GUIDANCE NOTE
ON
THE SCHEDULE III
TO THE COMPANIES ACT, 2013

The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)
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Foreword

The Companies Act 2013 was enacted to improve corporate governance and better transparency in the corporate sector which is imperative to imbue confidence amongst investors in Indian market and to further strengthen regulations for the companies, keeping in view the changing economic environment as well as the growth of our economy. The Ministry of Corporate Affairs in 2011 revised the formats for preparation and presentation of financial statements and released the Revised Schedule VI to the Companies Act 1956.

The formats for financial statements were revised taking cognizance of imperative situation and need that the financial statements of Indian corporates should be comparable with international format as most of the Indian accounting standards have been made at par with the international accounting standards due to applicability of Ind AS.

The Institute through its Corporate Laws & Corporate Governance Committee issued the Guidance Note on Revised Schedule VI to the Companies Act, 1956 in January, 2012. Further, the Schedule III to the Companies Act 2013 was notified on 26th March, 2014 with some amendments related to disclosure on expenditure of Corporate Social Responsibility and Consolidated Financial Statements. Therefore, there was a need to revise the Guidance Note on Revised Schedule VI to the Companies Act, 1956 to the extent of amendments in the Schedule III to the Companies Act, 2013. So, the Corporate Laws & Corporate Governance Committee took this initiative to bring this Guidance Note on Schedule III to the Companies Act 2013.

I wish to thank Vice President of ICAI CA. Deveraja Reddy M for his encouragement and support in publishing this Guidance Note.

I commend the Corporate Laws & Corporate Governance Committee in bringing out this useful publication. I place on record my appreciation for CA S. Santhanakrishnan, Chairman, CA. Tarun Jamnadas Ghia, Vice Chairman and the entire team of CL&CGC.

I sincerely hope that this publication would be of immense use to the members in carrying out their professional assignment.

9th February 2016

CA. Manoj Fadnis
President, ICAI

Preface

The corporate laws of an economy are a sine qua non for economic growth. In today's global economic scenario, entrepreneurs are looking forward to economies that have the best, compact and easy laws and procedures that facilitate quick establishment of companies. The Indian Company Law, which had its legislative origin after independence, had gone through a complete overhaul in 2013. The Ministry of Corporate Affairs has been taking timely and pro-active initiatives by making the existing law simple, compact with less cumbersome procedures. With its total makeover at this juncture, it is almost at par with the laws elsewhere in the globe and making the country as a platform for inviting off-shore investments.

As 'Accounting Standards' including "Ind AS" as applicable have become mandatory, Schedule III to the Companies Act, 2013 became an important piece of document with a format aligned with that of Accounting Standards.

The Schedule III to the Companies Act, 2013 became applicable to all companies for the preparation of Financial Statements beginning on or from 1.4.2014. It is a major step and members of the profession have a greater role and responsibility in its preparation. To facilitate the preparation of Financial Statements in compliance with the Schedule III, the ICAI has brought out this Guidance Note for the benefit of its members.

In this connection, I take this opportunity in thanking the President of ICAI, CA. Manoj Fadnis and the Vice President of ICAI CA. Deveraja Reddy M for their moral support and encouragement in bringing out the publication. I place on record my appreciation to CA. Tarun Jamnadas Ghia, the Vice-Chairman of the Corporate Laws & Corporate Governance Committee and the other committee members for their help and guidance in shaping this Guidance Note. I also thank CA. Nilesh Vikamsey, CA. Dhinal Shah and my esteemed colleagues in the Accounting Standards Board and the Auditing and Assurance Standards Board for their invaluable comments and suggestions in the process of discussion. My thanks to also CA. T. V. Balasubramanian for undertaking the preparation of this Guidance Note.

The Secretariat to the Committee (comprising CA Sarika Singhal and Ms. S. Rita) also deserves appreciation for having participated and contributed to the technical deliberations at various committee meetings.

I sincerely believe that the members of the profession, industries, companies, Chambers of Commerce and other bodies will find the publication immensely useful.

9th February 2016

CA S. Santhanakrishnan
Chairman
Corporate Laws & Corporate Governance Committee, ICAI

Index

1. Introduction

1.1 Schedule III to the Companies Act, 2013 (‘the Act’) provides the manner in which every company registered under the Act shall prepare its Balance Sheet, Statement of Profit and Loss and notes thereto. In the light of various economic and regulatory reforms that have taken place for companies over the last several years, there was a need for enhancing the disclosure requirements under the Old Schedule VI to the Act and harmonizing and synchronizing them with the notified Accounting Standards as applicable (‘AS’/‘Accounting Standard(s)’). Accordingly, the Ministry of Corporate Affairs (MCA) had issued a revised form of Schedule VI on February 28, 2011 and this has formed the basis for the Schedule III of Companies Act, 2013.The relevant Schedule III to the Act is given in Annexure A (Pg. 102). As per the Act and rules / notifications thereunder, the Schedule applies to all companies for the Financial Statements to be prepared for the financial year commencing on or after April 1, 2014.

1.2 The requirements of the Schedule III however, do not apply to companies as referred to in the proviso to Section 129(1) of the Act, i.e., 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 Balance Sheet and Statement of Profit and Loss has been specified in or under any other Act governing such class of company.

1.3 It may be clarified that for companies engaged in the generation and supply of electricity, however, neither the Electricity Act, 2003, nor the rules framed thereunder, prescribe any specific format for presentation of Financial Statements by an electricity company. Section 1 (4) of the Companies Act states that the Companies Act will apply to electricity companies, to the extent it is not inconsistent with the provisions of the Electricity Act. Keeping this in view, Schedule III may be followed by such companies till the time any other format is prescribed by the relevant statute.

2. Objective and Scope

2.1. The objective of this Guidance Note is to provide guidance in the preparation and presentation of Financial Statements of companies in accordance with various aspects of the Schedule III. However, it does not provide guidance on disclosure requirements under Accounting Standards, other pronouncements of the Institute of Chartered Accountants of India(ICAI), other statutes, etc.

