of notes under Revised Schedule VI and Schedule III. Under Old Schedule VI, any expense exceeding 1% of total revenue or ₹ 5000/- whichever is higher was to be shown as a separate head in P&L Account and should not have been combined under head "miscellaneous expenditure".

(35) Recognition of dividend income.

The Old Schedule VI required the parent company to recognize dividends declared by subsidiary companies even after the date of the Balance Sheet if they were pertaining to the period ending on or before the Balance Sheet date. Such requirement was abolished in the Revised Schedule VI (now Schedule III). Accordingly, as per AS-9 Revenue Recognition, dividends should be recognized as income only when the right to receive dividends is established as on the Balance Sheet date i.e. dividend has been approved by shareholders of investee company at the Annual general Meeting.

(36) Gain / Loss on **foreign currency transactions** and translations to be separated into finance costs (to the extent of adjustment to interest cost) and other expenses.

(37) Separate disclosure of **Exceptional and Extraordinary items** on face of Statement of Profit and Loss.

(38) Requires separate disclosure of profit before tax, tax expense and profit after tax from **discontinuing operations.**

Chapter 4

General Instructions for preparation of Balance Sheet and Statement of Profit and Loss

This is the starting point of Revised Schedule VI and prescribes the general instructions for preparation of financial statements out of which some are landmark changes. These instructions are being reproduced along with their analysis in this Chapter:-

General Instructions	Analysis
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/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 the Schedule VI shall **stand modified** accordingly.	This para has been taken as it is from Revised Schedule VI. This was a landmark change in the history of Financial Reporting System prevalent in India as Revised Schedule VI as well as Schedule III has given supremacy to the provisions of the Companies Act and Accounting Standards over the Revised Schedule VI / Schedule III, whereas earlier Old Schedule VI requirements were supreme and were overriding the Accounting Standards. Now whenever accounting standards are changed, the resultant accounting treatment, presentation and disclosures will not be in conflict with the requirements of Schedule III as the same shall stand modified accordingly.
2. The disclosure requirements specified in this Schedule are in **addition to** and **not in substitution**	Here also importance of Accounting Standards is again reiterated as all the disclosure requirements specified

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.	in the Accounting Standards need to be complied with in the Notes to Accounts / additional statement / on the face of the Financial Statements, besides compliance with Schedule III. Also all other disclosures as required by the Companies Act shall be made in the Notes to Accounts. Companies need to comply with the disclosure requirements of all three i.e. Schedule III, Accounting Standards and Companies Act, 2013. However in the event of any conflict between Schedule and AS or Companies Act, the later will prevail and Schedule will take a back seat.
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 recognized 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 shall be maintained between providing excessive detail that may not assist users of Financial	Notes to accounts have been defined and disaggregations (break up) which prior to Revised Schedule VI were disclosed in Schedules will also be part of Notes. Consequently 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 (as against Schedules in old Schedule VI).

<table>
<tr><td>Statements and not providing important information as a result of too much aggregation.</td><td></td></tr>
<tr><td>4. (i) Depending upon the turnover of the company, the figures appearing in the Financial Statements MAY BE rounded off as below:

Turnover Rounding off
<table>
<tr><td>Less than one hundred</td><td>To nearest Hundreds, thousands, lakhs or millions or decimal thereof.</td></tr>
<tr><td>One hundred crore or more</td><td>To nearest lakh, millions or crore, or decimal thereof.</td></tr>
</table>

(ii) Once a unit of measurement is used, it should be used uniformly in the Financial Statements.</td><td>The rounding off is optional and not mandatory. However, if rounding off is opted then the said rule needs to be complied with.

The limit of turnover and the extent of rounding off has been kept intact in line with Revised Schedule VI.

Further requirement of using the same unit of measurement uniformly across the financial statements has been retained. This implies that if a company has opted to round off in millions, then it need to apply it uniformly in Balance Sheet, Statement of Profit and Loss and Notes to Accounts</td></tr>
<tr><td>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.</td><td>There is no change here vis-à-vis Revised Schedule VI wherein also previous year's figures were required to be given.</td></tr>
<tr><td>6. For the purpose of this Schedule, the terms used herein shall be as per the applicable Accounting Standards.</td><td>The terms used such as 'associate', 'related parties', etc. shall be as per the notified Accounting Standards. For glossary of terms refer to chapter-9.</td></tr>
</table>

Chapter 5

Balance Sheet

The Balance Sheet has been prescribed under Part I of Revised Schedule VI. The form of balance sheet is preceded by a Note, stating that this form sets out minimum requirements and can be changed, if required.

The note alongwith the balance sheet and general instructions for preparation of balance sheet has been discussed in this chapter. The Members are requested to refer Chapter -9 also wherein glossary of terms has been given.

A. Note

The Note are being reproduced below along with analysis thereof:-

Notes	Analysis including comparison with Old Schedule VI
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.	Schedule III sets out minimum requirements for disclosure and offers presentation flexibility. An entity should be guided by the qualitative characteristics of financial statements – 'relevance' and 'understandability' in selection of the line items. It is pertinent to mention here that this note had not been incorporated before Part II that contains Statement of Profit and Loss. However considering that the Statement of Profit and Loss has also been referred here and the spirit of the flexibility inherent in the Revised Schedule VI, same logic is applicable to Part II as well.

B. Form of Balance Sheet

As stated earlier, the form of Balance Sheet has been provided in Part I of the Revised Schedule VI. The format is being reproduced as under along with analysis including comparison with old Schedule VI:-

PART I
BALANCE SHEET

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

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

(Rupees in……….)

				Analysis including comparison with Revised Schedule VI
Particulars	Note No.	Figures as at end of current reporting period	Figures as at end of previous reporting period	
1	2	3	4	
I. EQUITY & LIABILITIES				No change vis-à-vis Revised Schedule VI.
(1) Shareholders' Funds (a) Share Capital (b) Reserves & Surplus (c) Money received against share warrants				No change vis-à-vis Revised Schedule VI.
(2) Share application money pending				This was a new line item in Revised Schedule VI and has been kept intact here.

allotment				Share application money not exceeding the issued capital and to the extent not refundable is to be disclosed here. Share application money to the extent refundable should be shown under the head "Other Current Liabilities".
(3) **Non-current Liabilities** (a) Long-term borrowings (b) Deferred tax liabilities (Net) (c) Other long term liabilities (d) Long-term provisions				As discussed earlier the borrowing needs to be trifurcated and the non-current portion of borrowing needs to be included as Long-term borrowings. Deferred tax Liabilities (Net) are required to be shown under Non-current liabilities. Further, as now as all disaggregation's are to be given in notes, this item will also be cross referenced to the related note. This classification is as per IAS 12 "Income taxes" which states that Deferred taxes assets / liabilities are always Non-Current. Further due to current, non-current classification, the

				provisions need to be bifurcated into Long-term and short-term provisions, consequently new line item of Long-term provisions is there.
(4) **Current Liabilities** (a) Short-term borrowings (b) Trade payables (c) Other current liabilities (d) Short-term provisions				Earlier under old Schedule VI the Current liabilities were shown on Asset side (Application of funds) as reduction from the current assets. But now they need to be disclosed on the Liability side under revised Schedule Vi as well as Schedule III. Further break up between Short-term borrowing, Trade payables and Short-term provisions is required to be disclosed on face.
TOTAL				
II. ASSETS				No change vis-à-vis Revised Schedule VI.
(1) **Non-Current Assets** (a) Fixed Assets (i) Tangible Assets (ii) Intangible Assets (iii) Capital Work-				The amount of tangible, intangible assets are required to be depicted on face of balance sheet separately. Further only the net block is required to be

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				disclosed on face of balance sheet whereas earlier under the old Schedule VI the amount of Gross Block and accumulated depreciation were also shown. Deferred tax assets (Net) to be shown under 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				No change vis-à-vis Revised Schedule VI.
TOTAL				

The companies can either show the aggregate balances of each of the sub heads in inner column and the totals of main heads i.e. Non-current assets, Current assets etc in the main column, in which case two columns of amounts for each year would be required. As an alternative, we can also show all the balances in single column with sub-totals of each head.

C. General Instructions for Preparation of Balance Sheet

Para 1 to 5 of general instructions for preparation of Balance Sheet provides definitions of terms current asset, non-current asset, operating cycle, current liability, non-current liability, trade receivables and trade payables. It is pertinent to mention here that definitions of these terms were also there in Revised Schedule VI.The relevant paras 1 to 5 are reproduced below along with analysis of the same.

Definitions	Analysis
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.	This definition is based on IAS 1 "Presentation of Financial Statements" and is in line with Revised Schedule VI. The detailed analysis of the definition with its practical application is given in Chapter 7.
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.	This definition is important during classification of assets and liabilities in current and non -current. The definition is as per IAS 1 "Presentation of Financial Statements" The detailed analysis of the definition with its practical application is given in Chapter 7.
3. A liability shall be classified as	This definition is based on IAS 1

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.	"Presentation of Financial Statements" and is in line with Revised Schedule VI. The detailed analysis of the definition with its practical application is given in Chapter 7.
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.	As per definition, amounts due on account of contractual obligations (except towards goods sold or services rendered in the normal course of business) can no longer be included in the trade receivables. Example; Interest on overdue amount of Trade Receivables.
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.	As per definition, amounts payable on account of contractual obligations (except towards goods purchased or services received in the normal course of business) can no longer be included in the trade payables. Example: Amount due towards purchase of fixed assets.

As discussed earlier, that under Schedule III there is no concept of Schedules and all the disaggregation's also are required to be made in the Notes to accounts.

Consequently Para 6 A to 6 S of General Instructions for Preparation of Balance Sheet, prescribes the disaggregation's / disclosures required to be made in the Notes to accounts in respect of following items of Equity & Liability / Assets appearing in the Balance Sheet.

A. Share capital:

B. Reserves and Surplus

C. Long term borrowings.

D. Other Long term liabilities.

E. Long term provisions.

F. Short-term borrowing.

G. Other current liabilities.

H. Short-term provisions.

I. Tangible assets.

J. Intangible assets.

K. Non-current investments.

L. Other long term loans and advances.

M. Other non-current assets.

N. Current investments.

O. Inventories.

P. Trade receivables.

Q. Cash and cash equivalents.

R. Short-term loans and advances.

S. Other current assets.

Further, para 6 T to 6 U prescribes disclosure requirements in respect of Contingent liabilities and commitments and proposed dividend, which are not recognized in the accounts . Para 6 V and 6W requires details in respect of use of unutilized amounts out of issue of securities and note regarding carrying amount not less than realization value of current assets.

The above stated paras are reproduced below along with analysis :-

(A) Share capital:

It is the first line item under the Shareholders' funds, the amount towards issued / subscribed / paid up capital would be shown against this item on the face of the balance sheet. However as per para 6A of the General Instructions for Preparation of Balance Sheet a company shall disclose the following in respect of Share capital, in the Notes to Accounts:

Disclosure Requirement as per Schedule III	Analysis
For each class of share capital (different classes of preference shares to be treated separately):	Same disclosure was required earlier also under Revised Schedule VI. Preference shares is to be classified as Share capital. AS 32 " Financial Instruments: Presentation and Ind-AS 32 Financial Instruments : Presentation require to classify redeemable preference shares as a liability. However as these standards are not notified and considering Sec 43 of Companies Act,2013 which refers to Preference Shares as a kind of share capital these will have to be classified as share capital.
(a) the number and amount of shares authorized;	This is in line with the disclosure requirement in Revised Schedule VI.
(b) the number of shares issued, subscribed and fully paid, and subscribed but not fully paid;	Same disclosure was required earlier also under Revised Schedule VI. Though the disclosure of only number of shares is required, for better understanding, even the amount for each category should be disclosed. The gross amounts should be discussed in the capital portion first and then the calls unpaid (required to be disclosed separately as per (k)

	below) should be reflected as a deduction.
(c) par value per share;	Same disclosure was required in Old and Revised Schedule VI.
(d) a reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period;	This is in line with the disclosure requirement in Revised Schedule VI. This disclosure requirement is inspired from Statement of Changes of Equity required to be prepared under IAS 1 "Presentation of Financial Statements". Reconciliation of opening number of shares outstanding, shares issued, shares bought back, other movements etc during the year and closing number of outstanding shares may be given with their corresponding amounts, for better understanding. Reconciliation for the comparative previous period is also to be given. Further, the reconciliation should be disclosed separately for both Equity and Preference Shares and for each class of share capital within Equity and Preference Shares. However it is interesting to note that as per definition of financial statements under Companies Act, 2013,Statement of Changes in Equity, if applicable is included in same. However no format of Statement of Changes in Equity has been provided in the Schedule III. Further as Statement of Changes in equity is required now the reconciliation of number of shares appears to be duplicity.

(e) the rights, preferences and restrictions attaching to each class of shares including restrictions on the distribution of dividends and the repayment of capital;	This is in line with the disclosure requirement in Revised Schedule VI. Rights, preferences and restrictions for Equity Shares like "with voting rights" or 'with differential voting rights' as to dividend, voting or otherwise. In respect of Preference shares, the rights include preferential right to be paid a fixed amount or at a fixed rate of dividend and a preferential right of repayment of amount of capital on winding up. Also 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. If a company has only one class of equity shares, it is still required to make this disclosure.
(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;	Same disclosure was required in Revised Schedule VI. Aggregation should be done for each of the above categories. For these disclosures, shares held by the entire chain of subsidiaries and associates starting from the holding company and ending right up to 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.
(g) shares in the company held by	This is in line with the disclosure

each shareholder holding more than 5 percent shares specifying the number of shares held;	requirement in Revised Schedule VI. 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 as per the Guidance Note on Revised Schedule VI of ICAI. Such percentage should be computed separately for each class of shares outstanding within Equity and Preference Shares. Herein the name of shareholder, No. of shares held and % thereof needs to be disclosed. Further, the disclosure is to be on the basis of legal ownership, except where beneficial ownership is clearly available from the depositories. This information should also be given for the comparative previous period.
(h) shares reserved for issue under options and contracts/commitments for the sale of shares/disinvestment, including the terms and amounts;	Same disclosure was required in Revised Schedule VI. 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.
(i) For the **period of five years** immediately preceding the date as at which the Balance Sheet is prepared:	Same disclosure was required in Revised Schedule VI. Since disclosure is for the aggregate number of shares, it is not necessary

• Aggregate number and class of shares allotted as fully paid up pursuant to contract(s) without payment being received in cash. • Aggregate number and class of shares allotted as fully paid up by way of bonus shares. • Aggregate number and class of shares bought back.	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.
(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.	Same disclosure was required. Under this Clause, disclosure is required for any security i.e. Convertible Preference Shares, Convertible Debentures / bonds, etc., 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. Terms of convertible securities are also required to be disclosed under this Clause.
(k) Calls unpaid (showing aggregate value of calls unpaid by directors and officers)	Under Old Schedule VI, debit balance on the allotment or call account was presented in the Balance Sheet by way of deduction from Called-up Capital. However under Revised Schedule Vi as well as Schedule III calls unpaid are to be disclosed separately. A separate disclosure is required for the aggregate value of calls unpaid by directors and also officers of the company. The gross amounts should be discussed in the capital portion first (required to be disclosed separately as per (b) above)and then the calls

	unpaid should be reflected as a deduction.
(l) Forfeited shares (amount originally paid up)	Same disclosure was required. However as per Old Schedule VI "Any Capital profit on reissue of Forfeited shares should be transferred to Capital Reserve." No such direction is there in Revised Schedule VI / Schedule III. However, since it is profit of capital nature it should still be credited to capital reserve.

(B) Reserves and Surplus

This is the second line item under the Shareholders' funds, the aggregate of which is depicted on the face of the balance sheet. However, as per para 6B of the General Instructions for Preparation of Balance Sheet,a company shall give disaggregation's and other disclosures the following in respect of Reserves and Surplus in the Notes to Accounts:

Disclosure Requirement as per Schedule III	Analysis
(i) Reserves and Surplus shall be classified as:	
(a) Capital Reserves;	Same disclosure was required.
(b) Capital Redemption Reserve;	Same disclosure was required.
(c) Securities Premium Reserve;	Same disclosure was required. The application of such premium received on issue of shares is governed by Section 52 of Companies Act, 2013.
(d) Debenture Redemption Reserve;	Same disclosure was required. According to Section 71 (4) of the Companies Act, 2013 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 available for payment of dividend and such amount credited to such account shall not be utilized by the Company except for the redemption of debentures.
(e) Revaluation Reserve;	Same disclosure was required earlier also. Revaluation Reserve is created out of revaluation of fixed assets both tangible and intangible. Depreciation and amortization on the amount added to fixed assets on revaluation is transferred (reduced) from revaluation reserve and only net depreciation on original cost is charged to statement of profit and loss.
(f) Share Options Outstanding Account;	Same disclosure was required earlier also. This account represents share option outstanding on account of goods or services acquired in exchange of share options like ESOP. In case of ESOP, the entity create Share Option over the vesting period debiting Employee Benefits.
(g) Other Reserves – (specify the nature and purpose of each reserve and the amount in respect thereof);	Every other reserve which is not covered above 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 Special Reserve u/s 36(1) (viii) created under the Income Tax Act, 1961.

(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)	Under Schedule III the allocations and appropriations are required to be disclosed under head of Surplus, consequently in the format of Statement of Profit and Loss, appropriations are not mentioned. Accordingly the Profit and Loss Account (Surplus) under head Reserve and Surplus start with balance as per last balance sheet date, profit / loss (after tax) for the year would be added / reduced from this and then appropriations would be reduced / added to arrive at closing balance of the same.
(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. Accordingly, for each reserve the balance as per last balance sheet date, additions like transferred from Statement of Profit and Loss e.g. tfd to general reserve, Transferred / Write back to Statement to P&L e.g. transfer of Revaluation reserve to P&L etc and closing balance shall be shown.
(ii) A reserve specifically represented by earmarked investments shall be termed as a ‘fund’.	Same disclosure was required earlier also.
(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.	The accumulated losses will always be shown on Equity and liability side even if total of Reserve and Surplus including accumulated loss turns negative unlike under Old Schedule VI where such amounts were shown on Asset side.

(C) Long-term borrowings

This is the first line item below the head Non-current liabilities.. Due to requirement of classified balance sheet, the borrowing needs to be trifurcated into long-term borrowing (Non-current liability), short-term borrowing (current liability) and current maturities to long term debt (current liabilities).Also the finance lease obligations in books of lessee also needs to be bifurcated into Long term maturities of finance lease obligations which are classified as Long-term borrowing under non-current liability and Current maturities of finance lease obligations classified as other current liabilities under current liabilities.

As per para 6C, of the General Instructions for Preparation of Balance Sheet a company shall provide the disaggregations and following disclosures in respect of Long-term borrowings in the Notes to Accounts:

Disclosure Requirement as per Schedule III	Analysis
(i) **Long-term borrowings** shall be classified as:	The phrase "long-term" has not been defined. However, the definition of 'non-current liability' in the Schedule III may be used for ascertaining long-term liability.
(a) Bonds/debentures.	Same disclosure was required.
(b) Term loans • From banks • From other parties	The phrase "term loan" was not defined in the Revised Schedule VI and also in Schedule III. As per Guidance Note on Revised Schedule VI, Term loans are generally provided by banks and financial institutions having fixed or pre determined maturity period or a repayment schedule, for acquisition of capital assets which then become the security for the loan, i.e., end use of funds is normally fixed. Cash credit, overdraft and call money accounts/ deposit are, therefore, not covered by the expression "terms loans".