2.2. In preparing this Guidance Note, reference has been made to the Accounting standards notified under Section 133 of the Companies Act, 2013 read together with Paragraph 7 of the Companies (Accounts) Rules, 2014 given in Annexure E (Pg. 131) and various other pronouncements of the ICAI. The primary focus of the Guidance Note has been to lay down broad guidelines to deal with practical issues that may arise in the implementation of the Schedule III.

2.3. As per the clarification issued by ICAI regarding the authority attached to the Documents Issued by ICAI, "'*Guidance Notes' are primarily designed to provide guidance to members on matters which may arise in the course of their professional work and on which they may desire assistance in resolving issues which may pose difficulty. Guidance Notes are recommendatory in nature. A member should ordinarily follow recommendations in a guidance note relating to an auditing matter except where he is satisfied that in the circumstances of the case, it may not be necessary to do so. Similarly, while discharging his attest function, a member should examine whether the recommendations in a guidance note relating to an accounting matter have been followed or not. If the same have not been followed, the member should consider whether keeping in view the circumstances of the case, a disclosure in his report is necessary.*"

3. Applicability

3.1. As per the Government Notification no. S.O. 902 (E) dated 26th March, 2014, the Schedule III is applicable for the Balance Sheet and Statement of Profit and Loss to be prepared for the financial year commencing on or after April 1, 2014.

3.2. Early adoption of the Schedule III is not permitted since Schedule VI is a statutory format.

3.3. The Schedule III requires that except in the case of the first Financial Statements laid before the company after incorporation, the corresponding amounts for the immediately preceding period are to be disclosed in the Financial Statements including the Notes to Accounts. Accordingly, corresponding information will have to be presented starting from the first year of application of the Schedule III. Thus for the Financial Statements prepared for the year 2014-15 (1st April 2014to 31st March 2015), corresponding amounts need to be given for the financial year 2013-14.

3.4. *ICAI had earlier issued the Statement on the Amendments to Schedule VI to the Companies Act, 1956 in March 1976 (as amended). Wherever* *guidance provided in this publication is different from the guidance in the aforesaid Statement, this Guidance Note will prevail.*

3.5. Applicability of the Schedule III format to interim Financial Statements prepared by companies in the first year of application of the Schedule:

Relevant paragraphs of *AS-25 Interim Financial Reporting* are quoted below:

"10. If an enterprise prepares and presents a complete set of Financial Statements in its interim financial report, the form and content of those statements should conform to the requirements as applicable to annual complete set of Financial Statements.

11. If an enterprise prepares and presents a set of condensed Financial Statements in its interim financial report, those condensed statements should include, at a minimum, each of the headings and sub-headings that were included in its most recent annual Financial Statements and the selected explanatory notes as required by this Statement. Additional line items or notes should be included if their omission would make the condensed interim Financial Statements misleading."

3.6. Accordingly, if a company is presenting condensed interim Financial Statements, its format should also going forward conform to that used in the company's most recent annual Financial Statements, i.e., the Schedule III of Companies Act, 2013.

3.7. The format of Balance Sheet currently prescribed under Clause 41 to the Listing Agreement is also based the format of Balance Sheet in the Schedule III.

3.8. The formats of the Balance Sheet and Statement of Profit and Loss prescribed under the SEBI (Issue of Capital & Disclosure Requirements) Regulations 2009 ('ICDR Regulations') is inconsistent with the format of the Balance Sheet/ Statement of Profit and Loss in the Schedule III. However, the formats of Balance Sheet and Statement of Profit and Loss under ICDR Regulations are "illustrative formats". Accordingly, to make the data comparable and meaningful for users, companies should use the Schedule III format to present the restated financial information for inclusion in the offer document. Consequently, among other things, this will involve classification of assets and liabilities into current and non-current for earlier years presented as well.

Attention is also invited to the General Circular no 62/2011 dated 5thSeptember 2011 issued by the Ministry of Company Affairs which clarifies that 'the presentation of Financial Statements for the limited purpose of IPO/FPO during the financial year 2011-12 may be made in the format of the pre-Revised Schedule VI under the Companies Act, 1956. However, for period beyond 31st March 2012, they would prepare only in the new format as prescribed by the Schedule VI of the Companies Act, 1956'. [Refer Annexure B (Pg. 127) for Circular]. In the absence of similar clarification with regard to use of Revised Schedule VI vis-à-vis, for the periods after 31st March 2012, the Schedule III format will have to be adhered to, which is anyway, similar to the Revised Schedule VI format under Companies Act 1956 for standalone financials except for an additional disclosure requirement with respect to Corporate Social Responsibility Expenditure.

4. Summary of Schedule III

4.1. Main principles

4.1.1. The Schedule III requires that if compliance with the requirements of the Act and/ or the notified Accounting Standards requires a change in the treatment or disclosure in the Financial Statements as compared to that provided in the Schedule III, the requirements of the Act and/ or the notified Accounting Standards will prevail over the Schedule.

4.1.2. The Schedule III clarifies that the requirements mentioned therein for disclosure on the face of the Financial Statements or in the notes are minimum requirements. Line items, sub-line items and sub-totals can be presented as an addition or substitution on the face of the Financial Statements when such presentation is relevant for understanding of the company's financial position and/or performance.

4.1.3. The terms used in the Schedule III will carry the meaning as defined by the applicable Accounting Standards. For example, the terms such as 'associate', 'related parties', etc. will have the same meaning as defined in Accounting Standards notified under Companies (Accounting Standards) Rules, 2006.

4.1.4. In preparing the Financial Statements including the Notes to Accounts, a balance will have to be maintained between providing excessive detail that may not assist users of Financial Statements and not providing important information as a result of too much aggregation.

4.1.5. All items of assets and liabilities are to be bifurcated between current and non-current portions and presented separately on the face of the Balance Sheet. Such classification was not required by the Old Schedule VI, but was introduced in the Revised Schedule VI itself.

4.1.6. There is an explicit requirement to use the same unit of measurement uniformly throughout the Financial Statements and notes thereon. Moreover, rounding off requirements (where opted for) have been changed to eliminate the option of presenting figures in terms of hundreds and thousands if turnover exceeds 100 crores.

4.2. Major changes related to the Balance sheet (brought in by Revised Schedule VI onwards)

4.2.1. The Schedule III (and earlier, the Revised Schedule VI) prescribes only the vertical format for presentation of Financial Statements. Thus, a company will now not have an option to use horizontal format for the presentation of Financial Statements as prescribed in Old Schedule VI.

4.2.2. Current and non-current classification has been introduced for presentation of assets and liabilities in the Balance Sheet. The application of this classification will require assets and liabilities to be segregated into their current and non-current portions. For instance, current maturities of a long-term borrowing will have to be classified under the head “Other current liabilities.”

4.2.3. Number of shares held by each shareholder holding more than 5 percent shares in the company now needs to be disclosed. In the absence of any specific indication of the date of holding, such information should be based on shares held as on the Balance Sheet date.

4.2.4. Details pertaining to aggregate number and class of shares allotted for consideration other than cash, bonus shares and shares bought back will need to be disclosed only for a period of five years immediately preceding the Balance Sheet date including the current year.

4.2.5. Any debit balance in the Statement of Profit and Loss will be disclosed under the head “Reserves and surplus.” Earlier, any debit balance in Statement of Profit and Loss carried forward after deduction from uncommitted reserves was required to be shown as the last item on the Assets side of the Balance Sheet.

4.2.6. Specific disclosures are prescribed for Share Application money. The application money not exceeding the capital offered for issuance and to the extent not refundable will be shown separately on the face of the Balance Sheet. The amount in excess of subscription or if the requirements of minimum subscription are not met will be shown under “Other current liabilities.”

4.2.7. The term “sundry debtors” has been replaced with the term “trade receivables.” ‘Trade receivables’ are defined as dues arising only from goods sold or services rendered in the normal course of business. Hence, amounts due on account of other contractual obligations can no longer be included in the trade receivables.

4.2.8. The Old Schedule VI required separate presentation of debtors outstanding for a period exceeding six months based on date on which the bill/invoice was raised whereas, the Schedule III (and earlier, the Revised Schedule VI) requires separate disclosure of trade receivables outstanding for a period exceeding six months from the date the bill/invoice is due for payment.

4.2.9. “Capital advances” are specifically required to be presented separately under the head “Loans & advances” rather than including elsewhere.

4.2.10. Tangible assets under lease are required to be separately specified under each class of asset. In the absence of any further clarification, the term “under lease” should be taken to mean assets given on operating lease in the case of lessor and assets held under finance lease in the case of lessee.

4.2.11. In the Old Schedule VI, details of only capital commitments were required to be disclosed. Under the Schedule III (and earlier, the Revised Schedule VI), other commitments also need to be disclosed.

4.2.12. The Schedule III (and earlier, the Revised Schedule VI) requires disclosure of all defaults in repayment of loans and interest to be specified in each case. Earlier, no such disclosure was required in the Financial Statements. However, disclosures pertaining to defaults in repayment of dues to a financial institution, bank and debenture holders continue to be required in the report under Companies (Auditor’s Report) Order, 2015 (CARO).

4.2.13. The Schedule III (and earlier, the Revised Schedule VI) introduced a number of other additional disclosures. Some examples are:

(a) Rights, preferences and restrictions attaching to each class of shares, including restrictions on the distribution of dividends and the repayment of capital;

(b) Terms of repayment of long-term loans;

(c) In each class of investment, details regarding names of the bodies corporate in whom investments have been made, indicating separately whether such bodies are (i) subsidiaries, (ii) associates, (iii) joint ventures, or (iv) controlled special purpose entities, and the nature and extent of the investment made in each such body corporate (showing separately partly-paid investments);

(d) Aggregate provision for diminution in value of investments separately for current and long-term investments;

(e) Stock-in-trade held for trading purposes, separately from other finished goods.

4.3. Main changes related to Statement of Profit and Loss (brought in by Revised Schedule VI and added to by Schedule III)

4.3.1. The name has been changed to "Statement of Profit and Loss" as against 'Profit and Loss Account' as contained in the Old Schedule VI.

4.3.2. Unlike the Old Schedule VI, the Schedule III (and earlier Revised Schedule VI) lays down a format for the presentation of Statement of Profit and Loss. This format of Statement of Profit and Loss does not mention any appropriation item on its face. Further, the Schedule III (and earlier Revised Schedule VI) format prescribes such 'below the line' adjustments to be presented under "Reserves and Surplus" in the Balance Sheet.

4.3.3. In addition to specific disclosures prescribed in the Statement of Profit and Loss, any item of income or expense which exceeds one percent of the revenue from operations or Rs. 100,000 (earlier 1 % of total revenue or Rs. 5,000), whichever is higher, needs to be disclosed separately.

4.3.4. 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 no longer exists in the Schedule III(and earlier Revised Schedule VI). 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.

4.3.5. In respect of companies other than finance companies, revenue from operations need to be disclosed separately as revenue from (a) sale of products, (b) sale of services and (c) other operating revenues.

4.3.6. Net exchange gain/loss on foreign currency borrowings to the extent considered as an adjustment to interest cost needs to be disclosed separately as finance cost.

4.3.7. Break-up in terms of quantitative disclosures for significant items of Statement of Profit and Loss, such as raw material consumption, stocks, purchases and sales have been simplified and replaced with the disclosure of "broad heads" only. The broad heads need to be decided based on considerations of materiality and presentation of true and fair view of the Financial Statements.

4.3.8. Schedule III has brought in an additional requirement under additional information to be provided requiring companies to disclose amount of expenditure incurred on corporate social responsibility activities.