	In the absence of any change, the findings of the Guidance Note shall be applicable to Schedule III as well.
(c) Deferred payment liabilities.	These would include any liability for which payment is to be made on deferred credit terms. e.g. deferred sales tax liability, deferred payment for acquisition of fixed assets etc.
(d)Deposits.	These would include deposits accepted from public and inter corporate deposits which are in the nature of borrowings.
(e)Loans and advances from related parties.	Advances under this head should include those advances which are in the nature of loans. Earlier, such disclosure was required to be given for loans and advances from subsidiaries, accordingly disclosure requirement has been broadened.
(f)Long term maturities of finance lease obligations	To include Long term maturities of finance lease obligations in the books of the lessee. Earlier under old Schedule VI, all the finance lease obligations were included under Current Liabilities.
(g)Other loans and advances (specify nature).	Nature to be specified.
(ii) Borrowings shall further be sub-classified as secured and unsecured. Nature of security shall be specified separately in each case.	Secured loan refers to a loan which is secured against a tangible asset. All other loans are unsecured. Nature of security is to be specified separately in each case, therefore blanket disclosure like 'All Term loans from banks' are secured 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. The type of asset given as security e.g. land and building, inventories and plant and machinery etc. should also be disclosed.
(iii) Where loans have been guaranteed by directors or others, the aggregate amount of such loans under each head shall be disclosed.	Same disclosure was required.
(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.	Same disclosure was required.
(v) Particulars of any redeemed bonds/ debentures which the company has power to reissue shall be disclosed.	Same disclosure was required.
(vi) Terms of repayment of term loans and other loans shall be stated.	Same disclosure was required. 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. For said disclosure, loan includes all categories listed under the heading 'Long-term borrowings'. Disclosure of repayment terms

	should include the period of maturity with respect to the Balance Sheet date, number and amount of installments due, the applicable rate of interest and other significant relevant terms if any.
(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.	Same disclosure was required. Details of any default in repayment of loan and interest (only) 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. However any default persisting on Balance Sheet date which has been made good afterwards before authorization of the financial statements should be disclosed. As per Guidance Note on Revised Schedule VI which still holds good in the absence of any change in this requirement, 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 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 and not only to items classified as "loans".

(D) Other Long term Liabilities

This is the third line item under head Non-current liabilities. As per para 6D of the General Instructions for Preparation of Balance Sheet a company shall disclose the following in respect of other long term liabilities in the Notes to

Accounts:

Disclosure Requirement as per Schedule III	Analysis
Other Long term Liabilities shall be classified as:	Disaggregations of the aggregate amount shown on the face of balance sheet as Other Long term Liabilities is to be given as under:
(a) Trade payables	Here the non-current portion of trade are to be disclosed. It includes only the amount due in respect of goods purchased or services received in normal course of business but excludes amount due under contractual obligations like PF contribution, purchase of fixed assets interest accrued on trade payables etc. Specified disclosures under Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, though not specifically required in Revised Schedule VI should be continued to be made in the annual Financial Statements of the buyer.
(b) Others	Such items may include dues payables in respect of statutory obligations. 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.

(E) Long-term provisions

It is the fourth line item under the head Non-current liabilities. Earlier all the provisions were shown as Current liabilities and Provisions in Old Schedule VI, however with advent of current non-current classification in Revised Schedule VI which has been retained in Schedule III, a new line item of

Long-term provisions has been inserted under Non-current liabilities on the face of the Balance sheet.

As per para 6E of the General Instructions for Preparation of Balance Sheet a company shall disclose the following with respect to Long-term provisions in the Notes to Accounts:

Disclosure Requirement as per Schedule III	Analysis
The amounts shall be classified as:	Disaggregations of the aggregate amount shown on the face of balance sheet as long term provisions is to be given as under:
(a) Provision for employee benefits.	Provision for employee benefits should be bifurcated into long-term (non-current) and short-term (current) and the long-term portion is disclosed under this para. This bifurcation may be based on the actuarial valuer's report.
(b) Others (specify nature).	All long-term provisions, other than those related to employee benefits should be disclosed separately based on their nature. e.g. Provision for warranties etc.

(F) Short-term borrowings

This is the first line item under head current liabilities. Under Old Schedule VI, all the borrowings including short term borrowing were included under Loan Funds as Secured / unsecured Loans. However under Revised Schedule VI as well as Schedule III, the Short-term borrowings is inserted under current liabilities on the face of the Balance sheet.

As per para 6F of the General Instructions for Preparation of Balance Sheet, a company shall disclose the following with respect to Short-term borrowing in the Notes to Accounts:

Disclosure Requirement as per Schedule III	Analysis
(i) Short-term borrowings shall be classified as:	Short-term borrowings will include all loans repayable on demand / within

	a period of 12 months from the date of the loan. Current maturity of long-term borrowings should not be classified as short-term borrowing. They have to be classified under Other current liabilities.
(a) Loans repayable on demand From banks From other parties	Loans repayable on demand are always considered as short-term borrowing.
(b) Loans and advances from related parties.	For definition of related parties, refer to Chapter -9.
(c) Deposits.	These would include deposits accepted from public and inter corporate deposits which are in the nature of borrowings.
(d) Other loans and advances (specify nature).	Advances under this head should include those advances which are in the nature of loans.
(ii) Borrowings shall further be sub-classified as secured and unsecured. Nature of security shall be specified separately in each case.	Same disclosure was required earlier.
(iii) Where loans have been guaranteed by directors or others, the aggregate amount of such loans under each head shall be disclosed.	Earlier disclosure was for loans guaranteed by directors or managers, now it has been extended to directors or others i.e. not necessarily related person,however in normal course only an associated person can provide guarantee for a loan taken by company.
(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.	Same disclosure was required earlier. All defaults existing as at the date of the Balance Sheet should be disclosed (item-wise). Also refer to discussion made at point (c) (vii) earlier.

(G) Other current liabilities

This is the third line item under current liabilities. As per para 6G of the General Instructions for Preparation of Balance Sheet a company shall disclose the following in the Notes to Accounts:

Disclosure Requirement as per Schedule III	Analysis
The amounts shall be classified as:	Disaggregations of the aggregate amount shown on face of balance sheet as other current liabilities is to be given as under:
(a) Current maturities of long-term debt;	Same disclosure was required earlier.
(b) Current maturities of finance lease obligations;	Same disclosure was required earlier.
(c) Interest accrued but not due on borrowings;	Same disclosure was required earlier.
(d) Interest accrued and due on borrowings;	Earlier, it was shown as part of loan under Old Schedule VI but is required to be shown under other current liabilities under Revised Schedule Vi and Schedule III.
(e) Income received in advance;	The current portion of Income received in advance only is to be shown here.
(f) Unpaid dividends	Earlier also it was shown as current liability.
(g) 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 proposed to be issued, the amount of premium, if any, and	Share application money to the extent refundable should be shown under the head “Other Current Liabilities”. However Share application money not exceeding the issued capital and to the extent not refundable is to be disclosed on face of balance sheet between shareholder funds and non-current

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'	liabilities.
(h) Unpaid matured deposits and interest accrued thereon	Same disclosure was required earlier.
(i) Unpaid matured debentures and interest accrued thereon	Same disclosure was required earlier.
(j) Other payables (specify nature);	Other Payables may be in the nature of statutory dues such as Withholding taxes, Service Tax, VAT, Excise Duty etc.

(H) Short-term provisions

This is the fourth and last line item under head current liabilities and eventually the last line item on the Equity and Liability part of Balance Sheet.

As discussed earlier,provisions also are required to be bifurcated into long-term (non-current) and short-term (current) on the basis of the definitions of current / non-current liability given in Schedule III.

As per para 6H of the General Instructions for Preparation of Balance Sheet a company shall disclose the following in the Notes to Accounts:

Disclosure Requirement as per Schedule III	Analysis
The amounts shall be classified as:	Disaggregation's of the aggregate amount shown on face of balance sheet as Short-term provisions is to be given as under:
(a) Provision for employee benefits.	Provision for leave encashment / superannuation / gratuity to be settled within 12 months after the reporting date shall be shown here.
(b) Others (specify nature).	Others would include all provisions other than provisions for employee benefits such as Provision for dividend, Provision for taxation, etc. These amounts should be disclosed separately specifying nature thereof.

(I) Tangible assets

As per para 6G of the General Instructions for Preparation of Balance Sheet,a Company shall disclose the following in respect of Tangible Assets in the Notes to Accounts:

Disclosure Requirement as per Schedule III	Analysis
(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).	Same disclosure was required earlier. Name of Plant & Equipment and Furniture and Fixtures used (inspired from IFRS). Leasehold land and freehold land to be disclosed separately.

(ii) Assets under lease shall be separately specified under each class of asset.	Means assets given on operating lease in case of lessor and assets held under finance lease in case of lease. 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 and other adjustments and the related depreciation and impairment losses/reversals shall be disclosed separately.	Requirement of disclosure of acquisitions through business combinations and other adjustments and impairment losses / reversals in the reconciliation of opening and closing gross and net carrying amounts of Tangible Assets. Examples of other adjustments are capitalization of exchange differences where such option has been exercised by the Company and/or adjustments on account of exchange fluctuations for fixed assets in case of non-integral operations as per AS 11 and/or borrowing costs capitalised in accordance with AS 16. Such adjustments should be disclosed separately for each class of assets. It is pertinent to mention that such disclosures are not required for capital work in progress and intangible assets under development as for these items no disclosure requirements in notes to accounts have been prescribed.
(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,	Similar disclosure requirement was there earlier. Disclosure regarding revalued assets as required by AS 10 i.e. gross book value of revalued assets, method adopted to compute revalued

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.	amounts, nature of indices used, year of appraisal etc will have to be given as long as the asset is held by the company and not only for five years.

(J) Intangible assets

As discussed under head fixed assets the aggregate amount of tangible and intangible assets need to be provided separately on the face of the Balance Sheet.

As per para 6J of the General Instructions for Preparation of Balance Sheet a company shall disclose the following in respect of intangible Assets in the Notes to Accounts:

Disclosure Requirement as per Schedule III	Analysis
(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. (g) Others (specify nature). (i) Others (specify nature)	Similar disclosure requirement existed earlier in Revised Schedule VI.
(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	Requirement of disclosure of acquisitions through business combinations and other adjustments and impairment losses / reversals in the reconciliation of opening and

through business combinations and other adjustments and the related amortization and impairment losses/reversals shall be disclosed separately.	closing gross and net carrying amounts is retained.
(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.	It is pertinent to mention here that AS 26 Intangible Assets does not permit revaluation of intangible assets.

(K) Non-current investments

Under Schedule III the current and non-current investments are to be shown separately under relevant heads. Accordingly, Non-current investments are shown under head non-current assets. As per para 6K of the General Instructions for Preparation of Balance Sheet a company shall disclose the following in respect of non-current Investments in the Notes to Accounts:

Disclosure Requirement as per Schedule III	Analysis
(i) Non-current investments shall be classified as trade investments and other investments and further classified as:-	
(a) Investment property;	This term is taken from IFRS (IAS 40- Investment property)
(b) Investments in Equity Instruments;	Same disclosure was required.
(c) Investments in preference shares	Same disclosure was required.

(d) Investments in Government or trust securities;	Same disclosure was required.
(e) Investments in debentures or bonds;	Same disclosure was required
(f) Investments in Mutual Funds;	Same disclosure was required.
(g) Investments in partnership firms	Same disclosure was required. This disclosure is to be made if the company is a partner at the date of the balance sheet.
(h) Other non-current investments (specify nature)	Nature to be specified for each other non-current investments.
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.	Same disclosure was required. Details are required in respect of only closing balance. Further separate disclosure is required for (i) subsidiaries, (ii) associates, (iii) joint ventures, or (iv) controlled special purpose entities.
(ii) Investments carried at other than at cost should be separately stated specifying the basis for valuation thereof.	Same disclosure was required . As per AS 13, the long-term investments are usually carried at cost. However when there is a decline, other than temporary, in the value of a long-term investment, the carrying amount is to be reduced to recognize the decline. Accordingly, the basis of valuation

	could either be at cost less provision for other than temporary diminution or lower of cost and fair value.
(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	Same disclosure was required. As per AS 13, the value of each long-term investment should be carried at cost less provision for other than temporary dimunition in the value thereof. Accordingly, disclosure of amount after netting of provision is to be made for each long-term investment. However aggregate amount of such provision should also be separately disclosed to comply with the specific disclosure requirement.

(L) Long-term loans and advances.

This is one of the line items under head Non-current assets. The loans and advances are required to be classified into Long-term (non-current) and Short-term loans and advances (current). As per para 6L of the General Instructions for Preparation of Balance Sheet, a Company shall disclose the following in respect of Long-term loans and advances in the Notes to Accounts:

Disclosure Requirement as per Schedule III	Analysis
(i) Long-term loans and advances shall be classified as:	Same disclosure was required.
(a) Capital Advances;	These are advances given for procurement of fixed assets which are non-current assets. Typically, they cannot be realized in cash as it can only be converted into fixed assets, thus accordingly should be treated as non-current asset and disclosed here.
(b) Security Deposits;	Same disclosure was required.
(c) Loans and advances to related	The details needs to be given in

parties (giving details thereof);	accordance to AS 18, Related Party Disclosures.
(d) Other loans and advances (specify nature).	Examples : Advance Tax, prepaid expenses, not expected to be realized within next twelve months or operating cycle whichever is longer from the Balance Sheet date.
(ii) The above shall also be separately sub-classified as: (a) Secured, considered good; (b) Unsecured, considered good; (c) Doubtful.	Same requirement exist earlier.
(iii) Allowance for bad and doubtful loans and advances shall be disclosed under the relevant heads separately.	Same disclosure was required. The amount of allowance should be disclosed separately for each category of loans and advances.
(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.	Same requirement was there in Revised Schedule VI,

(M) Other non-current assets

This is the residual head under Non-current assets. As per para 6M of the General Instructions for Preparation of Balance Sheet,a company shall disclose the following in the Notes to Accounts:

Disclosure Requirement as per Schedule III	Analysis
Other non-current assets shall be classified as:	
(i) Long Term Trade Receivables (including trade receivables on deferred credit terms);	Same disclosure was required. Only non-current portion of amount

	due in respect of goods sold or services rendered in normal course of business is to be included here. Amount due under other contractual obligations like dues of insurance claims, sale of fixed assets, interest accrued on trade receivables etc are not shown as Trade Receivables. It is pertinent to mention here that the current portion of Trade receivables is shown on face of balance sheet under current assets, but the Long term trade receivables is not separately shown on face, but rather included in other non-current assets, however disclosure is made in the notes to accounts.
(ii) Others (specify nature)	Nature to be specified for each of other non-current asset.
(iii) Long term Trade Receivables, shall be sub-classified as:	
(i) (a) Secured, considered good; (b) Unsecured considered good; (c) Doubtful	Same as Revised Schedule VI.
(ii) Allowance for bad and doubtful debts shall be disclosed under the relevant heads separately.	Same disclosure was required. The amount of allowance should be disclosed separately for each category of loans and advances.
(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.	Same disclosure was required.

(N) Current Investments

This is the first line item in the head current assets. Under Schedule III, the current and non-current investments are to be shown separately under relevant heads. Accordingly Current investments are shown under head Current Assets. As per para 6N of the General Instructions for Preparation of Balance Sheet, a company shall disclose the following in respect of Current Investments in the Notes to Accounts:

Disclosure Requirement as per Schedule III	Analysis
(i) Current investments shall be classified as:	No requirement of classification between trade and non-trade as was under Non-current investments.
(a) Investments in Equity Instruments;	Same disclosure was required.
(b) Investment in Preference Shares	Same disclosure was required.
(c) Investments in government or trust securities;	Same disclosure was required.
(d) Investments in debentures or bonds;	Same disclosure was required.
(e) Investments in Mutual Funds;	Same disclosure was required.
(f) Investments in partnership firms	Same disclosure was required. This disclosure is to be made if the company is a partner at the date of the balance sheet.
(g) Other investments (specify nature).	Nature to be specified for each of the other investments.
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	Same disclosure was required. The details are to be disclosed in respect of only closing balance. Further, separate disclosure is required for (i) subsidiaries, (ii) associates, (iii) joint ventures, or (iv) controlled special purpose entities, whereas earlier such disclosure was required for bodies corporate under the same management.

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.	Same disclosure was required. As per AS 13 Accounting for Investments, the carrying amount for current investments is the lower of cost and fair value. If an active market exists as regards an item of current investments, the market value generally provides the best evidence of fair value.

(O) Inventories

As per Schedule III, Inventories are always current asset and accordingly, no line item of inventories exists under non-current assets. As per para 60 of the General Instructions for Preparation of Balance Sheet a company shall disclose the following in respect of inventories in the Notes to Accounts:

Disclosure Requirement as per Schedule III	Analysis
(i) Inventories shall be classified as:	Under Schedule III, there is no specific requirement for disclosure of inventory as non-current / current and its line item is provided only under current assets, accordingly Inventories should always be disclosed as current.
(a) Raw materials;	Same disclosure was required.
(b) Work-in-progress;	Same disclosure was required.
(c) Finished goods;	New line item, to be used by manufacturing entities for disclosing

	the stock of finished goods.
(d) Stock-in-trade (in respect of goods acquired for trading);	Same disclosure was required except that it is now to be used for depicting amount of stock of goods acquired for trading only as separate line item of finished goods provided for disclosure of stock of finished goods by manufacturing companies.
(e) Stores and spares;	Same disclosure was required.
(f) Loose tools;	Same disclosure was required.
(g) Others (specify nature).	Same disclosure was required.
(ii) Goods-in-transit shall be disclosed under the relevant sub-head of inventories.	Same disclosure was required.
(iii) Mode of valuation shall be stated.	Same disclosure was required. As per AS 2, valuation of Inventories, Inventories should be valued at lower of cost or net realizable value.

(P) Trade Receivables

As discussed earlier, but its classification of Trade Receivable amongst current / non-current is required. The term Trade receivables has been defined. The current portion of amount due covered as per definition of trade receivables are required to be disclosed as current assets on face of balance sheet and further as per para 6P of the General Instructions for Preparation of Balance Sheet, a company shall disclose the following in respect of such trade receivables in the Notes to Accounts:

Disclosure Requirement as per Schedule III	Analysis
(i) Aggregate amount of Trade Receivables outstanding for a period exceeding six months from the date they are due for payment should be separately stated.	Earlier, under Old Schedule VI, debts outstanding (from billing date) for period exceeding six months was to be disclosed separately, but under Revised Schedule VI as well as Schedule III Trade Receivables outstanding for a period exceeding six months from the date they are due for payment (i.e. billing date +

	credit period) should be separately stated.
(ii) Trade receivables shall be sub-classified as: (a) Secured, considered good; (b) Unsecured considered good; (c) Doubtful.	Similar sub-classification was required earlier also.
(iii) Allowance for bad and doubtful debts shall be disclosed under the relevant heads separately	Same disclosure was required. The amount of allowance should now be disclosed separately for each category of Trade Receivables i.e. Secured, considered good etc..
(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.	Same disclosure was required.

(Q) Cash and cash equivalents

These are always considered as part of current assets. As per para 6Q of the General Instructions for Preparation of Balance Sheet a company shall disclose the following in respect of cash and cash equivalents the Notes to Accounts:

Disclosure Requirement as per Schedule III	Analysis
(i) Cash and cash equivalents shall be classified as:	Same Terminology as earlier. Pertinent to state that cash and cash equivalents, is the term also used in AS 3 Cash Flow Statements.
(a) Balances with banks;	Same disclosure was required. No need of bifurcating the bank balances between scheduled and unscheduled banks.
(b) Cheques, drafts on hand;	Same disclosure was required.

(c) Cash on hand;	No change in disclosures.
(d) Others (specify nature);	Nature to be specified for each of other cash and cash equivalents.
(ii) Earmarked balances with banks (for example, for unpaid dividend) shall be separately stated.	Same disclosure was required.
(iii) Balances with banks to the extent held as margin money or security against the borrowings, guarantees, other commitments shall be disclosed separately.	Same disclosure was required However as per AS 3, Balances with banks to the extent held as margin money or security against the borrowings, cannot be included in cash and cash equivalents and accordingly as per Guidance Note need to be shown disclosed under sub-head "other bank balances". For this, it has been suggested by Guidance Note on Revised Schedule VI which still holds good, that on the face of Balance sheet instead of depicting cash and cash equivalents, the term cash and bank balances as used earlier be stated, which may be classified between cash and cash equivalents and other bank balances in the notes to accounts. The former should include the bank balances which are cash and cash equivalents as per AS 3 and other bank balances should form part of other bank balances.
(iv) Repatriation restrictions, if any, in respect of cash and bank balances shall be separately stated.	Same disclosure was required.
(v) Bank deposits with more than 12 months maturity shall be disclosed separately.	Same disclosure was required. However, it is interesting to note here that as per definition of the current / non-current assets FDRs having balance maturity period of

	more than 12 months as on balance sheet date should be treated as non-current asset, which view was also been taken in FAQs of ICAI (refer chapter 8) and accordingly cannot be shown as other bank balances also. It may be shown as other non-current assets.

(R) Short-term loans and advances

As discussed earlier, the current portion of loans and advances are required to be shown here. As per para 6R of the General Instructions for Preparation of Balance Sheet a company shall disclose the following in respect of Short-term loans and advances in the Notes to Accounts:

Disclosure Requirement as per Schedule III	Analysis
(i) Short-term loans and advances shall be classified as:	
(a) Loans and advances to related parties (giving details thereof);	Same disclosure was required. The details need to be given in accordance to AS 18, Related Party Disclosures.
(b) Others (specify nature).	Examples : Advance Tax, prepaid expenses, Cenvat Credit etc expected to be realized within next twelve months or operating cycle whichever is longer from the Balance Sheet date.
(ii) The above shall also be sub-classified as: (a) Secured, considered good; (b) Unsecured, considered good; (c) Doubtful.	Same disclosure was required.
(iii) Allowance for bad and doubtful loans and advances shall be disclosed under the relevant heads separately.	Same disclosure was required. The amount of allowance should now be disclosed separately for each category of loans and advances.

(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.	Same disclosure was required.

(S) Other current assets (specify nature).

This is a residual head under head current assets. As per para 6S of the General Instructions for Preparation of Balance Sheet. A company shall disclose the following in the Notes to Accounts:

Disclosure Requirement as per Schedule III	Analysis
This is an all-inclusive heading, which incorporates current assets that do not fit into any other asset categories.	Examples unbilled revenue, unamortized premium of forward contracts etc. In case any amount under this category is doubtful, it is advisable that such doubtful amount as well as provision made against same should be separately disclosed.

(T) Contingent liabilities and commitments (to the extent not provided for)

As per para 6T of the General Instructions for Preparation of Balance Sheet. A company shall disclose the following in the Notes to Accounts:

Disclosure Requirement as per Schedule III	Analysis
(i) Contingent liabilities shall be classified as:	For definition of Contingent liabilities refer to Chapter-9.
(a) Claims against the company not acknowledged as debt;	Same disclosure was required.
(b) Guarantees;	Same disclosure was required.

(c) Other money for which the company is contingently liable	Same disclosure was required.
(ii) Commitments shall be classified as: (a) Estimated amount of contracts remaining to be executed on capital account and not provided for;	Same disclosure was required.
(b) Uncalled liability on shares and other investments partly paid	Same disclosure was required.
(c) Other commitments (specify nature).	Same disclosure was required. As per Guidance Note on Revised Schedule VI of ICAI which still holds good for Schedule III, it would include non-cancellable revenue expenditure contractual commitments (i.e. cancellation of which will result in penalty disproportionate to the befits involved) based on professional judgment 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 the financial statements.

As per para 6U,V and W of the General Instructions for Preparation of Balance Sheet a company shall disclose the following in the Notes to Accounts:

Disclosure Requirement as per Schedule III	Analysis
U. The amount of dividends proposed to be distributed to equity and preference shareholders for the period and the related amount per share shall be disclosed separately.	Para 14 of the Accounting Standard 4, "Contingent and Events Occurring After the Balance Sheet Date" requires that dividends in respect of period covered by financial statements which

Arrears of fixed cumulative dividends on preference shares shall also be disclosed separately.	are proposed or declared after balance sheet date but before date of approval should be adjusted in accounts. Although Schedule III does not require provision for proposed dividend, however as the Accounting Standards have an overriding effect over Schedule III, accordingly companies will have to account for the same along with Dividend Distribution tax thereon, until revision to this effect is made in AS 4. Till revision of AS 4,the appropriation amount towards the proposed dividend along with tax on same would be shown as appropriation under sub-head “Surplus” under head “Reserves and Surplus” in the notes to accounts and provisions towards these items would be shown under head ‘Short Term Provisions’ under Current liabilities.
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.	Same disclosure was required.
W. 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, shall be stated	Same disclosure was required.

Other Issues

It is pertinent to mention here that under Revised Schedule VI as well as in Schedule III, the head of "Miscellaneous Expenditure to the extent written off or adjusted" under old Schedule VI has been dropped. Further, Schedule III does not contain any specific disclosure requirement for the unamortized portion of expense items such as share issue expenses, ancillary borrowing costs and discount or premium relating to borrowings which were earlier included under "Miscellaneous Expenditure".

Further 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.

Schedule III does not deal with any accounting treatment and the same 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 as per Guidance Note on Revised Schedule VI, an 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.

Chapter 6
Statement of Profit and Loss

The format and general instructions for preparation of the Statement of Profit and Loss have been provided in Part II of Schedule III .They are similar to those given in Revised Schedule VI. It may be noted here that under the old Schedule VI there was no format provided for the Statement of Profit and Loss and only requirements were provided. The format has no appropriation section attached to it as Schedule III requires for disclosure of allocations and appropriations such as dividend, bonus shares and transfer to / from reserves etc under subhead Surplus of head Reserves and Surplus in the Balance Sheet. The expenses are classified by nature and function based classification is not permitted.

It is pertinent to mention here that the format of Statement of Profit and Loss is not preceded by a note as in case of balance Sheet stating that the format provides minimum requirements of disclosure and reaffirming flexibility of format. However it is important to note that the note preceding the form of Balance Sheet also states the name of Statement of Profit and Loss and accordingly same flexibility should be applicable to Statement of Profit and Loss, which view is further corroborated by the fact that Note succeeding the General Instruction of preparation of Statement of Profit and Loss states that the Broad heads shall be decided taking into account the concept of materiality and presentation of true and fair view of Financial Statements.

For definition of various terms used herein, please refer Chapter 9.

The format is being reproduced as under along with analysis:-

PART II

STATEMENT OF PROFIT AND LOSS

Name of the Company…………………….

Profit and loss statement for the year ended ………………………

(Rupees in………..)

Particulars	Note No.	Figures as at end of current reporting period	Figures as at end of previous reporting period	Analysis
1	2	3	4	
I. Revenue from operations				Same disclosure was required earlier. Here revenue on account of company's main operating activity is shown. Separate disclosure of break up of the revenue need to be provided in the notes to accounts as per para 2(A) of the general instructions for preparation of Statement of Profit and Loss for a company other than finance company and as per para 2 (B) for a finance company. The relevant para with analysis thereof has been discussed later.
II. Other income				Same disclosure was

				required earlier. Here, other revenue not arising out of company's main operating activity is shown. Details regarding classification of other income has been provided in para 4 of General Instructions, such details need to be provided in the Notes to accounts. The relevant para with analysis thereof has been discussed later.
III. Total Revenue (I + II)				
IV. Expenses:				
Cost of materials consumed				Same disclosure was required earlier. This disclosure is required to be made by manufacturing companies and same would consist of consumption of raw material, packing material (where classified by company as raw materials) and other materials such as purchased intermediates and components which are consumed in the manufacturing

				activities of the company. It would also include semi finished goods purchased for processing and subsequent sale. Further, disclosure of raw materials and goods purchased under broad heads is also required in Notes to accounts as per para 5 (ii)(a)(1) and (2) of general instructions for preparation of statement of profit and loss. The relevant paras with analysis thereof have been discussed later.
Purchases of Stock-in-Trade				Same disclosure was required earlier. This is applicable to trading companies and would comprise of goods purchased normally with the intention to resell or trade in, without any processing / manufacture at their end. Further disclosure of purchases in respect of goods traded in by the company under broad heads is also

				required in Notes to accounts as per para 5 (ii)(b)of general instructions for preparation of statement of profit and loss. The relevant para with analysis thereof has been discussed later.
Changes in inventories of finished goods work-in progress and Stock-in-Trade				Same disclosure was required earlier. This represents the difference between opening and closing inventories of finished goods, work-in-progress and stock-in-trade. Such differences would be shown separately for finished goods, work-in-progress and stock-in-trade. No further disclosure requirement in the notes to accounts for this item is there in the general instructions for preparation of statement of profit and loss.
Employee benefits expense				Same disclosure was required earlier. The aggregate amount is shown here, however the break up of the same

				is required to be disclosed in the notes to accounts as per para 5 (i) (a) of the general instructions for preparation of statement of profit and loss. The relevant para with analysis thereof has been discussed later.
Finance costs				Same disclosure was required earlier. The aggregate amount is shown here, however the break up of the same is required to be disclosed in the notes to accounts as per para 3 of the general instructions for preparation of statement of profit and loss. The relevant para with analysis thereof has been discussed later.
Depreciation and amortization expense				Same disclosure was required earlier. The term amortization has been added to the term depreciation. The term amortization refers to systematic allocation of the depreciable amount of an intangible asset over its useful life.

				Further additional information is required to be disclosed in the notes to accounts as per para 5 A(b) of general instructions for preparation of statement of profit and loss. The relevant para with analysis thereof has been discussed later. Depreciation and amortization expenses need to be arrived at as per Section 123 and Schedule II of the Companies Act, 2013 (earlier Schedule XIV of Companies Act, 1956) . Under Schedule II, mode of amortization of intangible assets provided and useful life of various assets have been given (instead of % depreciation given earlier).
Other expenses				Expenses not covered above are required to be aggregated here. Examples of other expenses are consumption of stores

				and spare parts, power and fuel rent, repairs, insurance etc. Para 5 (vi) of general instructions provides that expenditure incurred on certain items to be shown separately by way of notes in which new addition is separate disclosure of expenditure incurred on corporate social responsibility activities under Section 135 of the Companies Act, 2013.
Total expenses				
V. Profit before exceptional and extraordinary items and tax (III-IV)				
VI. Exceptional items				Same disclosure was required earlier. Here total impact of the exceptional items like 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 are to be shown.
VII. Profit before extraordinary items and tax (V - VI)				
VIII. Extraordinary Items				Same disclosure was required earlier. Here total impact of the extraordinary items like expense related to previous periods, arising out of long term settlement with the employees, loss due to fire etc are to be shown.
IX. Profit before tax (VII- VIII)				
X Tax expense: (1) Current tax (2) Deferred tax				Same disclosure was required earlier. AS 22 " Accounting for Taxes on Income" to be followed.
XI. Profit (Loss) for the period from continuing operations (VII-VIII)				
XII Profit/(loss) from discontinuing operations				Same disclosure was required earlier. This disclosure is in accordance with Para 32(a) of AS-24 "Discontinuing
XIII. Tax expense				

of discontinuing operations				Operations”
XIV. Profit/(loss) from Discontinuing operations (after tax) (XII-XIII)				
XV. Profit (Loss) for the period (XI + XIV)				This represents the profit after tax. As discussed earlier the 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.
XVI. Earnings per equity share: (1) Basic (2) Diluted				The same is to be disclosed as per AS 20 “ Earning per share”.
See accompanying notes to the financial statements				

General Instructions for Preparation of Statement of Profit and Loss

Disclosure Requirement as per Schedule III	Analysis
1. The provisions of this Part shall apply to the income and expenditure account referred to in sub-section (ii)	The companies not carrying on the business for profit, shall be preparing income and expenditure account as

of clause (40) of Section 2, in like manner as they apply to a statement of profit and loss.	per Part II, wherein the references to statement of profit and loss, profit and loss shall be construed as income and expenditure account, the excess of income over expenditure and excess of expenditure over income. There was same requirement under Revised Schedule VI.
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; (c) other operating revenues; Less: (d) Excise duty.	Same disclosure was required earlier. As per AS-9 "Revenue Recognition", the disclosure of Excise Duty needs to be shown on the face of the Statement of Profit and Loss. As Accounting Standards override the Revised Schedule VI, accordingly Excise Duty needs disclosure on face of Statement of P&L, instead of in notes. Further, the amount of VAT should not be included in Revenue. Also other indirect taxes like service tax, purchase tax etc shall also not be included in revenue where the entity is acting as an agent. Other operating revenues are revenues arising out of the company's main operating activity e.g. sale of manufacturing scrap.
(B) In respect of finance company, revenue from operations shall include revenue from (a) Interest; and (b) Other financial services Revenue under each of the above heads shall be disclosed separately by way of Notes to Accounts to the	The same disclosure was required earlier. Finance Companies are companies carrying on activities which are in nature of "business of non-banking financial institution" as defined under section 45I(f) of the Reserve Bank of India Act, 1935. Interest is a charge on loan. Other

extent applicable.	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.
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.	The same disclosure was required earlier. This disclosure is in consonance with AS 16 "Borrowing Costs" requirements. '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. Costs as per AS 16 need to be separately quantified and disclosed in the notes to accounts and cannot be included in interest or other borrowing costs.
4. Other income Other income shall be classified as:	The same disclosure was required earlier. These includes such incomes which are arising from activities other than company's main operating activity. The disaggregations of the other income as appearing on face of statement of profit and loss needs to be provided here.
(a) Interest Income (in case of a company other than a finance company);	Same disclosure was required earlier. Interest income of a finance company is covered under revenue from operations, and therefore only interest income of companies other

	than finance companies are included here. e.g. interest on fixed deposits, interest on overdue amounts of trade receivables etc. Further additional information regarding aggregate of interest income is required to be given by way of notes as per para 5(i)(d) of general instructions for preparation of statement of profit and loss. The relevant para with analysis is discussed later.
(b) Dividend Income;	Same disclosure was required earlier. The dividend income should be recognized once the right to receive of same has been established i.e. when it is approved by the shareholders at the Annual General Meeting of the investee company. Further as per para 5 (i) (f) additional information regarding dividend income is required to be disclosed by way of notes. Also as per para 5 (vii) (a) dividend from subsidiaries companies are also required to disclosed separately in the notes to accounts. The relevant paras with analysis are discussed later.
(c) Net gain/loss on sale of investments	The same disclosure was required earlier. Net gain / loss on sale of investments are required to be disclosed here. Investments are assets held by an enterprise for earning income by way of dividends, interest, and rentals, for capital appreciation, or for other benefits to

	the investing enterprise but excludes stock-in-trade. Additional information regarding aggregate gain / loss is also required to be disclosed by way of notes as per requirement of para 5 (i) (g).
(d) Other non-operating income (net of expenses directly attributable to such income).	Same disclosure was required earlier. The expenses netted off to be separately disclosed. While disclosing this item para 5 (i) (c) is to be considered which states that any item of income which exceeds one percent of revenue from operations or Rs 1,00,000/- whichever is higher should be disclosed by way of notes.
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].	Same disclosure was required earlier. The expenses on Employee Stock Option Scheme (ESOP) and Employee Stock Purchase Plan (ESPP) should be determined for in accordance with the Guidance Note on Accounting for Employee Share based Payments and / or the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as applicable. All disclosures under said Guidance Notes also needs to be made.
(b) Depreciation and amortization	The same disclosure was required

expense;	earlier. As aggregate amount is shown on the face of Statement of Profit and Loss, the breakup of the same between depreciation and amortization is required to be disclosed here by way of notes. Normally these details are already there in the notes regarding fixed assets (tangible and intangible assets) and accordingly on the face of Statement of profit and Loss against this item, the relevant note number of fixed assets may be indicated. Depreciation and amortization expenses need to be arrived at as per Section 123 and Schedule II of the Companies Act, 2013 (earlier Schedule XIV of Companies Act, 1956) . Under Schedule II, mode of amortization of intangible assets provided and useful lifes of various assets have been given (instead of % depreciation given earlier).
(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;	The same disclosure was required earlier.
(d) Interest Income;	The same disclosure was required earlier. The aggregate of interest income is to be classified as other income and disclosed as notes. Here additional information regarding aggregate income is required to be disclosed by way of notes.
(e) Interest Expense;	The same disclosure was required

	earlier. The aggregate of interest expense is to be classified as finance costs and disclosed as notes. Here additional information regarding aggregate interest expense is required to be disclosed by way of notes.
(f) Dividend Income;	The same disclosure was required earlier. The aggregate of dividend income is to be classified as other income and disclosed as notes. Here additional information regarding aggregate dividend Income is required to be disclosed by way of notes.
(g) Net gain/ loss on sale of investments;	The same disclosure was required earlier. The aggregate of Net gain/ loss on sale of investments is to be classified as other income and disclosed as notes. Here additional information regarding its aggregate amount is required to be disclosed by way of notes.
(h) Adjustments to the carrying amount of investments;	The same disclosure was required earlier. As per AS 13 " Accounting for Investments" The carrying amount for current investments is the lower of cost and fair value. Further Long-term investments are usually carried at cost. However, when there is a decline, other than temporary, in their value, the carrying amount is reduced to recognize the decline. Although no guidance has been provided in the Schedule regarding the head wherein such loss would be included but same may be shown

	separately in the notes as part of head “other expenses’.
(i) Net gain or loss on foreign currency transaction and translation (other than considered as finance cost);	The same disclosure was required earlier. Net gain or loss on foreign currency transaction and translation (other than considered as finance cost) to the extent charged to profit and loss account and arrived at as per AS 16 “The Effects of Changes in Foreign Exchange Rates” are to be disclosed here. Although no guidance has been provided in the Schedule regarding the head wherein such gain / loss would be included but generally such gains are to be shown separately in the notes as part of sub-head “other non-operating income” under main other income. The losses would be included under head “other expenses’.
(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, (f) for reimbursement of expenses;	The same disclosure was required earlier. The said disclosure was required earlier also, however separate line item of reimbursement of expenses has been added. Although no guidance has been provided in the Schedule regarding the head wherein such payments would be included but same may be shown separately in the notes as part of head “other expenses’.
(k) In case of Companies covered under section 135, amount of expenditure incurred on corporate social responsibility activities;	This is a new disclosure requirement as earlier in Companies Act, 1956 there was no requirement of incurring CSR expenses. Although only the Public Sector Companies

	were required under the DPE Guidelines to incur such expenses. As per Section 135 of the Companies Act, 2013 every company having net worth of Rs 500 crore or more, or turnover of Rs 1000 Crore or more or a net profit of Rs 5 crore or more during any financial year is required to inter alia spend every year at least 2% of the average net profits of the company made during the three immediately preceding financial years. In this respect Companies (Corporate Social Responsibility Policy) Rules,2014 have also been notified. As per Section 135, the 2% of average last 3 years profit before tax is required to spend on CSR activities. However in the CSR Rules the Net Profit is defined as Net Profit as per financial statement and therefore it appears to be the Profit after Tax. Accordingly there is confusion in this regard and the Ministry of Corporate Affairs need to clarify in this regard. Otherwise in normal parlance always the Act will override the Rules.
(l) Details of items of exceptional and extraordinary nature;	The same disclosure was required earlier. The aggregate of exceptional and extraordinary items are shown on the face of Statement of Profit and Loss. The additional information regarding this aggregate amount also needs to be disclosed by way of notes.
(m) Prior period items;	The same disclosure was required earlier.