4.4. Disclosures no longer required (brought in by Revised Schedule VI)

The Schedule III (and earlier Revised Schedule VI) has removed a number of disclosure requirements that were not considered relevant in the present day context. Examples include:

(a) Disclosures relating to managerial remuneration and computation of net profits for calculation of commission;

(b) Information relating to licensed capacity, installed capacity and actual production;

(c) Information on investments purchased and sold during the year;

(d) Investments, sundry debtors and loans & advances pertaining to companies under the same management;

(e) Maximum amounts due on account of loans and advances from directors or officers of the company;

(f) Commission, brokerage and non-trade discounts

However, there are certain disclosures such as value of imports calculated on CIF basis, earnings/expenditure in foreign currency, etc. that still continue in the Schedule III(and earlier Revised Schedule VI).A comparison of Revised Schedule VI and Schedule III(which is largely similar to Schedule VI) is given in Annexure C (pg 128).

5. Structure of the Schedule III

The Structure of Schedule III is as under:

I. General Instructions

II. Part I – Form of Balance Sheet

III. General Instructions for Preparation of Balance Sheet

IV. Part II – Form of Statement of Profit and Loss

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

VI. General Instructions for the Preparation of Consolidated Financial Statements

6. General Instructions to The Schedule III

6.1. The General Instructions lay down the broad principles and guidelines for preparation and presentation of Financial Statements.

6.2. As laid down in the Preface to the Statements of Accounting Standards issued by ICAI, if a particular Accounting Standard is found to be not in conformity with law, the provisions of the said law will prevail and the Financial Statements should be prepared in conformity with such law. Accordingly, by virtue of this principle, disclosure requirements of the Old Schedule VI were considered to prevail over Accounting Standards. However, since the Schedule III(and earlier, the Revised Schedule VI) gives overriding status to the requirements of the Accounting Standards and other requirements of the Act, such principle of law overriding the Accounting Standards is inapplicable in the context of the Schedule III (and earlier, the Revised Schedule VI).

6.3. The Schedule III requires that if compliance with the requirements of the Act including applicable Accounting Standards require any change in the treatment or disclosure including addition, amendment, substitution or deletion in the head/sub-head or any changes interse, in the Financial Statements or statements forming part thereof, the same shall be made and the requirements of Schedule III shall stand modified accordingly.

6.4. Implications of all instructions mentioned above can be illustrated by means of the following example. One of the line items to be presented on the face of the Balance Sheet under Current assets is "Cash and cash equivalents". The break-up of these items required to be presented by the Schedule III comprises of items such as Balances with banks held as margin money or security against borrowings, guarantees, etc. and bank deposits with more than 12 months maturity. According to *AS-3 Cash Flow Statements*, Cash is defined to include cash on hand and demand deposits with banks. Cash Equivalents are defined as 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. The Standard further explains that an investment normally qualifies as a cash equivalent only when it has a short maturity of three months or less from the date of acquisition. Hence, normally, deposits with original maturity of three months or less only should be classified as cash equivalents. Further, bank balances held as margin money or security against borrowings are neither in the nature of demand deposits, nor readily available for use by the company, and accordingly, do not meet the aforesaid definition of cash equivalents. Thus, this is an apparent conflict between the requirements of the Schedule III and the Accounting Standards with respect to which items should form part of Cash and cash equivalents. As laid down in the General Instructions, Para 1 of Schedule III, requirements of the Accounting Standards would prevail over the Schedule III and the company should make necessary modifications in the Financial Statements, which may include addition, amendment, substitution or deletion in the head/sub-head or any other changes interse. Accordingly, the conflict should be resolved by changing the caption "*Cash and cash equivalents*" to "*Cash and bank balances*," which may have two sub-headings, viz., "*Cash and cash equivalents*" and *"Other bank balances."* The former should include only the items that constitute Cash and cash equivalents defined in accordance with AS 3 (and not the Schedule III), while the remaining line-items may be included under the latter heading.

6.5. Para 2 of the General Instructions to the Schedule III states that the disclosure requirements of the Schedule are in addition to and not in substitution of the disclosure requirements specified in the notified Accounting Standards. They further clarify that the additional disclosures specified in the Accounting Standards shall be made in the Notes to Accounts or by way of an additional statement unless required to be disclosed on the face of the Financial Statements. All other disclosures required by the Act are also required to be made in the Notes to Accounts in addition to the requirements set out in the Schedule III.

6.6. An example to illustrate the above point is the specific disclosure required by *AS-24 Discontinuing Operations* on the face of the Statement of Profit and Loss which has not been incorporated in the Schedule III. The disclosure pertains to the amount of pre-tax gain or loss recognised on the disposal of assets or settlement of liabilities attributable to the discontinuing operation. Accordingly, such disclosures specifically required by the Accounting Standard on the face of either the Statement of Profit and Loss or Balance Sheet will have to be so made even if not forming part of the formats prescribed under the Schedule III.

6.7. All the other disclosures required by the Accounting Standards will continue to be made in the Financial Statements. Further, the disclosures required by the Act will continue to be made in the Notes to Accounts. An example of this is the separate disclosure required by Sub Section (3) of Section 182 of the Act for donations made to political parties. Such disclosures would be made in the Notes. An illustrative list of disclosures required under the Act is enclosed as Annexure D (pg 129).

6.8. Though not specifically required by the Schedule III, disclosures mandated by other Acts or legal requirements will have to be made in the Financial Statements. For example, The Micro, Small and Medium

Enterprises Development (MSMED) Act, 2006 requires specified disclosures to be made in the annual Financial Statements of the buyer wherever such Financial Statements are required to be audited under any law. Accordingly, such disclosures will have to be made in the buyer company's annual Financial Statements.

6.9. The above principle would apply to disclosures required by other legal requirements as well such as, disclosures required under Clause 32 to the Listing Agreement, etc. A further extension of the above principle also means that specific disclosures required by various pronouncements of regulatory bodies such as the ICAI announcement for disclosures on derivatives and unhedged foreign currency exposures, and other disclosure requirements prescribed by various ICAI Guidance Notes, such as Guidance Note on Employee Share-based Payments, etc. should continue to be made in the Financial Statements in addition to the disclosures specified by the Schedule III.