	As per para 15 of AS 5 “Net Profit or Loss for the period, Prior Period and Extraordinary Items and Changes in Accounting Policies”, The nature and amount of prior period items should be separately disclosed in the statement of profit and loss in a manner that their impact on the current profit or loss can be perceived. It is important to note that only such incomes or expenses which arise in the current year as a result of error or omission in the preparation of financial statement of one or more prior periods are shown as prior period items. Any item of income or expenses pertaining to earlier years but crystallized in the subsequent year should not be regarded as prior period item. Under Schedule III, information regarding aggregate expenditure and income on the prior period items is not required to be disclosed on the face of Statement of P&L but same needs to be disclosed by way of notes. However the companies may continue showing the prior period items as a separate head on face of Statement of Profit and Loss for better presentation instead of disclosure in notes.
(ii) (a) In the case of manufacturing companies,- (1) Raw materials under broad heads. (2) goods purchased under broad	The same disclosure was required earlier. Further,as per Guidance Note on Revised Schedule VI, a company may disclose the following under

heads.	broad heads:- i) Consumption of major items of raw materials (including other items classified as raw material such as intermediaries / components / packing material). ii) Goods purchased for trading (if any). iii) It is suggested to disclose major items of opening and closing stock. (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. Normally 10% of total value of sales / services, purchase of trading goods and consumption of raw material is considered as an acceptable threshold for determination of broad heads. The suggested disclosure in tabular format has also been provided at page no 75-77 of the Guidance Note on Revised Schedule VI.
(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.	
(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 liability, contingency or commitment known to exist at the date as to which the balance sheet is made up.	The same requirement prevailed under Schedule VI. The reserves created / withdrawn are not to be reflected on the face of Statement of Profit and Loss and they should be disclosed under sub head Surplus of main head Reserve and Surplus.
(b) The aggregate, if material, of any amounts withdrawn from such	The provisions made for meeting specific liabilities, contingencies or

reserves.	commitments need to be included in the relevant head to which it pertains. For Example creation of employee related provisions is to be included under head employee benefit expense.
(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,	The same disclosure was required under Schedule VI. All these expenses are to be disclosed under head 'other expenses'.
(vii) (a) Dividends from subsidiary companies.	The dividend from subsidiaries would be included under sub head 'Dividend Income' under main head 'Other Income'. Old Schedule VI specifically required parent (holding) companies to recognize dividend declared by subsidiary companies even if declared after the Balance Sheet date if they relate to the period covered by the financial statements. The Revised Schedule VI as well as Schedule III does not have such requirement, accordingly such dividends should be recognized in accordance to AS 9 " Revenue

	Recognition" when right to receive has been established on or before the balance sheet date. Normally, the such right is established on approval of dividend by the shareholders at the AGM of the investee company.
vii (b) Provisions for losses of subsidiary companies.	The same disclosure was required earlier. As per AS 13 "Accounting for Investments" a provision in respect of losses made by subsidiary companies is made only when the same results in an other than temporary diminution in the value of investments in the subsidiary.
(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;	The same disclosure was required under Schedule VI. The said disclosure is required to be made in Indian Rupees on accrual basis irrespective of payment. Further, it is not linked with the consumption of the material or utilization of capital goods. Imports wherein entire payment has been structured in Indian Rupees, without involvement of foreign currency also needs to be disclosed. The value of imports (only direct imports) are calculated on CIF basis i.e. inclusive of cost, insurance, freight.
(b) Expenditure in foreign currency during the financial year on account of royalty, know-how, professional	The same disclosure was required under Schedule VI. The said disclosure is required to be

and consultation fees, interest, and other matters;	made in Indian Rupees on accrual basis irrespective of payment. The gross expenditure (including TDS) may be disclosed here.
(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;	The same disclosure was required under Schedule VI. This value should match with the total consumption shown in the Statement of Profit and Loss inclusive of figure of consumption charged to other heads of account.
(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;	The same disclosure was required under Schedule VI. Here the disclosure is on cash basis instead of accrual basis.
(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	The same disclosure was required under old Schedule VI. The said disclosure is required to be made in Indian Rupees on accrual basis irrespective of receipt. The gross income (including TDS) may be disclosed here.
Note:-Broad heads shall be decided taking into account the concept of materiality and presentation of true and fair view of Financial Statements".	The same note existed in Revised Schedule VI and it corroborates the inherent character of flexibility provided under Revised Schedule VI which has been continued under Schedule III.

Chapter 7

General Instructions for Preparation of Consolidated Financial Statements

The striking difference between Revised Schedule VI to Companies Act, 1956 and Schedule III to Companies Act, 2013 is insertion of the General Instructions for preparation of Consolidated Financial Statements in Schedule III.

Now let us go through these instructions and analyze the additional disclosures required by the same.

Disclosure Requirement as per Schedule III	Analysis
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 the information as per the requirements specified in the applicable Accounting Standards including the following:	As per Section 129(3) of Companies Act, 2013, if a Company has one or more subsidiaries, it prepares consolidated financials statements in addition to stand alone financial statement. The Revised Schedule VI didn't specifically stated that it is applicable on the Consolidated Financial Statements. However the Schedule III specifically states that its requirement are also applicable on the consolidated financial statements i.e. such statements are also required to be presented as per the Schedule III. Further, it is mandated that disclosure requirement s of the accounting standards also need to be fulfilled which is in line with overall spirit of Schedule III which provides supremacy to the accounting standards. Consolidated financial statements are prepared in accordance with the

	applicable accounting standards. Presently, the following accountings standards are applied for purposes of consolidation. Accounting Standards are AS-21 "Consolidated Financial Statements- Meaning of subsidiary under this standard is in conflict with that of definition of subsidiary given in Section 2(87) of the Companies Act, 2013 . AS-23 " Accounting for Investment in associates in Consolidated Financial Statements" – Meaning of associate under this standard is in conflict with that of definition of subsidiary given in Section 2(6) of the Companies Act, 2013. AS-27 "Financial Reporting of interests in Joint Ventures"- If under such accounting standards, consolidation is not required for the reason that the company has its immediate parent outside India, view appears that such companies will also be required to prepare Consolidated Financial Statements in the manner and format as specified under Schedule III in light of Section 129(3) of Companies Act, 2013. AS 21, 23 and 27 provides for certain exclusions regarding consolidation, however Section 129(3) mandates consolidation of all subsidiaries. This creates a confusing situation, since it is felt that the application of accounting standard as stated in section 133 in preparation of financials statements does not have

	an overriding effect on provisions of Companies Act. This overriding effect is limited to presentation of financial statements under Schedule III.
(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.	This is also in line with the requirement of AS 21 according to which while calculating the Minority Interest, share of minority in net profit of consolidated subsidiaries for the reporting period should be calculated and charged against the consolidated profit; consequently balance profit after charging minority interest represents the parent (holding companies) share of profit which will be shown under the head "Reserve & Surplus" in consolidated balance sheet.
(ii) "Minority interests" in the balance sheet within equity shall be presented separately from the equity of the owners of the parent.	Minority Interests means the portion of the net assets of the subsidiary on the date of consolidation not controlled by the parent itself or through its subsidiary. As per AS 21 it is required to be shown separately and in line with the accounting standard the Schedule III also mandates that Minority interests in the balance sheet within equity shall be presented separately from the equity of the owners of the parent.

<table>
<tr>
<td>
2. In Consolidated Financial Statements, the following shall be disclosed by way of additional information:
<table>
<tr><th rowspan="2">Name of the entity in the</th><th colspan="2">Net Assets, i.e., total assets minus total liabilities</th><th colspan="2">Share in profit or loss</th></tr>
<tr><th>As % consolidated net assets</th><th>Amt</th><th>As % consolidated profit or loss</th><th>Amt</th></tr>
<tr><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr>
<tr><td>Parent
Subsidiaries
Indian
1.
2.
3.
Foreign
1.
2.
3.</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Minority Interests in all subsidiaries
Associates (Investment</td><td></td><td></td><td></td><td></td></tr>
</table>
</td>
<td>The said disclosure has been introduced for the first time and it needs to be disclosed in the Consolidated Financial Statements by way of additional information.</td>
</tr>
</table>

	as per the equity method) Indian 1. 2. 3. . . Foreign 1. 2. 3.						
	Joint Ventures (as per proportio nate consolid ation/ investme nt as per the equity method) Indian 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.	It has specifically been mandated that all subsidiaries, associates and joint ventures (whether Indian or foreign) will be covered under consolidated financial statements. Needless to say that the requirements of AS 21, 23 and 27 needs to be followed. Certain exclusions are available in the aforesaid standards as to which cases consolidation is not required. In such case, the requirement of AS would override this para and no consolidation is required. However, the non consolidation need to be reported in the succeeding para.
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.	In case any subsidiaries or associates or joint ventures have not been consolidated in the consolidated financial statements such an entity shall disclose the list of such entities along with the reasons for not consolidating viz exclusion under the accounting standard etc.

Chapter 8
Cash Flow Statements

Introduction

As stated earlier, the term “Financial statement” as defined under section 2(40) of the Companies Act, 2013 includes Cash Flow statement. However, as discussed earlier no format for said statement is available in Schedule III but there is no cause of any concern as cash flow statements are regulated by Accounting Standard (AS) 3 “ Cash Flow Statement” which mandates principles regarding preparation and its presentation.

Cash Flow Statement, as we all know is information to user of financial statement and it exhibits the flow of incoming and outgoing cash. This statement assesses the ability of the enterprise to generate cash and utilize cash. This statement is one of the tools for assessing the liquidity and solvency of the enterprise.

Conflicting Exemptions under Accounting Standard vs. Companies Act, 2013

As per Companies (Accounting Standard) 2006, AS 3 does not apply to small and medium companies. Whereas on the other hand proviso to Section 2(40) to Companies Act, 2013 states that the financial statements with respect to One Person Company, small company and dormant company, may not include the cash flow statement. The exemptions given under AS 3 and Companies is not same. To identify the difference let us first go through the exemptions provided in AS 3. As per Companies (Accounting Standard) Rules, 2006, AS 3 is not applicable on Small and Medium Companies (SMCs).

As per rule 2(f) of the above Rules, SMCs are those companies which satisfy all the following five conditions namely:

Companies whose equity or debt securities are neither listed nor in process of listing whether in India or outside India.

The Company is not a Bank or Financial Institution or Insurance Company.

The Company does not have turnover in excess of Rs 50 crore in immediately preceding accounting year

The Company does not have borrowings in excess of Rs 10 crores in immediately preceding accounting year

The company is not a Holding and subsidiary enterprise of non SMC.

But, as stated earlier as per Companies Act, 2013 cash flow statement may not be required to be prepared by a One Person Company, small company and dormant company. As per AS 3 there is concept of blanket exemption to one person company and dormant company. Further a small company has been defined by Companies Act, 2013 as a Company other than a public company-

Paid-up share capital of which does not exceed Rs 50 lakh or such higher amount as may be prescribed which shall not be more than Rs 5 crores.

Turnover of which as per its last profit and loss account does not exceed Rs 2 crores or such higher amount as may be prescribed which shall not be more than Rs 20 crores.

In case of a company having turnover of above Rs 2 crores Cash Flow Statement is required to be prepared as per Companies Act, 2013, however on the contrary, under AS 3 as the limit is Rs 50 crores thus need not prepare Cash Flow Statement. Further similar is the case of limit of borrowing.

Further, only size limit is there in Companies Act, 2013 whereas under AS 3 if a Company listing its shares is required to prepare Cash Flow Statement irrespective of the turnover or borrowing.

Accordingly, both the situations may occur i.e. Cash Flow Statement is required to be prepared as AS 3 but not as per Companies Act, 2013or the other way round i.e. required under Companies Act, 2013 but not required under AS 3. In view of the author, Cash Flow Statement may be prepared if either under Companies Act, 2013 or AS 3 it is required to be prepared.

However it expected that soon under Accounting Standards that will be notified under Section 133 of the Companies Act, 2013, this contradiction would be removed.

Important definitions

Cash: As per Para 5.1 of AS 3 Cash comprises cash on hand and demand deposits with banks.

Cash equivalents: As per Para 5.2 of AS 3, Cash equivalents are 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.

Cash flows: According to para 5.3 of AS 3 Cash flows are inflows and outflows of cash and cash equivalents.

It is recommended that for all the definitions please see the Accounting Standard (AS) -3 which is also available on the ICAI website.

Heads of Cash Flow Statement

Cash Flow statement explains cash movement under the following three different heads namely:

(i) Cash flow from operating activities: they are principal revenue producing activities of the enterprises

Examples:

Cash receipt from sale of goods, royalties, fees, commission, other revenue.

Cash payments to suppliers for goods and services. etc.

(ii) Cash flow from investing activities: The activities of acquisition and disposal of long term assets and other investments not included in cash equivalents are investing activities.

Examples:

(a) cash payments to acquire fixed assets (including intangibles) including payments relating to capitalization, Research and development costs and self constructed fixed asset.

(b) Cash receipt from disposal of fixed assets (including intangibles).

(c) Cash payments to acquire shares, warrants or debt instruments of other enterprises etc.

(d) Cash receipts from disposal of shares, warrants or debt instruments of other enterprises etc.

(e) from sale of goods, royalties, fees, commission, other revenue.

(iii) Cash flow from financing activities: Are those activities which result in change in the size and composition of owners capital and borrowing of the organization. It includes receipt from issuing shares, debentures, bonds, borrowing and repayment of borrowed amount, loan etc.

Methods of preparing cash flow statements

Since the Companies Act, 2013 does not lay down any format for preparation of cash flow statement, companies will need to follow AS 3 in this regard.

Two methods for preparing the cash flow statement are stated in AS 3, which are as under:-

Direct method: In this method, gross receipts and gross payments of cash are disclosed.

Indirect method: In this method, profit and loss account is adjusted for the effects of transaction of non cash nature.

In respect of listed companies, the listing agreement requires the indirect method for preparing cash flow statements. Thus, under the Companies Act, 2013, non-listed companies will have a choice of either applying the direct or indirect method under AS 3 to prepare the cash flow statement. Due to the listing agreement requirement, that choice will not be available to listed companies.

Impact of Schedule III on cash flow statement

(a) Change in nomenclature in the Schedule III.

In Schedule III the terms like Trade Receivables and Trade Payables are used whereas in the Cash Flow Statement AS 3 the terms used are Sundry Debtors and Sundry Creditors. As the line items / headings used in cash flow statement should be in sync with those used in other parts of the financial statements. Accordingly, the cash flow statement should also use the terms used in financial statement i.e. trade receivables or trade payables.

(b) Depiction of current, non-current bifurcation in cash flow statement

AS 3 Cash Flow Statements does not mandate presentation of current and non-current components of assets and liabilities. Nor is such presentation required in Schedule III or Companies Act, 2013. Hence, it is not mandatory for a company to present separate movement / inflows and outflows from current and noncurrent components of various line items separately.

Chapter 9

Statement of Changes in Equity

Introduction

As discussed earlier the term “Financial statement” as defined under section 2(40) of the Companies Act, 2013 includes Statement of Changes in Equity. It is for the first time in the accounting history that such a statement has been introduced as part of financial statements in India and this concept has been bought in from IFRS wherein as per International Accounting Standard 1 on Presentation of Financial Statements, preparation of Statement of Changes in equity is required. Although a part of such disclosure was introduced in Revised Schedule VI earlier wherein a reconciliation of number of shares at beginning and at the end of the year was required and Guidance Note of ICAI stated that the amounts may also be indicated therein. But now under the regime of Companies Act, 2013 it has been fully introduced. However it interesting to note that neither any format for said statement is available in Schedule III nor any definition or explanation regarding the same is available.

Understanding Statement of Changes in Equity

As such, for understanding what a Statement of changes in equity is,we need to take guidance from the IFRS which is the source of this statement. The statement of changes in equity explains the movement in various equity accounts namely equity share capital account, securities premium account, general reserve account, profit and loss account, various accounts reflecting capital reserve, debenture redemption reserve, capital redemption reserve, deposit redemption reserve, tax reserve, revaluation reserve etc. Statement of changes in equity is comprehensive statement that displays share capital and reserve and minority interest in case of consolidated financials statements in columnar form that gives a Bird’s Eye view of shareholders equity and movement thereof during the year. As discussed earlier this statement has been inserted in view to align the financial statements in India with those under IFRS wherein it is to be given for each component of equity and a reconciliation is made between the carrying amount at the beginning and the end of the period, separately disclosing each change. In IFRS based financial statements there would be fair value reserves like Revaluation Reserves arising out of recognition of unrealized gain or loss in other comprehensive income. However, the concept of other comprehensive income does not exist currently in India and such reserves are directly considered as part of Reserves instead of being routed through other comprehensive income.

Statement of Changes in Equity under Companies Act, 2013

As discussed earlier that neither any format for said statement is available in Schedule III nor any definition or explanation regarding the same is available. Further, to increase the dilemma, if (see Section 2(40))it has been stated that Statement of changes of equity is included in financial statement, **if applicable.** This means that such statement is not required to be prepared by all the Companies and is to be prepared and disclosed only if it is applicable to them. However no notification / Rule has been prescribed till publication of this book which specifies the Companies which need to prepare this statement. It is expected that notification in this regard would soon be made by the Central Government to clear the confusion in this regard or perhaps the government is seeking to perhaps the Government is seeking to make the application of Ind. AS, which now converges with IFRS, mandatory in the preparation of such statements

Illustrative Statement of Changes in Equity

For the benefit of the readers an Illustrative Statement of Changes in Equity of some of the leading Companies namely Shell and Infosys, prepared under IFRS is given below:-

(a) INFOSYS

Infosys Limited and subsidiaries
Consolidated Statements of Changes in Equity

(In ` crore except share data)

Shares (*)	Share capital	Share premium		Retained earnings	Other components of equity	Total equity attributable to equity holders of the Company
Balance as of	57,13,17,959	286	3,082	23,826	109	27,303

April 1, 2011						
Changes in equity for the year ended March 31, 2012						
Shares issued on exercise of employee stock options	78,442	—	6	—	—	6
Income tax benefit arising on exercise of share options	—	—	1	—	—	1
Dividends (including corporate dividend tax)	—	—	—	(2,326)	—	(2,326)
Fair value changes on available-for-sale financial assets, net of tax effect	—	—	—	—	(8)	(8)
Net profit	—	—	—	8,316	—	8,316
Exchange differences on translating foreign operations	—	—	—	—	169	169
Balance as of March 31, 2012	57,13,96,401	286	3,089	29,816	270	33,461
Balance as of	57,13,96,401	286	3,089	29,816	270	33,461

April 1, 2012						
Changes in equity for the year ended March 31, 2013						
Shares issued on exercise of employee stock options	6,165	—	1	—	—	1
Dividends (including corporate dividend tax)	—	—	—	(3,123)	—	(3,123)
Fair value changes on available-for-sale financial assets, net of tax effect	—	—	—	—	3	3
Net profit	—	—	—	9,421	—	9,421
Exchange differences on translating foreign operations	—	—	—	—	34	34
Balance as of March 31, 2013	57,14,02,566	286	3,090	36,114	307	39,797

(b) SHELL

Royal Dutch Shell plc Annual Report and Form 20-F 2013							
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY						$ MILLION	
	Equity attributable to Royal Dutch Shell plc shareholders						
	Share capital (see Note 21)	Shares held in trust (see Note 22)	Other reserves (see Note 23)	Retained earnings	Total	Non-controlling interest	Total equity
At January 1, 2013	542	(2,287)	(3,752)	1,80,246	1,74,749	1,433	1,76,182
Comprehensive income for the period	–	–	1,872	16,371	18,243	23	18,266
Capital contributions from, and other changes in, non-controlling interest	–	–	–	18	18	(103)	(85)
Dividends paid (see Note 24)	–	–	–	(11,338)	(11,338)	(252)	(11,590)
Scrip dividends (see Note 24)	12	–	(12)	4,140	4,140	–	4,140
Repurchases of shares	(12)	–	12	(5,757)	(5,757)	–	(5,757)
Shares held in trust: net sales and dividends received	–	355	–	126	481	–	481
Share-based compensation	–	–	(157)	(332)	(489)	–	(489)

At December 3, 2013	542	(1,932)	(2,037)	1,83,474	1,80,047	1,101	1,81,148
At January 1, 2012, restated	536	(2,990)	(1,961)	1,62,895	1,58,480	1,486	1,59,966
Comprehensive income for the period, restated	–	–	(2,242)	26,712	24,470	300	24,770
Capital contributions from, and other changes in, non-controlling interest	–	–	–	39	39	(61)	(22)
Dividends paid (see Note 24)	–	–	–	(10,955)	(10,955)	(292)	(11,247)
Scrip dividends (see Note 24)	9	–	(9)	3,565	3,565	–	3,565
Repurchases of shares	(3)	–	3	(1,728)	(1,728)	–	(1,728)
Shares held in trust: net sales and dividends received	–	703	–	150	853	–	853
Share-based compensation	–	–	457	(432)	25	–	25
At December 31, 2012, restated	542	(2,287)	(3,752)	1,80,246	1,74,749	1,433	1,76,182
At January 1,	529	(2,789)	2,534	1,40,179	1,40,453	1,767	1,42,220

2011, restated							
Comprehensive income for the period, restated	–	–	(4,576)	30,826	26,250	(348)	25,902
Capital contributions from, and other changes in, non-controlling interest	–	–	–	41	41	505	546
Dividends paid (see Note 24)	–	–	–	(10,457)	(10,457)	(438)	(10,895)
Scrip dividends (see Note 24)	10	–	(10)	3,580	3,580	–	3,580
Repurchases of shares	(3)	–	3	(1,106)	(1,106)	–	(1,106)
Shares held in trust: net (purchases)/sales and dividends received	–	(201)	–	142	(59)	–	(59)
Share-based compensation	–	–	88	(310)	(222)	–	(222)
At December 31, 2011, restated	536	(2,990)	(1,961)	1,62,895	1,58,480	1,486	1,59,966
The Notes form an integral part of these Consolidated Financial Statements.							

Chapter 10

Current, Non-Current Classification – Practical Application

The Schedule III has maintained the concept of classified balance sheet which was introduced in Revised Schedule VI. Para 1 and 3 of General Instructions for preparation of Balance Sheet defines “current assets” / “non-current assets” and “current liabilities” / non-current liabilities” respectively. In these definitions the criterion for determining a current asset / liability has been spelt out with the non-current category being the residual. Accordingly the balance pertaining to items of assets and liabilities contained in the Balance Sheet need to be split into its current and non-current portions and be classified accordingly as on the reporting date i.e. Balance Sheet date. It may be noted here that Equity is always non-current and therefore non controlling interest (minority interest) is also always shown as non-current.

Due to above classification the format of Schedule III provides separate disclosures by way of line items of following items:-

Particulars	Non-Current	Current
Share Application Money	Share Application Money pending allotment – separate line item on face of balance sheet between shareholder fund and non-current liabilities.	Application Money received for allotment of securities and due for refund – under other current liabilities.
Borrowings	Long-term borrowings – under Non-current Liabilities.	Short-term borrowings – under Current Liabilities. Current maturities of long term debt – under other current liabilities.
Provisions	Long-term provisions – under Non-current liabilities.	Short-term provisions – under Current liabilities.
Trade Payables.	Trade payables - under	Trade payables - under

	other Long term liabilities (Non-current Liabilities)	Current liabilities.
Investments	Non-current investments - under Non-current assets.	Current investments - under Current assets.
Loans and Advances .	Non-current Loans and Advances - under Non-current assets.	Current Loans and Advances - under Current assets.
Trade Receivables	Long term trade receivables - under other non-current assets (Non-current Assets)	Trade receivables - under Current assets.

In order to be able to classify an asset or liability correctly amongst current / non-current, it is of utmost importance that we understand the related definitions of these terms provided in Schedule III.

Para 1 of general instructions for preparation of Balance Sheet defines current/ non-current asset is as under:

An ASSET shall be classified as CURRENT when it satisfies ANY OF (i.e. any one 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.

Para 2 of general instructions for preparation of Balance Sheet defines operating cycle as under:

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.

Para 3 of general instructions for preparation of Balance Sheet defines current/ non-current liability as under:

A LIABILITY shall be classified as CURRENT when it satisfies ANY OF (i.e. any one 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.

The above definitions are almost same as that provided in IAS 1' Presentation of Financial statements" except that therein the definition of current asset / liability starts with "an entity shall classify an asset / liability as current when" whereas definition under Schedule III starts with "An Asset/ A liability shall be classified as current when it satisfies any of the following criteria'. However all the four criterion are the same and thus the practical results of both the definitions would be similar.

Analysis of Definition - Assets

As per definition there are three criterion for classification of assets (other than cash and cash equivalents) i.e. Operating Cycle criterion, Trading Criterion and Realisability Criterion. Each of the criterion with its practical application is discussed below:-

Operating Cycle criterion

As per this criterion as asset shall be current if it is expected to be realized in, or is intended for sale or consumption in, the company's normal operating cycle. This criterion is applicable for operating working capital items like Inventories and trade receivables.

It is pertinent to mention here that operating cycle shall not be counted from the reporting date. Rather, the period of operating cycle should be added to the date of recognition of trade receivables and then it should be seen as to whether Trade Receivables would be realized by that date or in case of inventories of raw materials etc, the same should be added to date of their purchase and is to be seen as to whether they would be consumed by that date or not.

Trading criterion

As per this criterion as asset shall be current if it is held primarily for the purpose of being traded. This criterion is generally applicable for Inventories, derivative financial assets, equity, debt instruments etc. It may be noted that there is no limit of time period for realization under this criterion. Accordingly if an asset is held for trading the same will always be current, irrespective of expected time taken to realize the same. As per the FAQ on Revised Schedule VI of ICAI (refer Chapter -11) the term 'for the purpose of being traded' should be considered as related to the normal operating business activity of the entity.

Realisability Criterion

As per this criterion as asset shall be current if it is expected to be realized within twelve months after the reporting date. This criterion is applicable for all assets including other assets like loans and advances, held to maturity financial assets which were not covered in former two criterion. etc. The realisation here 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, which are convertible into equity shares within one year from the balance sheet date shall be classified as non-current unless such preference shares are intended to be sold.

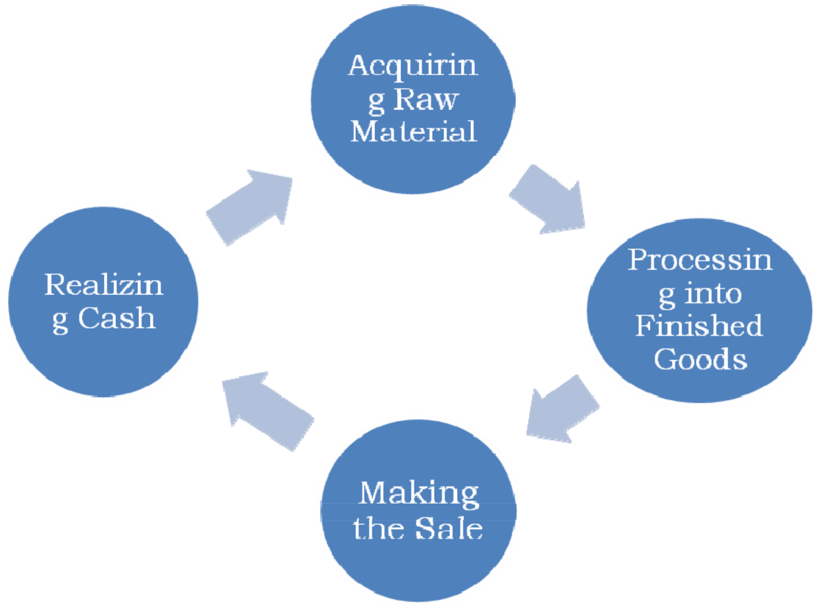
An asset (other than cash & cash equivalents) is to be classified as CURRENT if it satisfies ANY ONE of the three criterions.

It may be noted that while in the classification of assets all the criterion should be considered as an asset may be non-current is one / two criterion but may become current by applying the other criterion. Accordingly an asset can be current even if realizable after 12 months from reporting date, if the same is held primarily for trading or that asset is realizable within the operating cycle which is exceeding twelve months.

However the operating cycle criterion would be practically infructuous in event case the operating cycle of business line is twelve months or less, as in such situations even if an asset is non-current as per operating cycle criterion, it would be current by operation of realisability criterion provided the realization is expected within 12 months from the reporting date.

Analysis of Definition – Operating Cycle

An OPERATING CYCLE has been defined as the time between the acquisition of assets for processing and their realization in cash or cash equivalents. It has further been provided that where the normal operating cycle cannot be identified,it is assumed to have a duration of 12 months.



As per FAQs issued by ICAI on Revised Schedule VI, Operating cycle of a business should comprise the normal time required to complete its processes of (i) Acquiring raw material, (ii) Processing the same into finished goods, (iii) Making the sale, and (iv) Realising the sale proceeds in cash. Hence the normal lead-time to acquire raw material should also be included in determining the operating cycle. However the credit period allowed by the supplier need not be reduced when determining the operating cycle.

A company's normal operating cycle may be longer than twelve months e.g. companies manufacturing wines, real estate etc. Where a company is engaged in running multiple businesses, the operating cycle could be different for each line of business and classification would be made accordingly for the assets and liabilities for that business line. Operating cycle is determined for each business line and not for each customer or for company as a whole.

Analysis of Definition - Liabilities

As per definition there are four criterion for classification of liabilities i.e. Operating Cycle criterion, Trading Criterion,Settlement Criterion and Unconditional right to defer criterion. Each of the criterion with its practical application is discussed below:-

Operating Cycle criterion

As per this criterion a liability shall be current if it is expected to be settled in the company's normal operating cycle. This criterion is applicable for operating working capital items like trade payables, loan taken for operations etc.

As discussed earlier operating cycle shall not be counted from the reporting date. It means that the period of operating cycle should be added to the date of recognition of trade payables and then it should be seen as to whether Trade Payables would be settled by that date or in case of loans from operations, the same should be added to date of obtaining loan and is to be seen as to whether they would be settled by that date or not.

Trading criterion

As per this criterion as asset shall be current if it is held primarily for the purpose of being traded. This criterion is generally applicable for derivative financial liabilities other financial liabilities held for trading (IAS 39).

It may be noted that there is no limit of time period for settlement under this criterion. Accordingly if a liability is held for trading the same will always be current, irrespective of expected time taken to settle the same. As per the FAQ on Revised Schedule VI issued by ICAI the term 'for the purpose of being traded' should be considered as related to the normal operating business activity of the entity.

Settlement Criterion

As per this criterion as asset shall be current if it is expected to be settled within twelve months after the reporting date. This criterion is applicable for all liabilities such as dividend payable, income taxes, and other non-trade payables etc. which were not covered in the former two criterion.

Unconditional right to defer criterion

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. However if no such right vests with the entity then such liability would be shown as current liability.

A liability is to be classified as CURRENT if satisfies ANY ONE of above four criterion.

As discussed earlier, while classification of liabilities also all the criterion should be considered as an liability may be non-current is one / two criterion but may become current by applying the other criteria. Accordingly an liability can be current even if realizable after twelve months from reporting date, if the same is expected to be settled within the operating cycle which is exceeding twelve months.

However as deliberated earlier the operating cycle criterion would be practically infructuous in event the operating cycle of business line is twelve months or less, as in such situations even if a liability is non-current as per operating cycle criterion, it would be current by operation of settlement criterion in situations where its settlement is expected within 12 months from the reporting date.

Practical Application

1. The classification of assets / liabilities are to be based on the conditions existing on the balance sheet date and events occurring after balance sheet whose condition did not existed on balance sheet date are to be disregarded. A company is not allowed to use hindsight in arriving at the current / non-current classification of assets or liabilities at the end of previous year. However as FAQs issued by ICAI on Revised Schedule VI, the events happening in the current period may not be new developments. Rather, they may merely be an additional evidence of conditions existing as at the previous year balance sheet. Obviously, these events need to be incorporated in arriving at current / non-current classification of assets or liabilities at the end of previous year. In many cases, identification of the two events separately may not be straightforward and would require exercise of significant judgment.

The practical application of above is explained in following examples.

(a) A rescheduling or refinancing of debt that is at discretion of the lender and occurs after the reporting period does not alter the liability's condition at the balance sheet date. Such rescheduling or refinancing is regarded as a non adjusting post balance sheet event and is not taken into account in determining current / non-current classification of the debt. However on the other hand if the refinancing or rescheduling is fully at the discretion of the borrowing entity as per agreement and the borrowing entity is able to and intends to elect to roll over an obligation for at least a further year, the obligation may be classified as non-current even if it would otherwise be due in less than one year.

(b) A company has classified the loan as non-current liability in the previous year. The loan becomes a current liability in the current year's financial statements. In this case the company is not required to reclassify the loan as current liability in previous year as the classification was based on the position existing as at the end of the previous year.

2. Operating cycle of entity is 6 months. It has trade receivables of Rs 50 lacs towards sale of goods on 01.08.2011. Normal credit period is 3 months. The company expects to realise it by 31.03.2015. In Balance Sheet as on 31.03.2014,these trade receivables are whether current or non-current ?

Though, the company does not expect to receive the payment within the operating cycle, however since the same payment is expected to be realized within twelve months from the reporting date. Therefore, the same should be classified as "Current" in the Balance Sheet.

3. Whether any change in classification if in above example the expected date of realization was 30.06.2015.?

As, the company does not expect to receive the payment within the operating cycle and also within twelve months from the reporting date. Therefore, the same should be classified as "Non- Current" in the Balance Sheet.

4. A company has excess finished good inventory that it does not expect to realize within the company's operating cycle and also does not expect to realise it within 12 months of reporting date? Operating Cycle is 6 months. Whether current or non-current?

Though in this case the operating cycle criterion as well as realizability criterion has not been fulfilled, but since such finished goods inventory is held primarily for the purpose of being traded, it satisfies the trading criterion and accordingly same should be classified as "current".

It is pertinent to mention here that as per FAQs issued by ICAI (refer Chapter-8), the inventories of stores and spares are also current though strictly they may be non-current as trading criterion may not be applicable to them. Accordingly,inventories should always be classified as current, which view is also corroborated by the fact that there is no line item of Inventories under head non-current assets in Revised Schedule VI.

5. As of March 31, 2014, a property developer has completed inventories of residential units which it expects to sell in 3 years. Historically, similar residential units have been sold in 3 years. As of March 31, 2014, should the inventories of residential units be classified as current or non current assets?

As the Inventories would be realized within the operating cycle, such residential units would be classified as current.

6. An entity has trade payables- 1) Rs 15 Lacs due for 3 months which are expected to be settled by 14 months after the reporting date and 2) Rs 5 Lacs due for 7 months, expected to be realized within 12 months. Normal operating cycle of entity is 6 months. Classify above into current / non-current.

Under first case as neither the operating cycle criterion nor realisability criterion (within 12 months) has been fulfilled, accordingly the same would be treated as non-current. However under second case as realisability criterion is fulfilled the trade payable would be classified as Current.

7. A primary school requires a deposit to be paid upon enrolment into the school. Should the student leave the school, this deposit is refundable with one school term's notice (three months). The majority of students enroll and do not normally leave the school and therefore receive the deposit back at the end of schooling period. How should the deposits be classified?

Considering that the school does not have an unconditional right to defer settlement of liability for at least twelve months after the reporting date, the same shall be classified as current.

However under FAQs issued by ICAI, in specific cases, based on the commercial practice, say for example, electricity deposit collected by the department, though stated on paper to be payable on demand, the company's records would show otherwise as these are generally not claimed in short term. Treating them as non-current may be appropriate and may have to be considered accordingly.

8. As of March 31, 2014, Company X has breached a covenant and as per the terms of the agreement the bank loan became immediately payable. On April 5, 2014, the bank agreed to waive the covenant. As of March 31, 2014, should the loan be classified as current or non-current liability ?

As the borrower does not have an unconditional right to defer the settlement as on the reporting date in the instant case, accordingly the entire loan is to be shown as current. The waiver by bank on 5th April, 2014, is a non-adjusting event as per AS 4, Contingencies and Events Occurring after the Balance Sheet Date.