6.10. In the Old Schedule VI, break-up of amounts disclosed on the face of the Balance Sheet and Profit and Loss Account was required to be given in the Schedules. Additional information was required to be furnished in the Notes to Account. The Schedule III (and earlier, the Revised Schedule VI) requires all information relating to each item on the face of the Balance Sheet and Statement of Profit and Loss to be cross-referenced to the Notes to Accounts. The manner of such cross-referencing to various other informations contained in the Financial Statements has also been changed to "Note No." as compared to "Schedule No." in the Old Schedule VI. Hence, the same is suggestive of a change in the old format of presentation from Schedules and Notes to Accounts to the new format of only Notes to Accounts. The instructions state that the Notes to Accounts should provide where required, narrative descriptions or disaggregations of items recognized in those statements. Hence, presentation of all narrative descriptions and disaggregations should preferably be presented in the form of Notes to Accounts rather than in the form of Schedules. Such style of presentation is also in line with the manner of presentation of Financial Statements followed by companies internationally and would facilitate comparability of Financial Statements.

6.11. Para 3 of the General Instructions of the Schedule III also states that the Notes to Accounts should also contain information about items that do not qualify for recognition in Financial Statements. These disclosures normally refer to items such as Contingent Liabilities and Commitments which do not get recognised in the Financial Statements. These have been dealt with later in this Guidance Note. Some of the other disclosures relating to items that are not recognized in the Financial Statements also emanate from the Accounting Standards, such as, disclosures required under *AS9Revenue Recognition*on circumstances in which revenue recognition is to be postponed pending the resolution of significant uncertainties. Contingent Assets, however, are not to be disclosed in the Financial Statements as per *AS29 Provisions, Contingent Liabilities and Contingent Assets.*

6.12. The General Instructions also lay down the principle that in preparing Financial Statements including Notes to Accounts, a balance shall be maintained between providing excessive detail that may not assist users of Financial Statements and not providing important information as a result of too much aggregation. Compliance with this requirement is a matter of professional judgement and may vary on a case to case basis based on facts and circumstances. However, it is necessary to strike a balance between overburdening Financial Statements with excessive detail that may not assist users of Financial Statements and obscuring important information as a result of too much aggregation. For example, a company should not obscure important information by including it among a large amount of insignificant detail or in a way that it obscures important differences between individual transactions or associated risks.

6.13. The Schedule III (and earlier, the Revised Schedule VI) has specifically introduced a new requirement of using the same unit of measurement uniformly across the Financial Statements. Such requirement should be taken to imply that all figures disclosed in the Financial Statements including Notes to Accounts should be of the same denomination.

6.14. The Schedule III (and earlier, the Revised Schedule VI) has also introduced new rounding off requirements as compared to the Old Schedule VI. The new requirement does not prescribe the option to present figures in terms of hundreds and thousands if the turnover equals or exceeds `Rs. 100 crores. Rather, they allow rounding off in crores, which was earlier permitted only when the turnover equaled or exceeded five hundredcrores rupees. Similarly, where turnover is below `Rs. 100 crore, the Schedule III (and earlier, the Revised Schedule VI) gives an option to present figures in lakhs and millions as well, which did not exist earlier. However, it is not compulsory to apply rounding off and a company can continue to disclose full figures. But, if the same is applied, the rounding off requirement should be complied with.

Old Schedule VI	Schedule III (and earlier, the Revised Schedule VI)
• Turnover <Rs. 100 Crores – Round off to the nearest hundreds, thousands or decimal thereof • Turnover Rs. 100 to Rs. 500 Crores- Round off to the nearest hundreds, thousands, lakhs or millions or decimal thereof • Turnover >Rs. 500 Crores- Round off to the nearest hundreds, thousands, lakhs, millions or crores, or decimal thereof.	• Turnover <Rs. 100 Crores - Round off to the nearest hundreds, thousands, lakhs or millions or decimal thereof. • Turnover >Rs. 100 Crores - Round off to the nearest lakhs, millions or crores, or decimal thereof

6.15. The instructions also clarify that the terms used in the Schedule III shall be as per the applicable Accounting Standards. For example, the term 'related parties' used at several places in the Schedule III should be interpreted based on the definition given in *AS-18 Related Party Disclosures.*

6.16. The Notes to the General Instructions re-clarify that the Schedule III sets out the minimum requirements for disclosure in the Financial Statements including notes. It states that line items, sub-line items and sub-totals shall be presented as an addition or substitution on the face of the Balance Sheet and Statement of Profit and Loss 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, apart from, when required for compliance with amendments to the Act or the Accounting Standards.

The application of the above requirement is a matter of professional judgement. The following examples illustrate this requirement. Earnings before Interest, Tax, Depreciation and Amortization is often an important measure of financial performance of the company relevant to the various users of Financial Statements and stakeholders of the company. Hence, a company may choose to present the same as an additional line item on the face of the Statement of Profit and Loss. The method of computation adopted by companies for presenting such measures should be followed consistently over the years. Further, companies should also disclose the policy followed in the measurement of such line items.

6.17. Similarly, users and stakeholders often want to know the liquidity position of the company. To highlight the same, a company may choose to present additional sub-totals of Current assets and Current liabilities on the face of the Balance Sheet.

6.18. One example of addition or substitution of line items, sub-line items and sub-totals to cater to industry-specific disclosure requirements can be noted from Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007. The Directions prescribe that every non-banking finance company is required to separately disclose in its Balance Sheet the provisions made under the Directions without netting them from the income or against the value of assets. Though not specifically required by the Schedule, such addition or substitution of line items can be made in the notes forming part of the Financial Statements as well.

7. General Instructions For Preparation of Balance Sheet : Notes 1 To 5

7.1. Current/Non-current assets and liabilities:

The Schedule III requires all items in the Balance Sheet to be classified as either Current or Non-current and be reflected as such. Notes 1 to 3 of the Schedule III define Current Asset, Operating Cycle and Current Liability as below:

7.1.1. "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."

7.1.2. "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 twelve months."

7.1.3. "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 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."

7.1.4. The Schedule III defines "current assets" and "current liabilities", with the non-current category being the residual. It is therefore necessary that the balance pertaining to each item of assets and liabilities contained in the Balance Sheet be split into its current and non-current portions and be classified accordingly as on the reporting date.

7.1.5. Based on the definition, current assets include assets such as raw material and stores which are intended for consumption or sale in the course of the company's normal operating cycle. Items of inventory which may be consumed or realized within the company's normal operating cycle should be classified as current even if the same are not expected to be so consumed or realized within twelve months after the reporting date. Current assets would also include assets held primarily for the purpose of being traded such as inventory of finished goods. They would also include trade receivables which are expected to be realized within twelve months from the reporting date and Cash and cash equivalents which are not under any restriction of use.

7.1.6. Similarly, current liabilities would include items such as trade payables, employee salaries and other operating costs that are expected to be settled in the company's normal operating cycle or due to be settled within twelve months from the reporting date. It is pertinent to note that such operating liabilities are normally part of the working capital of the company used in the company's normal operating cycle and hence, should be classified as current even if they are due to be settled more than twelve months after the end of the reporting date.

7.1.7. Further, any liability, pertaining to which the company does not have an unconditional right to defer its settlement for at least twelve months after the Balance Sheet/reporting date, will have to be classified as current.

7.1.8. The application of this criterion could be critical to the Financial Statements of a company and requires careful evaluation of the various terms and conditions of a loan liability. To illustrate, let us understand how this requirement will apply to the following example:

Company X has taken a five year loan. The loan contains certain debt covenants, e.g., filing of quarterly information, failing which the bank can recall the loan and demand repayment thereof. The company has not filed such information in the last quarter; as a result of which the bank has the right to recall the loan. However, based on the past experience and/or based on the discussions with the bank the management believes that default is minor and the bank will not demand the repayment of loan. According to the definition of Current Liability, what is important is, whether a borrower has an unconditional right at the Balance Sheet date to defer the settlement irrespective of the nature of default and whether or not a bank can exercise its right to recall the loan. If the borrower does not have such right, the classification would be “current.”It is pertinent to note that as per the terms and conditions of the aforesaid loan, the loan was not repayable on demand from day one. The loan became repayable on demand only on default in the debt covenant and bank has not demanded the repayment of loan upto the date of approval of the accounts. In the Indian context, the criteria of a loan becoming repayable on demand on breach of a covenant, is generally added in the terms and conditions as a matter of abundant caution. Also, banks generally do not demand repayment of loans on such minor defaults of debt covenants. Therefore, in such situations, the companies generally continue to repay the loan as per its original terms and conditions. Hence, considering that the practical implications of such minor breach are negligible in the Indian scenario, an entity could continue to classify the loan as “non-current” as on the Balance Sheet date since the loan is not actually demanded by the bank at any time prior to the date on which the Financial Statements are approved. 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. Further, the above situation should not be confused with a loan which is repayable on demand from day one. For such loans, even if the lender does not demand repayment of the loan at any time, the same would have to be continued to be classified as ”current”.

7.2. The term “Operating Cycle” is defined as the time between the acquisition of assets for processing and their realization in Cash or cash equivalents. A company’s normal operating cycle may be longer than twelve months e.g. companies manufacturing wines, etc. However, where the normal operating cycle cannot be identified, it is assumed to have a duration of twelve months.

7.2.1. Where a company is engaged in running multiple businesses, the operating cycle could be different for each line of business. Such a company will have to classify all the assets and liabilities of the respective businesses into current and non-current, depending upon the operating cycles for the respective businesses.

Let us consider the following other examples:

1. A company has excess finished goods inventory that it does not expect to realize within the company's operating cycle of fifteen months. Since such finished goods inventory is held primarily for the purpose of being traded, the same should be classified as "current".
2. A company has sold 10,000 tonnes of steel to its customer. The sale contract provides for a normal credit period of three months. The company's operating cycle is six months. However, the company does not expect to receive the payment within twelve months from the reporting date. Therefore, the same should be classified as "Non-Current" in the Balance Sheet. In case, the company expects to realize the amount upto 12 months from the Balance Sheet date (though beyond operating cycle), the same should be classified as "current".

7.3. For the purpose of Schedule III, a company also needs to classify its employee benefit obligations as current and non-current categories. While *AS-15 Employee* Benefits governs the measurement of various employee benefit obligations, their classification as current and non-current liabilities will be governed by the criteria laid down in the Schedule III. In accordance with these criteria, a liability is classified as "current" if a company does not have an unconditional right as on the Balance Sheet date to defer its settlement for twelve months after the reporting date. Each company will need to apply these criteria to its specific facts and circumstances and decide an appropriate classification of its employee benefit obligations. Given below is an illustrative example on application of these criteria in a simple situation:

(a) Liability toward bonus, etc., payable within one year from the Balance Sheet date is classified as "current".

(b) 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 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 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.

(c) 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 Schedule III.

7.4. The Schedule III requires Investments to be classified as Current and Non-Current. However, *AS13 'Accounting for Investments'* requires to classify Investments as Current and Long-Term. As per *AS 13*, current investment is an investment that is by its nature readily realisable and is intended to be held for not more than one year from the date on which such investment is made. A long-term investment is an investment other than a current investment.

7.4.1. Accordingly, as per *AS-13*, the assessment of whether an Investment is "Long-term" has to be made with respect to the date of Investment whereas, as per the Schedule III, "Non-current" Investment has to be determined with respect to the Balance Sheet date.