9. Would it make any difference if the agreement allows the lender to demand immediate repayment of loan in case of default or breach of other debt covenant. However, the lender has not demanded repayment till authorization of financial statements for issue.

As per the Guidance Note on the Revised Schedule VI, a breach is considered to impact the non-current nature of the loan only if the loan has been irrevocably recalled. Hence, in the Indian context, long-term loans, which have a minor or major breach in terms, will be considered as current only if the loans have been irrevocably recalled before authorization of the financial statements for issue. 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.

10. A Ltd, a manufacturing company, invested in equity shares of other companies. It intends to sell those shares in 13 months. Should the investment in equity shares be classified as current asset ? The entity's operating cycle is 14 months.

The investments for a manufacturing company are not operating assets and accordingly operating cycle criterion is not applicable. Since it is expected to be realised after 12 months of reporting date, the same are to be classified as non-current.

11. Y Ltd, purchased goods on 24 months credit but the creditor has the call option that can be exercised after 15 months. On the reporting date such trade payable was outstanding for 4 months. Operating cycle of company is 6 months. Is the trade payable current or non-current?

In the present case, the call option is exercisable within 12 months of reporting date (15 months minus 4 months), and accordingly the company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date, and therefore same are to be classified as current trade payables.

12. An entity has acquired a leasehold land for 30 years and remaining lease period of 6 months as on reporting date. Should the leasehold land be classified as current asset?

All fixed assets (tangible and intangible assets) including leasehold assets remains as fixed asset even if balance estimated useful life is below 12 months as on reporting date. Only the fixed assets held for sale are classified as a current asset since the intent of the company to sell is established.

13. Examine classification of following 3 different types of term deposits with banks:

(i) Rs 800 lacs having original maturity of 5 years and remaining maturity 3 months.

(ii) What would be classification where the remaining maturity is of (a) 8 months and (b) 2 years.

Considering definition of cash and cash equivalents under AS 3 " Cash Flow Statements" deposits with original maturity of three months or less can be classified as cash equivalents. Accordingly term deposit with remaining maturity of three months as on balance sheet date should be included under cash and cash equivalents under current assets.

As per Revised Schedule VI, the bank deposits with more than 12 months maturity are to be shown separately under cash and cash equivalents. This is in conflict with the provisions of AS 3 as stated above. The solution in this regard has been provided under Guidance Note on Revised Schedule VI issued by ICAI, which states that the caption "cash and cash equivalents" should be changed to cash and bank balances which may have two subheading viz "cash and cash equivalents" and "other bank balances". Accordingly, in event of FDR where remaining period is 8 months should be shown as" other bank balances" under cash and bank balances. However the FDR whose remaining maturity period is two years should be shown as non-current asset as same is not realizable within 12 months of the balance sheet date.

14. Where should the balances with banks to the extent held as margin money or security against the borrowings, guarantees, other commitments be disclosed?

These are required to be disclosed under cash and cash equivalents separately in notes to accounts under Revised schedule VI, however this is in conflict with the requirements of AS 3 " Cash Flow Statements" as they are neither in nature of demand deposits, nor readily available for use by the company, and therefore accordingly do-not meet the definition of cash equivalents. Accordingly the said items should also be included as 'other bank balances' under cash and bank balances along with FDR having balance maturity period of more than 12 months.

14. An entity has granted mobilization advance to the contractor amounting to Rs 20 Lacs. How it should classify this between current and non-current?

It depends of period of contract / work expected to executed against said advance. The advance expected to be adjusted within 12 months of the reporting date should be shown as current and balance to be shown as non-current.

15. How should deferred tax asset and liability be classified ?

Deferred tax assets and liabilities are always considered as non-current and accordingly has been dealt with in the format provided in Revised Schedule VI.

16. How are the employee related provisions are to be classified?

As per Guidance Note on Revised Schedule VI of ICAI, 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 and they are normally entitled to avail of 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 Policy, Employer's right to postpone/deny the leave, restriction to avail of 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.

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 Revised Schedule VI.

For further issues and their solutions refer to chapter -11 wherein the FAQs on Revised Schedule VI of ICAI, which have been uploaded on icai website on 22-05-2012, are reproduced below.

Head Wise Classification Concepts – At A Glance

For recapitulation,the head wise classification methodology is provided below;-

1. Shareholders’ funds:

Shareholders’ funds are always non-current. Accordingly minority interest is always non- current.

2. Share Application Money:

Share application money not exceeding the issued capital and to the extent not refundable to be classified as non-current and to be shown on face of balance sheet as “Share application money pending allotment”. Amount in excess of subscription or in case requirements of minimum requirements are not met shall be separately shown under “Other current liabilities” and amount is given in the Notes to accounts.

3. Borrowings

The total borrowing are required to be trifurcated into long term borrowing, short-term borrowing and current maturities to long term debt.

The loans which are repayable in a period more than twelve months or the operating cycle in case of loans taken specifically for the purposes of business are classified as long-term borrowing and shown on face of balance sheet.

The current maturities of long-term borrowings i.e. amount repayable within 12 months / operating cycle in respect of loans taken for purposes of business, would be shown as current maturities to long term debt under ‘other current liabilities” and amount to be given in the Notes to accounts.

The loans which are repayable on demand or whose original tenure not more than 12 months / operating cycle in respect of loans taken for purposes of business, would be shown as short-term borrowings on the face of balance sheet.

4. Deferred Tax Assets / Liabilities are always Non-current.

5. Trade payables:

Trade payables which would be settled beyond 12 months from the balance sheet date or beyond the operating cycle starting from the date of their recognition i.e. purchase of goods or services in normal course of business are classified under “Other Long term liabilities.” and amount is shown in Notes to Accounts.

The balance Trade payables are classified as current liabilities and shown on the face of the balance sheet.

6. Provisions:

The amount of provision which would be settled within 12 months from the balance sheet date or within operating cycle period from date of its recognition, in case of provision related to business, would be classified as short-term provisions to be shown under current liabilities on face of balance sheet. Provisions other than these are shown as long-term provisions under Non-current liabilities to be depicted on face of balance sheet.

7. Fixed Assets:

Fixed Assets, both tangible as well as intangible assets would always be non-current, even if its balance useful life is less than 12 months, unless same are retired from use and are held for sale/ disposal which shall then be shown under other current assets.

8. Investments:

Investments which are expected to be realized within 12 months from after the balance sheet date are considered as current investments under current assets. Other investments are classified as Non-current investments and shown under Non-current assets. Both of these are depicted on the face of the balance sheet.

9. All Inventories are always current.

10. Trade Receivables:

Trade receivables which would be realized beyond 12 months from the balance sheet date or beyond the operating cycle starting from the date of their recognition i.e. sale of goods or rendering of services in normal course of business, are classified under “other non-current assets” under head Non-current assets and amount is shown in Notes to accounts.

The balance Trade receivables are classified as current assets and shown on the face of the balance sheet.

11. Cash and Cash equivalents:

It is always current, however only the amount which qualifies as cash and cash equivalent as per AS 3 should be shown here.

If the companies are having items which are not cash equivalents but are current in nature i.e. realizable within 12 months e.g. bank deposits (FDRs) having balance maturity more than 3 months but within 12 months as on balance sheet date, then on face of balance sheet the name of cash and cash equivalents be replaced with cash and bank balances, and it may be bifurcated between “cash and cash equivalents” (as per AS 3) and “Other bank balances” (other bank balances not qualifying as cash and cash equivalent but current in nature) and amount of same be given in notes to accounts.

The bank deposits who have more than 12 months balance maturity period as on balance sheet date are to be shown other “other non-current assets” under head “non-current assets” and amount shown in notes to accounts.

Chapter 11

Frequently Asked Questions (FAQs) on Schedule III

General

1. If the requirements of Company Act and/or Accounting Standards are different from those of Schedule III, what is the treatment to be given? If requirements of a regulatory authority like RBI are different from those of Schedule III, what treatment should be given?

Para 4.1.1 of the Schedule III necessitates that if compliance with the requirements of the Act and/or accounting standards requires a change in the treatment or disclosure in the financial statements, the requirements of the Act and/or accounting standards will prevail over the Schedule III. As per the general instruction for preparation of the balance sheet, the regulatory authority requirements that override Schedule III and Schedule III shall automatically stand modified to that extent.

2. Schedule III requires a balance to be maintained between excessive detail and too much aggregation. Can a company use this principle to avoid giving disclosures specifically required by Schedule III, say, security details for each loan?

A company should not use this principle to avoid making material disclosures, which are specifically required under Revised Schedule VI, accounting standards, guidance notes and so on. Since disclosure regarding security for each loan is required by Schedule III, a company cannot avoid making this disclosure.

3. Any clarification, which is not covered or sufficiently covered in Accounting Standards or Schedule III, can it be referred to as in IND AS?

Reference can be made only to such material, which is official and recognised. Thus, clarification may have to be sought in this regard within the framework of the Companies Act, Accounting Standards, Revised Schedule VI and ICAI publications.

Classification

4. If during the lean period, there is some activity being carried out by the company, which is not in its normal course of business, and there is a receivable or outstanding from such activity, is it considered as "Trade Receivable"?

If the receivables arise out of sale of materials or rendering of services in the normal course of business, it should be treated as trade receivables. Otherwise, it is treated as other assets.

5. In accordance with Schedule III, a payable is classified as "trade payable" if it pertains to amount due towards goods purchased or services received in the normal course of business. Based on this principle, can a company include in trade payables the liability towards employees, leases or other contractual liabilities? What is the treatment for amounts due towards capital goods purchased?

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. Hence, amounts due under contractual obligations can no longer be included within trade payables and only commercial dues can be included under trade payables. Amounts due towards purchase of capital goods should also not be included in trade payables. They must be disclosed under other current liabilities with a suitable description.

6. What is the meaning of "for the purpose of being traded"? Does it mean those directly related to the operating activity?

It should be considered as related to the normal operating business activity of the entity.

7. Should a company classify the following items as other operating revenue or other income?

- Liability written back (net)
- Insurance claim
- Bad debts recovery (net)

If a company needs to classify one or more of these line items as "other income," should these items be included under the line "other non operating Income" or presented as a separate line item in the "other income" note?

Whether an item should be classified as "other operating revenue" or "other income" is a matter of judgment and requires consideration of specific facts. In a number of cases, the dividing line between these two items may be very blurred . It requires an exercise of significant judgment.

8. The Schedule III provides that in the 'Statement of Profit and Loss', the head "Other Income" includes interest income under which "Interest from customers on amounts overdue" is specifically included. However, under AS 17 (segment reporting – refer to "FAQ" published on AS 17), the same is treated as Operating Income and not as Other Income. Then, should interest income from customers on amounts overdue instead be classified under other operating income?

Accounting Standards override Schedule VI. In AS 17, segment reporting, particularly interest income and interest expense is not treated as segment revenue. Further, Revised Schedule VI has specifically included interest income as operating income for finance companies. Also, in specific cases of industries (such as power generation); interest could be part of the operating income as this also forms the basis for tariff setting.

In case of a manufacturing company, normally, interest income is not material and business is not done with the aim of earning interest. In Practice, it is generally difficult to enforce the interest clause even though it is normally contained in all cases. Based on materiality and provisions in AS 17, the interest income on overdue outstanding is not an operating income.

However, if a company, on the facts of its own case, determines that it would be appropriate to treat it as an operating income, it would have to disclose it as an accounting policy, if material.

9. If a third party gives a personal security for any borrowings and creates, by means of a legal deed, a charge on the assets held by such third party, can such borrowings be described as 'secured' instead of 'unsecured'?

If the deed properly conveys a security, it can be suitably disclosed in the terms of the loan. However, the loan itself is disclosed under unsecured loan because the assets of the company are not provided as a security for the loan.

Current vs. Non-Current Classification

10. A company has classified the loan as non-current liability in the previous year. The loan becomes a current liability in the current year's

financial statements. Is the company required to reclassify the loan as current liability in previous year also to match the current year classification ?

Current / non-current classification of assets / liabilities is determined on a particular date, viz., the balance sheet date. Thus, the company should have determined the current / non-current classification of previous year balances based on the position existing as at the end of the previous year. If there is any change in the position at the end of current year resulting in different classification of assets / liabilities in the current year, it will not impact the classification made in the previous year. In other words, the company will continue to classify the loan as non-current liability in the figures of the previous period.

If there is any new development in the current period, it should not impact the classification of assets and liabilities for the previous year. Hence, a company is not allowed to use hindsight in arriving at the current / non-current classification of assets or liabilities at the end of previous year.

However, it is important to distinguish from hindsight the facts existing at the previous balance sheet date. In certain cases, the events happening in the current period may not be new developments. Rather, they may merely be an additional evidence of conditions existing as at the previous year balance sheet date . Obviously, these events need to be incorporated in arriving at current / non–current classification of assets or liabilities at the end of the previous year. In many cases, identification of the two events separately may not be straightforward and would require exercise of significant judgment.

11. How should "fixed assets held for sale" be classified in the balance sheet?

They should be classified as a current asset since the intent of the company to sell is established.

12. How will a company classify its investment in preference shares, which are convertible into equity shares within one year from the balance sheet date? Will it classify the investment as a current asset or a non-current asset?

In accordance with the Schedule III, an investment realisable within 12 months from the reporting date is classified as a current asset. Such realisation should be in the form of cash or cash equivalents, rather than through conversion of one asset into another non-current asset. Hence, the company must classify such an investment as a non-current asset, unless it expects to sell the preference shares or the equity shares on conversion and realise cash within 12 months.

13. Schedule III requires that a company present trade receivables in the following format:

Trade receivable	
Secured, considered good	XX,XXX
Unsecured, considered good	XX,XXX
Doubtful	X,XXX
Total	XX,XXX
Less: Provision for bad and doubtful debts	X,XXX
Trade receivables	XX,XXX

A company needs to disclose trade receivables under “current” and “non-current” assets depending on the Revised Schedule VI criteria.

Should the company divide the “provision for bad and doubtful debts” also on the same basis?

Yes.

14. How should a slow moving stock of stores and spares be classified when it will neither be consumed within the normal operating cycle nor will be sold within 12 months from the balance sheet date?

Inventory should always be categorised as a current asset.

15. There is a breach of a major debt covenant as on the balance sheet date related to long-term borrowing. This allows the lender to demand immediate repayment of loan. However, the lender has not demanded repayment till authorisation of financial statements for issue.

Can the company continue to classify the loan as non-current? Will the classification be different if the lender has waived the breach before authorisation of financial statements for issue?

A breach is considered to impact the non-current nature of the loan only if the loan has been irrevocably recalled. Hence, in the Indian context, long-term loans, which have a minor or major breach in terms, will be considered as current only if the loans have been irrevocably recalled before authorization of the financial statements for issue.

16. What will be the scenario if a long-term loan has been classified as a non-performing asset by the bank / financial institution? Can it still be classified as non-current?

The situation in case of a loan being classified as a non-performing asset will also be the same as in the case of a performing asset. The essential ingredient to impair the long-term nature of the loan would be irrevocable recall of the loan by the lender.

17. How would a rollover / refinance arrangement entered for a loan, which was otherwise required to be repaid in six months, impact current / non-current classification of the loan? Consider three scenarios: (a) Rollover is with the same lender on the same terms, (b) Rollover is with the same lender but on substantially different terms, and (c) Rollover is with a different lender on similar / different terms.

In general, the classification of the loan will be based on the tenure of the loan. Thus, in all the above cases, if the original term of the loan is short term, the loan would be treated as only current, irrespective of the rollover / refinance arrangement. However, in exceptional cases, there may be a need to apply significant judgment on substance over form. In such cases, categorisation could vary as appropriate.

18. A company has taken a three-year loan specifically for a business whose operating cycle is four years. Hence, it needs to classify the three -year loan as current liability. This gives rise to the following issues:

(a) Should the loan be classified in the balance sheet under the head "long-term borrowing", "short-term borrowing" or "current maturities of long-term debt"?

(b) Does the company need to make all the disclosures required for long-term borrowings for this loan also?

Any borrowing whose repayment falls within the operating cycle will be only a current liability. Hence, it will be included under short-term borrowings.

Disclosures will also be required accordingly.

19. Fixed deposits have a maturity of more than 12 months from the balance sheet date. Will they be classified as current or non-current?

They will be classified as non-current.

20. In case there is lien over FDs, thereby making it impossible to

convert them into cash before the agreed period, how will the FDs be presented in the balance sheet? Moreover, will the interest accrued over such FDs be also classified as current and non-current?

Such fixed deposits will be coterminous with the liability. Current or noncurrent distinction will be applied based on the expectation to be realised within 12 months after the reporting date. Interest accrued on such deposit will also be treated on the same basis.

21. The company has received security deposit from its customers / dealers. The company or the customer / dealer can terminate the agreement by giving two month's notice. The deposits are refundable within one month of termination. However, based on past experience, it is noted that deposits refunded in a year are not material, with 1% to 2% of the amount outstanding. The intention of the company is to continue long-term relationship with its customers / dealers. Can the company classify such security deposits as non-current liability?

As per Schedule III, a liability is classified as current if the company does not have an unconditional right to defer its settlement for at least 12 months after the reporting date. This will apply generally. However, in specific cases, based on the commercial practice, say for example, electricity deposit collected by the department, though stated on paper to be payable on demand, the company's records would show otherwise as these are generally not claimed in short term. Treating them as non-current may be appropriate and may have to be considered accordingly.

A similar criterion will apply to other deposits received, for example, under cancellable leases.

22. The company has taken premises on operating leases for which it has paid a security deposit to the lessor. The lease term is five years. However, both parties can terminate the agreement after giving a three months' notice. The deposits are refundable immediately on termination of agreement. The intention of the company is to continue the lease agreement for 5 years. Further, the company has taken electricity connection for which it has paid security deposits. These deposits are repayable on demand on surrender of the electricity connection. Can the company classify these security deposits as current assets?

Classification of deposits paid depends on the expectation of its realisation. Hence, a company will classify lease / electricity deposits given as a noncurrent asset, unless it expects to recover the same within 12 months after the reporting date, that is, by cancelling the lease contract or surrendering the electricity connection.

23. In case of Provision for Gratuity and Leave Encashment, can current and noncurrent portions be bifurcated on the basis of Actuarial valuation?

The actuary should be specifically requested to indicate the current and noncurrent portions, based on which the disclosure is to be made.

24. Whether provision for tax (net of advance tax) / advance tax (net of provision) Is to be classified as noncurrent?

Current year tax provision (net of advance tax) will generally be treated as current liability, as this will become due in the short term. Current year advance tax (net of provision) as well as past year's advance tax (net of provision) shall generally be classified as non-current as these are not likely to arise in the short term. Advance tax against which refund orders have been passed, and if not adjusted towards other liabilities, will only be treated as a current asset.

25. The issue is whether NCI (Minority Interest) must be broken up and classified as current and non-current. To the extent of the share of provision of dividend to subsidiary, should it be current?

The non-controlling interest is not subject to current and non-current distinction as it forms a part of the shareholders' funds.