7.4.2. Though the Schedule III clarifies that the Accounting Standards would prevail over itself in case of any inconsistency between the two, it is pertinent to note that AS-13 does not lay down presentation norms, though it requires disclosures to be made for Current and Long-term Investments. Accordingly, presentation of all investments in the Balance Sheet should be made based on Current/Non-current classification as defined in the Schedule III. The portion of long-term investment as per *AS13* which is expected to be realized within twelve months from the Balance Sheet date needs to be shown as Current investment under the Schedule III.

7.5. Settlement of a liability by issuing of equity

7.5.1. The Schedule III clarifies that, "the 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". A consequence of this is that if the conversion option in convertible debt is exercisable by the holder at any time, the liability cannot be classified as "current" if the maturity for cash settlement is greater than one year. A question therefore arises as to how does the aforesaid requirement affect the classification of items for say, a) convertible debt where the conversion option lies with the issuer, or b) mandatorily convertible debt instrument.

7.5.2. Based on the specific exemption granted only to those cases where the conversion option is with the counterparty, the same should not be extended to other cases where such option lies with the issuer or is a mandatorily convertible instrument. For all such cases, conversion of a liability into equity should be considered as a means of settlement of the liability as defined in the Framework For the Preparation and Presentation of Financial Statements issued by ICAI. Accordingly, the timing of such settlement would also decide the classification of such liability in terms of Current or Non-current as defined in the Schedule III.

7.6 As per the classification in the Schedule III and in line with the ICAI's earlier announcement with regard to the presentation and classification of net Deferred Tax asset or liability, the same should always be classified as "non-current".

8. Part I: Form of Balance Sheet and Note 6 to General Instructions for Preparation of Balance Sheet

As per the Framework for The Preparation and Presentation of Financial Statements, asset, liability and equity are defined as follows:

An asset is a resource controlled by the enterprise as a result of past events from which future economic benefits are expected to flow to the enterprise.

A 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.

Equity is the residual interest in the assets of the enterprise after deducting all its liabilities.

I. Equity and Liabilities

8.1. Shareholders' Funds

Under this head, following line items are to be disclosed:

- Share Capital;
- Reserves and Surplus;
- Money received against share warrants.

8.1.1. Share capital

8.1.1.1. Notes to the General Instructions require a company to disclose in the Notes to Accounts line items/sub-line items referred to inNotes6A to 6Q. Clauses (a) to (l) of Note 6 A deal with disclosures for Share Capital and such disclosures are required for each class of share capital (different classes of preference shares to be treated separately).

8.1.1.2. As per ICAI Guidance Note on Terms Used in Financial Statements, 'Capital' refers "*to the amount invested in an enterprise by its owners e.g. paid-up share capital in a corporate enterprise. It is also used to refer to the interest of owners in the assets of an enterprise*."

8.1.1.3. The said Guidance Note defines 'Share Capital' as the *"aggregate amount of money paid or credited as paid on the shares and/or stocks of a corporate enterprise."*

8.1.1.4. In respect of disclosure requirements for Share Capital, the Schedule III states that "different classes of preference share capital to be treated separately". A question arises whether the preference shares should be presented as share capital only or does it mean that a company compulsorily needs to decide whether preference shares are liability or equity based on its economic substance using *AS31Financial Instruments: Presentation* principles and present the same accordingly. The Schedule III deals only with presentation and disclosure requirements. Accounting for various items is governed by the applicable Accounting Standards. However, since Accounting Standards *AS 30 Financial Instruments : Recognition and Measurement, AS 31* and *AS 32 Financial Instruments: Disclosures* are yet to be notified and Section 85(1) of the Act refers to Preference Shares as a kind of share capital, Preference Shares will have to be classified as Share Capital.

8.1.1.5. Presently, in the Indian context, generally, there are two kinds of share capital namely - Equity and Preference. Within Equity/Preference Share Capital, there could be different classes of shares, say, Equity Shares with or without voting rights, Compulsorily Convertible Preference Shares, Optionally Convertible Preference Shares, etc. If the preference shares are to be disclosed under the head 'Share Capital', until the same are actually redeemed, they should continue to be shown under the head 'Share Capital'. Preference shares of which redemption is overdue should continue to be disclosed under the head 'Share Capital'.

8.1.1.6. Clause (a) of Note 6A - the number and amount of shares authorized :

As per the Guidance Note on Terms Used in Financial Statements '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."*

8.1.1.7. Clause (b) of Note 6A - the number of shares issued, subscribed and fully paid, and subscribed but not fully paid :

The disclosure is for shares:

- Issued;
- Subscribed and fully paid;
- Subscribed but not fully paid.

Though the disclosure is only for the number of shares, to make the disclosure relevant to understanding the company's share capital, even the amount for each category should be disclosed. Issued shares are those which are offered for subscription within the authorised limit. It is possible that all shares offered are not subscribed to and to the extent of unsubscribed portion, there will be difference between shares issued and subscribed. As per the Guidance Note on Terms Used in Financial Statements, the expression '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."*

Though there is no requirement to disclose the amount per share called, if shares are not fully called, it would be appropriate to state the amount per share called. As per the definition contained in the Guidance Note on Terms Used in Financial Statements, the expression 'Paid-up Share Capital' is *"that part of the subscribed share capital for which consideration in cash or otherwise has been received. This includes bonus shares allotted by the* *corporate enterprise."* As per the Old Schedule VI, debit balance on the allotment or call account is presented in the Balance Sheet not as an asset but by way of deduction from Called-up Capital. However, as required by Clause (k) of Note 6A of the Schedule III, calls unpaid are to be disclosed separately as per the Schedule III.

However, the unpaid amount towards shares subscribed by the subscribers of the Memorandum of Association should be considered as 'subscribed and paid-up capital' in the Balance Sheet and the debts due from the subscriber should be appropriately disclosed as an asset in the balance sheet.