Operating Cycle

26. Should an operating cycle be disclosed?

Yes. As a matter of best practice, a company may disclose the same, especially if the same is more than 12 months. This disclosure will be particularly helpful to the users of financial statements, where determination of the operating cycle involves significant judgment and it is more than 12 months.

27. Should the operating cycle be calculated for each item separately, say for debtors, inventory or for the company as a whole?

Operating cycle should not be considered for each component separately but, at the same time, it may not be so for the company as a whole. It will have to be calculated for each business line separately.

28. Is the operating cycle to be considered customer wise, especially where a large customer is provided a significantly different credit period?

The Schedule III contemplates the company to identify its operating cycle for each of its businesses and is not based on each of its customers. Hence, the operating cycle must be defined in terms of each business.

29. What will be the basis for determining the operating cycle, where say the private sector clients and government sector clients have a significantly different credit period? Can the operating cycle be determined on the basis of customer category?

The Schedule III contemplates that the company identify its operating cycle for each of its business and not based on each customer. Hence, the operating cycle must be defined in terms of each business and not customer category wise. The company needs to suitably determine the normal operating cycle for the business considering the significance of the different credit periods, among other matters.

30. Is the lead-time for procuring raw material (time taken by the supplier from the order to delivery) included in the operating cycle?

Operating cycle of a business should comprise the normal time required to complete its processes of (i) Acquiring raw material, (ii) Processing the same into finished goods, (iii) Making the sale, and (iv)Realising the sale proceeds in cash. Hence, in the given case, the normal lead-time for acquiring raw material should be included in determining the operating cycle.

31. Is the credit period allowed by supplier reduced when determining the operating cycle?

In accordance with the Schedule III, operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. This suggests that the operating cycle should comprise the normal time spent on various activities, starting from purchase of raw material till realisation of cash and there is no need to reduce the credit period allowed by supplier from the same.

Further, though the company has not paid for the raw material during the first six months, it might have started incurring expenses on other items such as labour and overhead costs. Hence, the credit period allowed by the supplier need not be reduced when determining the operating cycle.

Other Disclosures

32. A company has a single class of equity shares. Is the company still required to disclose rights, restrictions and preferences with respect to the same?

Schedule III requires disclosures of rights, preferences and restrictions attached to each class of shares. If a company has only one class of equity shares, it is still required to make this disclosure.

33. Is a company required to make disclosure regarding shareholders holding more than 5% shares based on legal or beneficial ownership? Can a company include information regarding beneficial ownership on a selective basis?

Disclosure is to be on the basis of legal ownership, except where beneficial ownership is clearly available from the depositories. For instance, beneficial ownership of GDR / ADR may not be available.

34. Schedule III requires disclosure of the period and amount of continuing default / default as on the balance sheet date in the repayment of loans and interest. Will a company be required to make this disclosure if the default has been made good after the reporting date?

Schedule III requires disclosure of default in the repayment of loan and interest existing on the balance sheet date. We believe that a company needs to make this disclosure even if the default has been made good after the reporting date. However, it may choose to also disclose the fact that default has been made good after the reporting date.

35. Should investment in LLP should be disclosed?

It is noted that a LLP is a body corporate and not a partnership firm as envisaged under the Partnership Act, 1932. Hence, disclosures pertaining to investment in partnership firms will not include the investment in LLP. The investment in LLP should therefore be disclosed separately under 'Other Investments'. Other disclosures prescribed for investment in a partnership firm need not be made for investment in an LLP.

36. Will arrear depreciation require separate disclosure?

Where material, arrears of depreciation, if any, provide needs disclosure in terms of Para 19 of AS 6. In case it is not provided, it requires a disclosure, as the accrual basis has not been complied with.

37. What are the additional disclosures to be made in case of special purpose entities?

No additional disclosures are necessary except normal disclosure requirements as per the provisions of the applicable accounting standards.

Note: The FAQ above are modified version of FAQs on Revised Schedule VI issued by ICAI.

Chapter 12

Glossary of Important Terms Used in Financial Statements

A per para 6 of the General Instructions, for the purpose of this Schedule, the terms used herein shall be as per the applicable Accounting Standards. However many terms used in the Revised Schedule VI are not defined in the notified Accounting Standards. In such cases references are to be made to the Guidance Note on Terms Used in Financial Statements or Companies Act, 1956.

For ready reference of the members the glossary of terms used in Revised Schedule VI is being given below:-

S.No	Term	Meaning	Source
1.	Share Capital	'Share Capital' is the "aggregate amount of money paid or credited as paid on the shares and/or stocks of a corporate enterprise."	Guidance Note on Terms Used in Financial Statements
2.	Authorized Share capital.	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."	Guidance Note on Terms Used in Financial Statements
3.	Subscribed share capital.	'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."	Guidance Note on Terms Used in Financial Statements
4.	Paid up share capital	'Paid-up Share Capital' is "that part of the subscribed share	Guidance Note on Terms Used

		capital for which consideration in cash or otherwise has been received. This includes bonus shares allotted by the corporate enterprise."	in Financial Statements
5.	Preference share capital	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.	Guidance Note on Terms Used in Financial Statements
6.	Subsidiary	A subsidiary is an enterprise that is controlled by another enterprise (known as the parent). Control has been defined as (a) the ownership, directly or indirectly through subsidiary(ies), of more than one-half of the voting power of an enterprise; or (b) control of the composition of the board of directors in the case of a company or of the composition of the corresponding governing body in case of any other enterprise so as to obtain economic benefits from its activities.	AS-21 "Consolidated Financial Statements"
7.	Subsidiary company	"subsidiary company" or "subsidiary", in relation to any other company (that is to say the holding company), means	Section 2(87) of the Companies Act, 2013.

		a company in which the holding company— (i) controls the composition of the Board of Directors; or (ii) exercises or controls more than one-half of the total share capital either at its own or together with one or more of its subsidiary companies: Provided that such class or classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed. Explanation.—For the purposes of this clause,— (a) a company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company; (b) the composition of a company's Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors;	

		(c) the expression "company" includes any body corporate; (d) "layer" in relation to a holding company means its subsidiary or subsidiaries;	
8.	Parent (Holding company)	A parent is an enterprise that has one or more subsidiaries.	AS-21 "Consolidated Financial Statements"
9.	Associate	An Associate is an enterprise in which an investing reporting party has significant influence and which is neither a subsidiary nor a joint venture of that party. "Significant influence" is participation in the financial and/or operating policy decisions of an enterprise, but not control of those policies.	AS 18 " Related Party Disclosures."
10.	Associate company	"associate company", in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company. Explanation.—For the purposes of this clause, "significant influence" means control of at least twenty per cent. of total share capital, or of business decisions under an agreement;	Section 2(6) of Companies Act, 2013.

11.	Bonus shares	"Bonus" shares are defined as shares allotted by capitalization of the reserves or surplus of a corporate enterprise.	Guidance Note on Terms Used in Financial Statements
12.	Director	"Director" means a director appointed to the Board of a Company.	Section 2(34) of the Companies Act, 2013.
13.	Officer	"Officer" includes any director, manager or key managerial personnel or any person in accordance with whose directions or instructions the Board of Directors or any one or more of the Directors is or are accustomed to act	Section 2(59) of the Companies Act,2013
14.	Key managerial personnel	"key managerial personnel", in relation to a company, means— (i) the Chief Executive Officer or the managing director or the manager; (ii) the company secretary; (iii) t he whole-time director; (iv) the Chief Financial Officer; and (v) such other officer as may be prescribed;	Section 2(51)of the Companies Act,2013
15.	Reserve	'Reserve' is "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."	Guidance Note on Terms Used in Financial Statements

16.	Capital Reserve.	"Capital reserve" is defined as "a reserve of a corporate enterprise which is not available for distribution as dividend".	Guidance Note on Terms Used in Financial Statements
17.	Share Premium (Securities Premium)	It is the excess of the issue price of shares over their face value.	Guidance Note on Terms Used in Financial Statements
18.	Revaluation Reserve.	"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.'	Guidance Note of Terms Used in Financial Statements
19.	Revenue Reserve	A "revenue reserve" is a reserve which is available for distribution through the Statement of Profit and Loss.	Guidance Note of Terms Used in Financial Statements
20.	Share Warrants	"Share warrants" are "financial instruments which give the holder the right to acquire equity shares".	AS 20 "Earning Per Share".
21.	Current and 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	General Instructions for preparation of Balance Sheet in Schedule III

		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.	
22.	Operating cycle	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.	General Instructions for preparation of Balance Sheet in Schedule III
23.	Liability	"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. 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."	AS-29 Provisions, Contingent Liabilities and Contingent Assets.
24.	Long-term	The phrase 'long-term' has not been defined. However, the definition of 'non-current' liability in the Revised Schedule VI may be used as	Guidance Note on Revised Schedule VI.

		long-term liability for disclosures.	
25.	Term Loans	Term Loans normally have a fixed or pre-determined maturity period or a repayment schedule. Cash credit, overdraft and call money accounts / deposits are not included. 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.	Guidance Note on Revised Schedule VI.
26.	Secured Loan	It refers to a loan which is secured against a tangible asset. Where the value of the security falls below the amount of loan, it should be classified as secured only to the extent of the market value of the security.	Statement of Auditing Practices.
27.	Related parties	Parties are considered to be related if at any time during the reporting period one party has the ability to **control** the other party or exercise **significant influence** over the other party in making financial and/or operating decisions. **Control** (a) ownership, directly or indirectly, of more than one half of the voting power of an enterprise, or (b) control of the composition of the board of directors in the case of a company or	AS 18 "Related Party Disclosures".

		of the composition of the corresponding governing body in case of any other enterprise, or (c) a substantial interest in voting power and the power to direct, by statute or agreement, the financial and/or operating policies of the enterprise. Significant influence – participation in the financial and/or operating policy decisions of an enterprise, but not control of those policies.	
28.	Related Party	"related party", with reference to a company, means— (i) a director or his relative; (ii) a key managerial personnel or his relative; (iii) a firm, in which a director, manager or his relative is a partner; (iv) a private company in which a director or manager is a member or director; (v) a public company in which a director or manager is a director or holds along with his relatives, more than two per cent. of its paid-up share capital; (vi) any body corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or	Section 2(76) of the Companies Act, 2013.

		instructions of a director or manager; (vii) any person on whose advice, directions or instructions a director or manager is accustomed to act: Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity; (viii) any company which is— (A) a holding, subsidiary or an associate company of such company; or (B) a subsidiary of a holding company to which it is also a subsidiary; (ix) such other person as may be prescribed;	
29.	Finance lease	A finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset. A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.	AS 19 "Leases"
30.	Trade payables	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.	General Instructions for preparation of Balance Sheet in Schedule III.

31.	Provisions	Provision is a liability which can be measured only by using a substantial degree of estimation. The term liability has been explained earlier.	AS-29 "Provisions, Contingent Liabilities and Contingent Assets."
32.	Employee benefits	Employee benefits are all forms of consideration given by an enterprise in exchange for service rendered by employees.	AS 15 " Employee Benefits".
33	Asset	An asset is a resource: (a) controlled by an enterprise as a result of past events; and (b) from which future economic benefits are expected to flow to the enterprise.	AS 26 "Intangible Assets".
34.	Current & Non-current Asset	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	General Instructions for preparation of Balance Sheet in Schedule III.

		twelve months after the reporting date. All other assets shall be classified as non-current.	
35.	Fixed asset	Fixed asset is an asset held with the intention of being used for the purpose of producing or providing goods or services and is not held for sale in the normal course of business.	AS 10 "Accounting for Fixed Assets".
36.	Intangible Assets	An intangible asset is an identifiable non-monetary asset, without physical substance, held for use in the production or supply of goods or services, for rental to others, or for administrative purposes.	AS 26 "Intangible Assets".
37.	Investment	Investments are assets held by an enterprise for earning income by way of dividends, interest, and rentals, for capital appreciation, or for other benefits to the investing enterprise. Assets held as stock-in-trade are not 'investments'.	AS 13 "Accounting for Investments"
38.	Current Investment	A current investment is an investment that is by its nature readily realizable and is intended to be held for not more than one year from the date on which such investment is made.	AS 13 "Accounting for Investments"
39.	Investment property	An investment property is an investment in land or buildings that are not intended to be occupied substantially for use	AS 13 "Accounting for Investments"

		by, or in the operations of, the investing enterprise.	
40.	Long-term Investment (Non-current Investment)	A long term investment is an investment other than a current investment.	AS 13 “Accounting for Investments”
41.	Inventories	Inventories are assets: (a) held for sale in the ordinary course of business; (b) in the process of production for such sale; or (c) In the form of materials or supplies to be consumed in the production process or in the rendering of services.	AS 2 “ Valuation of Inventories”.
42.	Trade Receivables	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.	General Instructions for preparation of Balance Sheet of Schedule III.
43.	Cash and cash equivalents	Cash comprises cash on hand and demand deposits with banks. Cash equivalents are 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. Cash equivalents are held for the purpose of meeting short-term cash commitments rather	AS 3 “ Cash flow Statements”

		than for investment or other purposes. For an investment to qualify as a cash equivalent, it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. Therefore, an investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition.	
44.	Contingent liabilities	A Contingent liability is: (a) a possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise; or (b) a present obligation that arises from past events but is not recognized because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or (ii) a reliable estimate of the amount of the obligation cannot be	AS 29 "Provisions, Contingent liabilities and Contingent assets."

		made. 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. Possible obligation - an obligation is a possible obligation if, based on the evidence available, its existence at the balance sheet date is considered not probable.	
45.	Capital Commitment	"'Capital Commitment" as future liability for capital expenditure in respect of which contracts have been made.	Guidance Note on Terms Used in Financial Statements
46.	Profit and Loss Statement	"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."	Guidance Note 'Terms Used in Financial Statements'
47.	Income	"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.	Framework for the Preparation and Presentation of Financial Statements, Income and expenses.
48.	Expenses	"Expenses" are decreases in economic benefits during the	Framework for the Preparation

		accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.	and Presentation of Financial Statements, Income and expenses.
49.	Other operating revenue	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.	Guidance Note on Revised Schedule VI.
50.	Finance Company	The term "finance company " is not defined under the Companies Act, 1956, or Revised Schedule VI. 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	Guidance Note on Revised Schedule VI.

		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; (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; 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.	
51.	Depreciation	"Depreciation" is a measure of the wearing out, consumption or other loss of value of a depreciable asset arising from use, effluxion of time or obsolescence through technology and market changes. Depreciation is allocated so as to charge a fair proportion of the depreciable amount in each accounting period during the expected useful life of the	AS 6 " Depreciation Accounting"

		asset. Depreciation includes amortization of assets whose useful life is predetermined.	
52.	Amortization	"Amortization" is the systematic allocation of the depreciable amount of an intangible asset over its useful life.	AS 26 " Intangible Assets"
53.	Exceptional items	The term "Exceptional items" is not defined in Revised Schedule VI. However, AS-5 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 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.	AS-5 "Net Profit or Loss for the period, Prior period items and changes in Accounting Policies"

		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;" Examples:- • disposals of items of fixed assets; • disposals of long-term investments; • legislative changes having retrospective application; • litigation settlements; and • other reversals of provisions.	
54.	Extraordinary items	"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.	AS 5 "Net Profit or Loss for the period, Prior period items and changes in Accounting Policies"
55.	Current tax	"Current tax" is the amount of income tax determined to be payable (recoverable) in respect of the taxable income (tax loss) for a period.	AS 22 " Accounting for Taxes on Income".
56.	Deferred Tax	"Deferred tax " is the tax effect of timing differences. "Timing differences" are the differences between taxable	AS 22 " Accounting for Taxes on Income".

		income and accounting income for a period that originate in one period and are capable of reversal in one or more subsequent periods.	
57.	Discontinuing operations	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.	AS 24" Discontinuing Operations".
58.	Basic 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	AS 20 "Earnings Per Share".

		weighted average number of equity shares outstanding during the period.	
59.	Diluted Earnings Per Share	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.	AS 20 “Earnings Per Share”.

Chapter 13

Broad Check List of Audit of Financial Statements Prepared as per Companies Act, 2013

Although all the presentation and disclosure requirements of Schedule III have been discussed in previous Chapters whose compliances need to be ensured while conducting audit. However, for ready reference of the members the checklist of some important broad requirements to be checked while auditing the financial statements prepared as per Schedule III and provisions of the Companies Act, 2013 are provided below in the form of checklist.

S.No	Particulars	Yes	No	N/a	W.P ref no
1.	Whether all the items appearing on the face of Balance sheet and statement of Profit and Loss are as per Part I and II of Schedule III.				
2.	If any changes in line items etc are noticed ensure that 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				
3.	Whether the disaggregations (break up) of the items recognized in the financial statements have been disclosed in the notes to accounts and not in Schedules as was done earlier.				
4.	Whether each item on the face of the				

	Balance Sheet and Statement of Profit and Loss is cross-referenced to related information in the notes to accounts.				
5.	Please check whether rounding off of the figures of the financial statements has been done. If done then ensure compliance with the rounding off rule as provided in para 4 of the General Instructions.				
6.	In case rounding off has been made, ensure that a uniform unit of measurement i.e. (crores / lacs etc) is used across financial statements including notes to accounts.				
7.	Whether the corresponding amounts (comparatives) for the immediately preceding reporting period for all items shown in the financial statements including notes have been given even if the current amount is nil.				
8.	Whether all the disclosure requirements in respect of Balance Sheet provided in General Instructions for preparation of Balance Sheet have been complied with.				
9.	Whether in case of deviations in compliance(s) with General Instructions for preparation of Balance Sheet the reasons and impact thereof has been analyzed.				
10.	Whether all the disclosure requirements in respect of Statement of Profit and Loss provided in General Instructions for preparation of Statement of Profit and Loss have been complied with.				
11.	Whether in case of deviations in compliance(s) with General Instructions for preparation of Statement of Profit				

	and Loss the reasons and impact thereof has been analyzed.				
12.	Whether all disclosure requirements as mandated in the notified Accounting Standards and Companies Act, 2013 have been complied with even if requirements of Schedule III are conflicting.				
13.	In case of deviations in compliance(s) with notified Accounting Standards, whether the deviation, reason for deviation and financial impact thereof have been disclosed in the financial statements.				
14.	Whether all the assets and liabilities have been classified as current and non-current strictly based on definition provided in Para 1 of General Instructions for preparations of Balance Sheet.				
15.	Whether the classifications of assets and liabilities in current and non-current is based on the position existing on the balance sheet date and any non-adjusting event as per AS 4 has not been considered.				
16.	Whether events occurring after the balance sheet date, in respect of adjusting events i.e. events of which conditions existed on the balance sheet date, as per AS 4, have been considered for classification.				
17.	Whether suggestions of the Guidance Note on Revised Schedule VI of ICAI have been complied with. If not complied with, whether keeping in view of circumstances of case, a disclosure in report is necessary.				

18.	Whether provision for bad and doubtful debts has been bifurcated between current and non-current Trade receivables.				
19.	Whether the FDRs having balance maturity period of > three months to = twelve months from balance sheet date has not been included in cash and cash equivalents and has been included in other bank balances under the head cash and bank balances. Also check whether FDRs having balance maturity period of > 12 months has been shown under other non-current assets.				
20.	Whether balances with banks to the extent held as margin money or security against the borrowings, guarantees being not readily realizable have also been shown as other bank balances.				
21.	Whether all Inventories have been classified as current.				
22.	Whether operating cycle if exceeding 12 months, has been checked in the light of para 2 of general Instructions for preparation of Balance Sheet.				
23.	Whether operating cycle has been worked out for each business line (not customer wise or company as a whole) as per definition provided in para 2 of general instruction for preparation of balance sheet .				
24.	In the event of operating cycle exceeding 12 months whether its computation has been checked and the same has been disclosed in notes to accounts.				
25.	Whether amount due on account of other contractual obligations has not				

	been included in Trade Receivables / Trade payables.				
26.	Whether revenue from operations includes only the revenues from company's main operating activity.				
27.	Identify the exceptional and extraordinary items and check whether they have been disclosed separately on the face of the Statement of Profit and Loss.				
28.	Identify any discontinued operations of the company as per AS 24 and check whether the Profit (loss) from discontinuing operations has been shown separately on the face of the Statement of Profit and Loss..				
29.	Check whether the disclosure of raw materials, finished goods, stock in trade, work-in-progress, services rendered in broad heads has been disclosed in format suggested by the Guidance Note on Revised Schedule VI issued by ICAI. (Para 10.8, page 75-77).				
30.	Whether any item of income or expenditure which exceeds one per cent of the revenue from operations or Rs.1,00,000, whichever is higher has been disclosed separately in the notes to accounts.				
31.	Check whether the Net gain or loss on foreign currency translation related to finance cost is aggregated to finance cost and amount shown separately in notes to accounts. Further check whether other Net gain or loss on foreign currency translation have been disclosed separately as other income or other expense.				

32.	Whether the expense on Employee Stock Option Scheme (ESOP) and Employee Stock Purchase Plan (ESPP) has been disclosed separately under Employee benefits expense in the notes to accounts.				
33.	Check whether the depreciation has been computed in accordance with the Schedule II of the Companies Act, 2013 wherein useful life for various assets have been mandated? If not, have the different useful lives taken been disclosed along with justification?				
34.	Check whether in case of old assets the carrying amount has been depreciated over the remaining useful life of the asset as per Schedule II ?				
35.	Check whether the residual value has taken as not more than 5%? If taken, whether such fact and justification thereof has been disclosed?				
36.	Check whether the Company has spend the required amount on Corporate Social Responsibility activities as required under Section 135 of the Companies Act, 2013 and amount expended has separately been disclosed in the notes to accounts?				
37.	Check whether the requirement of new component of Schedule III i.e. “General Instructions for preparation of consolidated financial statements” has been fulfilled and required additional information has also been disclosed?				
38.	Check whether line items / heading used in cash flow statement are in sync with those used in other part of financial statements such as terms Sundry				

	Debtors, Turnover, Depreciation and interest and finance charges have been substituted by words Trade Receivables, Revenue from operations, Finance Costs and Depreciation and amortization expense in the Cash Flow Statement ?				
39.	Check whether separate movements / inflows and outflows from current and non-current movements of various line items have not been given, as AS 3 does not mandate the same.				
40.	Check whether Statement of Changes in Equity, if required has been prepared and disclosed?				
41.	Check whether Consolidated financial statements are prepared if required by the Accounting Standards and provisions of Companies Act, 2013?				
42.	Whether the entity has disclosed 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?				

ANNEXURES

ANNEXURE -1

Schedule II

(*See* section 123)

Useful Lives To Compute Depreciation

PART 'A'

1. Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. The depreciable amount of an asset is the cost of an asset or other amount substituted for cost, less its residual value. The useful life of an asset is the period over which an asset is expected to be available for use by an entity, or the number of production or similar units expected to be obtained from the asset by the entity.

2. For the purpose of this Schedule, the term depreciation includes amortization.

3. Without prejudice to the foregoing provisions of paragraph 1,—

(i) In case of such class of companies, as may be prescribed and whose financial statements comply with the accounting standards prescribed for such class of companies under section 133,the useful life of an asset shall not normally be different from the useful life and the residual value shall not be different from that as indicated in Part C, provided that if such a company uses a useful life or residual value which is different from the useful life or residual value indicated therein, it shall disclose the justification for the same.

(ii) In respect of other companies the useful life of an asset shall not be longer than the useful life and the residual value shall not be higher than that prescribed in Part C.

(iii) For intangible assets, the provisions of the Accounting Standards mentioned under sub-para (*i*) or (*ii*), as applicable, shall apply.

PART 'B'

4. The useful life or residual value of any specific asset, as notified for accounting purposes by a Regulatory Authority constituted under an Act of Parliament or by the Central Government shall be applied in calculating the

depreciation to be provided for such asset irrespective of the requirements of this Schedule.

PART 'C'

5. Subject to Parts A and B above, the following are the useful lives of various tangible assets:

Nature of assets			Useful Life
I. Buildings [NESD]			
(a)	Buildings (other than factory buildings) RCC Frame Structure		60 Years
(b)	Buildings (other than factory buildings) other than RCC Frame Structure		30 Years
(c)	Factory buildings		-do-
(d)	Fences, wells, tube wells		5 Years
(e)	Others (including temporary structure, etc.)		3 Years
II. Bridges, culverts, bunders, etc. [NESD]			30 Years
III. Roads [NESD]			
(*a*)	Carpeted roads		
	(*i*)	Carpeted Roads-RCC	10 Years
	(*ii*)	Carpeted Roads-other than RCC	5 Years
(*b*)	Non-carpeted roads		3 Years
IV.	Plant and Machinery		
(*i*)	General rate applicable to plant and machinery not covered under special plant and machinery		
	(*a*)	Plant and Machinery other than continuous process plant not covered under specific industries	15 Years
	(*b*)	Continuous process plant for which no special rate has been prescribed under (*ii*) below [NESD]	8 Years

(*ii*) Special Plant and Machinery

(*a*) Plant and Machinery related to production and exhibition of Motion Picture Films

1.	Cinematograph films—Machinery used in the production and exhibition of cinematograph films, recording and reproducing equipments, developing machines, printing machines, editing machines, synchronizers and studio lights except bulbs	13 Years
2.	Projecting equipment for exhibition of films	-do-

(*b*) Plant and Machinery used in glass manufacturing

1.	Plant and Machinery except direct fire glass melting furnaces — Recuperative and regenerative glass melting furnaces	13 Years
2.	Plant and Machinery except direct fire glass melting furnaces — Moulds [NESD]	8 Years
3.	Float Glass Melting Furnaces [NESD]	10 Years

(*c*) Plant and Machinery used in mines and quarries—Portable underground machinery and earth moving machinery used in open cast mining [NESD] — 8 Years

(*d*) Plant and Machinery used in Telecommunications [NESD]

1.	Towers	18 Years
2.	Telecom transceivers, switching centres, transmission and other network equipment	13 Years
3.	Telecom—Ducts, Cables and optical fiber	18 Years
4.	Satellites	-do-

(*e*) Plant and Machinery used in exploration, production and refining oil and gas [NESD]

1.	Refineries	5 Years
2.	Oil and gas assets (including wells), processing plant and facilities	-do-
3.	Petrochemical Plant	-do-

	4.	Storage tanks and related equipment	-do-
	5.	Pipelines	30 Years
	6.	Drilling Rig	-do-
	7.	Field operations (above ground) Portable boilers, drilling tools, Well-head tanks, etc.	8 Years
	8.	Loggers	-do-
(*f*)	Plant and Machinery used in generation, transmission and distribution of power [NESD]		
	1.	Thermal/ Gas/ Combined Cycle Power Generation Plant	40 Years
	2.	Hydro Power Generation Plant	-do-
	3.	Nuclear Power Generation Plant	-do-
	4.	Transmission lines, cables and other network assets	-do-
	5.	Wind Power Generation Plant	22 Years
	6.	Electric Distribution Plant	35 Years
	7.	Gas Storage and Distribution Plant	30 Years
	8.	Water Distribution Plant including pipelines	-do-
(*g*)	Plant and Machinery used in manufacture of steel		
	1.	Sinter Plant	20 Years
	2.	Blast Furnace	-do-
	3.	Coke ovens	-do-
	4.	Rolling mill in steel plant	-do-
	5.	Basic oxygen Furnace Converter	25 Years
(*h*)	Plant and Machinery used in manufacture of non-ferrous metals		
	1.	Metal pot line [NESD]	40 Years
	2.	Bauxite crushing and grinding section [NESD]	-do-
	3.	Digester Section [NESD]	-do-

	4.	Turbine [NESD]	-do-
	5.	Equipments for Calcinations [NESD]	-do-
	6.	Copper Smelter [NESD]	-do-
	7.	Roll Grinder	40 Years
	8.	Soaking Pit	30 Years
	9.	Annealing Furnace	-do-
	10.	Rolling Mills	-do-
	11.	Equipments for Scalping, Slitting, etc. [NESD]	-do-
	12.	Surface Miner, Ripper Dozer, etc., used in mines	25 Years
	13.	Copper refining plant [NESD]	-do-
(*i*)	Plant and Machinery used in medical and surgical operations [NESD]		
	1.	Electrical Machinery, X-ray and electrotherapeutic apparatus and accessories thereto, medical, diagnostic equipments, namely, Cat-scan, Ultrasound Machines, ECG Monitors, etc.	13 Years
	2.	Other Equipments.	15 Years
(*j*)	Plant and Machinery used in manufacture of pharmaceuticals and chemicals [NESD]		
	1.	Reactors	20 Years
	2.	Distillation Columns	-do-
	3.	Drying equipments/Centrifuges and Decanters	-do-
	4.	Vessel/storage tanks	-do-
(*k*)	Plant and Machinery used in civil construction		
	1.	Concreting, Crushing, Piling Equipments and Road Making Equipments	12 Years

	2.	Heavy Lift Equipments—	
		Cranes with capacity of more than 100 tons	20 Years
		Cranes with capacity of less than 100 tons	15 Years
	3.	Transmission line, Tunneling Equipments [NESD]	10 Years
	4.	Earth-moving equipments	9 Years
	5.	Others including Material Handling/Pipeline/ Welding Equipments [NESD]	12 Years
(*l*)		Plant and Machinery used in salt works [NESD]	15 Years

V. Furniture and fittings [NESD]

(i)	General furniture and fittings	10 Years
(ii)	Furniture and fittings used in hotels, restaurants and boarding houses, schools, colleges and other educational institutions, libraries; welfare centres; meeting halls, cinema houses; theatres and circuses; and furniture and fittings let out on hire for use on the occasion of marriages and similar functions.	8 Years

VI. Motor Vehicles [NESD]

1.	Motor cycles, scooters and other mopeds	10 Years
2.	Motor buses, motor lorries, motor cars and motor taxies used in a business of running them on hire	6 Years
3.	Motor buses, motor lorries and motor cars other than those used in a business of running them on hire	8 Years
4.	Motor tractors, harvesting combines and heavy vehicles	-do-
5.	Electrically operated vehicles including battery powered or fuel cell powered vehicles	8 Years

VII. Ships [NESD]

1.	Ocean-going ships		
	(i)	Bulk Carriers and liner vessels	25 Years

	(ii)	Crude tankers, product carriers and easy chemical carriers with or without conventional tank coatings.	20 Years
	(*iii*)	Chemicals and Acid Carriers:	
		(a) With Stainless steel tanks	25 Years
		(b) With other tanks	20 Years
	(iv)	Liquified gas carriers	30 Years
	(v)	Conventional large passenger vessels which are used for cruise purpose also	-do-
	(vi)	Coastal service ships of all categories	-do-
	(vii)	Offshore supply and support vessels	20 Years
	(viii)	Catamarans and other high speed passenger for ships or boats	-do -
	(ix)	Drill ships	25 Years
	(x)	Hovercrafts	15 Years
	(xi)	Fishing vessels with wooden hull	10 Years
	(xii)	Dredgers, tugs, barges, survey launches and other similar ships used mainly for dredging purposes	14 Years
2.	Vessels ordinarily operating on inland waters—		
	(i)	Speed boats	13 Years
	(ii)	Other vessels	28 Years
VIII. Aircrafts or Helicopters [NESD]			20 Years
IX. Railways sidings, locomotives, rolling stocks, tramways and railways used by concerns, excluding railway concerns [NESD]			15 Years
X. Ropeway structures [NESD]			15 Years
XI. Office equipment [NESD]			5 Years
XII. Computers and data processing units [NESD]			
(i)	Servers and networks		6 Years
(ii)	End user devices, such as, desktops, laptops, etc.		3 Years

XIII. Laboratory equipment [NESD]

(i)	General laboratory equipment	10 Years
(ii)	Laboratory equipments used in educational institutions	5 Years

XIV. Electrical Installations and Equipment [NESD]	10 years
XV. Hydraulic works, pipelines and sluices [NESD]	15 Years

Notes.—

1. "Factory buildings" does not include offices, godowns, staff quarters.

2. Where, during any financial year, any addition has been made to any asset, or

where any asset has been sold, discarded, demolished or destroyed, the depreciation on such assets shall be calculated on a *pro rata* basis from the date of such addition or, as the case may be, up to the date on which such asset has been sold, discarded, demolished or destroyed.

3. The following information shall also be disclosed in the accounts, namely:—

(i) depreciation methods used; and

(ii) the useful lives of the assets for computing depreciation, if they are different from the life specified in the Schedule.

4. Useful life specified in Part C of the Schedule is for whole of the asset. Where cost of a part of the asset is significant to total cost of the asset and useful life of that part is different from the useful life of the remaining asset, useful life of that significant part shall be determined separately.

5. Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value. Ordinarily, the residual value of an asset is often insignificant but it should generally be not more than 5% of the original cost of the asset.

6. The useful lives of assets working on shift basis have been specified in the Schedule based on their single shift working. Except for assets in respect of which no extra shift depreciation is permitted (indicated by NESD in Part C above), if an asset is used for any time during the year for double shift, the depreciation will increase by 50% for that period and in case of the triple shift the depreciation shall be calculated on the basis of 100% for that period.

7. From the date this Schedule comes into effect, the carrying amount of the asset as on that date—

(*a*) shall be depreciated over the remaining useful life of the asset as per this Schedule;

(*b*) after retaining the residual value, shall be recognized in the opening balance of retained earnings where the remaining useful life of an asset is nil.

8. ''Continuous process plant'' means a plant which is required and designed to operate for twenty-four hours a day.

ANNEXURE-2

COMPANIES ACT, 2013 - AMENDMENT IN SCHEDULE II

NOTIFICATION NO. GSR 237(E) [F.NO.17/60/2012-CL-V], DATED 31-3-2014

In exercise of the powers conferred by sub-section (2) of Section 123 read with sub-sections (1) of Section 467 of the Companies Act, 2013 (18 of 2013), the Central Government hereby makes the following alterations to Schedule II to the said Act, namely:—

1. In Schedule II,—

(1) in Part 'A', in para 3, for sub-paragraphs (i) to (iii), the following sub-paragraphs shall be substituted, namely:—

(i) The useful life of an asset shall not be longer than the useful life specified in Part 'C' and the residual value of an asset shall not be more than five per cent of the original cost of the asset:

Provided that where a company uses a useful life or residual value of the asset which is different from the above limits, justification for the difference shall be disclosed in its financial statement.

(ii) For intangible assets, the provisions of the accounting standards applicable for the time being in force shall apply, except in case of intangible assets (Toll Roads) created under 'Build, Operate and Transfer', 'Build, Own, Operate and Transfer' or any other form of public private partnership route in case of road projects. Amortisation in such cases may be done as follows:

(a) Mode of amortisation

$$\text{Amortisation Rate} = \frac{\text{Amortisation Amount}}{\text{Cost of Intangible Assets (A)}} \times 100$$

Amortisation Amount

$$= \text{Cost of Intangible Assets (A)} \times \frac{\text{Actual Revenue for the year (B)}}{\text{Projected Revenue from Intangible Asset (till the end of the concession period) (C)}}$$

(b) Meaning of particulars are as follows:—

Cost of Intangible Assets (A)	=	Cost incurred by the company in accordance with the accounting standards.
Actual Revenue for the year (B)	=	Actual revenue (Toll Charges) received during the accounting year.
Projected Revenue from Intangible Asset (C)		Total projected revenue from the Intangible Assets as provided to the project lender at the time of financial closure /agreement.

The amortisation amount or rate should ensure that the whole of the cost of the intangible asset is amortised over the concession period.

Revenue shall be reviewed at the end of each financial year and projected revenue shall be adjusted to reflect such changes, if any, in the estimates as will lead to the actual collection at the end of the concession period.

(c) Example:—

Cost of creation of Intangible Assets	: Rs. 500 Crores
Total period of Agreement	: 20 Years
Time used for creation of Intangible Assets	: 2 Years

Intangible Assets to be amortised in : 18 Years

Assuming that the Total revenue to be generated out of Intangible Assets over the period would be Rs. 600 Crores, in the following manner:—

Year No.	Revenue (In Rs. Crores)	Remarks
Year 1	5	Actual
Year 2	7.5	Estimate *
Year 3	10	Estimate *
Year 4	12.5	Estimate *
Year 5	17.5	Estimate *
Year 6	20	Estimate *
Year 7	23	Estimate *
Year 8	27	Estimate *
Year 9	31	Estimate *
Year 10	34	Estimate *
Year 11	38	Estimate *
Year 12	41	Estimate *
Year 13	46	Estimate *
Year 14	50	Estimate *
Year 15	53	Estimate *
Year 16	57	Estimate *
Year 17	60	Estimate *
Year 18	67.5	Estimate *
Total	600	

'*'will be actual at the end of financial year.

Based on this the charge for first year would be Rs. 4.16 Crore (approximately) (i.e. Rs. 5/Rs. 600 × Rs. 500 Crores) which would be charged to profit and loss and 0.83% (i.e. Rs. 4.16 Crore/Rs. 500 Crore × 100) is the amortisation rate for the first year.

Where a company arrives at the amortisation amount in respect of the said Intangible Assets in accordance with any method as per the applicable Accounting Standards, it shall disclose the same."

(2) in Part 'C', in para 5, in item IV, in sub-item (i), for clause (b), the following clause shall be substituted, namely:—

"(b) continuous process plant for which no special rate has been prescribed under (ii) below [NESD] 25 years 25 years".

(3) under the heading 'Notes', appearing after Part 'C', paragraph 5 shall be omitted.

2. This notification shall come into force with effect from 1 April, 2014.

Feedback page

This is the first edition of the handbook by the Committee. As such, there is scope for its improvement. We intend to make it as useful as possible in its present format. The committee, therefore, hopes to keep updating this Handbook on a regular basis to make it functional.

We solicit comments and suggestions from practitioners and other to improve the usefulness of the Handbook. In particular, we welcome the views of the practitioners on enhancement of their knowledge base.

Your valuable inputs may be sent to ccbcaf@icai.org.

We are thankful to CA. Mohammad Salim for preparing the draft of this book on Financial Statements Presentation under Companies Act, 2013: Practitioner's Perspective.

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