8.1.1.8. Clause (c) of Note 6A – par value per share :

Par value per share is the face value of a share as indicated in the Capital Clause of the Memorandum of Association of a company. It is also referred to as '*face value'* per share. In the case of a company having share capital, (unless the company is an unlimited company),the Memorandum shall also state the amount of share capital with which the company is registered and their division thereof into shares of fixed amount as required under clause (a) to the sub-section (4) of section 13 of the Act. In the case of a company limited by guarantee, Memorandum shall state that each member undertakes to contribute to the assets of the company in the event of winding-up while he is a member or within one year after he ceases to be a member, for payment of debts and liabilities of the company, as the case may be. There is no specific mention for the disclosure by companies limited by guarantee and having share capital, and companies limited by guarantee and not having share capital. Such companies need to consider the requirement so as to disclose the amount each member undertakes to contribute as per their Memorandum of Association.

8.1.1.9. Clause (d) of Note 6A- a reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period :

As per the Schedule III, opening number of shares outstanding, shares issued, shares bought back, other movements, etc. during the year and closing number of outstanding shares should be shown. Though the requirement is only for a reconciliation of the number of shares, as given for the disclosure of issued, subscribed capital, etc. [Clause (b) of Note 6A] above, to make the disclosure relevant for understanding the company's share capital, the reconciliation is to be given even for the amount of share capital. Reconciliation for the comparative previous period is also to be given. Further, the above reconciliation should be disclosed separately for both Equity and Preference Shares and for each class of share capital within Equity and Preference Shares.

8.1.1.10. Clause (e) of Note 6A - the rights, preferences and restrictions attaching to each class of shares including restrictions on the distribution of dividends and the repayment of capital.

As per the Guidance Note on Terms Used in Financial Statement, the expression '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."*The rights, preferences and restrictions attached to shares are based on the classes of shares, terms of issue, etc., whether equity or preference. In respect of Equity Share Capital, it may be with voting rights or with differential voting rights as to dividend, voting or otherwise in accordance with such rules and subject to such conditions as may be prescribed under Companies (Issue of Share Capital with Differential Voting Rights) Rules, 2001.In respect of Preference shares, the rights include (a) as respects dividend, a preferential right to be paid a fixed amount or at a fixed rate and, (b)as respects capital, a preferential right of repayment of amount of capital on winding up. Further, 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.

8.1.1.11. Clause (f) of Note 6A - 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 :

The requirement is to disclose shares of the company held by -

- Its holding company;
- Its ultimate holding company;
- Subsidiaries of its holding company;
- Subsidiaries of its ultimate holding company;
- Associates of its holding company; and
- Associates of its ultimate holding company.

Aggregation should be done for each of the above categories.

The terms 'subsidiary', 'holding company' and 'associate' should be understood as defined under *AS-21, Consolidated Financial Statements* and *AS-18, Related Party Disclosures*. Based on the aforesaid definitions, for the purposes of the above disclosures, shares held by the entire chain of subsidiaries and associates starting from the holding company and ending right upto 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.

8.1.1.12. Clause (g) of Note 6A - shares in the company held by each shareholder holding more than 5 percent shares specifying the number of shares held :

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. For example, if during the year, any shareholder held more than 5% Equity shares but does not hold as much at the Balance Sheet date, disclosure is not required. Though it is not specified as to whether the disclosure is required for each class of shares or not, companies should disclose the shareholding for each class of shares, both within Equity and Preference Shares. Accordingly, such percentage should be computed separately for each class of shares outstanding within Equity and Preference Shares. This information should also be given for the comparative previous period.

8.1.1.13. Clause (h) of Note 6A - shares reserved for issue under options and contracts/commitments for the sale of shares/disinvestment, including the terms and amounts :

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.

8.1.1.14. Clause (i) of Note 6A– For the period of five years immediately preceding the date as at which the Balance Sheet is prepared :(a) Aggregate number and class of shares allotted as fully paid up pursuant to contract(s) without payment being received in cash. (b) Aggregate number and class of shares allotted as fully paid up by way of bonus shares. (c) Aggregate number and class of shares bought back.

(a) Aggregate number and class of shares allotted as fully paid up pursuant to contract(s) without payment being received in cash.

    The following allotments are considered as shares allotted for payment being received in cash and not as without payment being received in cash and accordingly, the same are not to be disclosed under this Clause:

(i) If the subscription amount is adjusted against a *bona fide* debt payable in money at once by the company;

(ii) Conversion of loan into shares in the event of *default* in repayment.

(b) Aggregate number and class of shares allotted as fully paid up by way of bonus shares.

As per the Guidance Note on Terms Used in Financial Statements 'Bonus shares' are defined as shares allotted by capitalisation of the reserves or surplus of a corporate enterprise. The requirement of disclosing the source of bonus shares is omitted in the Schedule III.

(c) Aggregate number and class of shares bought back.

The total number of shares bought back for each class of shares needs to be disclosed.

All the above details pertaining to aggregate number and class of shares allotted for consideration other than cash, bonus shares and shares bought back need to be disclosed only if such event has occurred during a period of five years immediately preceding the Balance Sheet date. Since disclosure is for the aggregate number of shares, it is not necessary 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.

8.1.1.15. Clause (j) of Note 6A- 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:

This disclosure would cover securities, such as Convertible Preference Shares, Convertible Debentures/bonds, etc. – optionally or otherwise into equity.

Under this Clause, disclosure is required for any security, 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. If there are more than one date of conversion, disclosure is to be made in the descending order of conversion. If the option can be exercised in different periods then earlier date in that period is to be considered. In case of compulsorily convertible securities, where conversion is done in fixed tranches, all the dates of conversion have to be considered. Terms of convertible securities are required to be disclosed under this Clause. However, in case of Convertible debentures/bonds, etc., for the purpose of simplification, reference may also be made to the terms disclosed under the note on Long-term borrowings where these are required to be classified in the Balance Sheet, rather than disclosing the same again under this clause.

8.1.1.16. Clause (k) of Note 6(A) - Calls unpaid (showing aggregate value of calls unpaid by directors and officers):

A separate disclosure is required for the aggregate value of calls unpaid by directors and also officers of the company. The Old Schedule VI required disclosures of calls due by directors only. The total calls unpaid should be disclosed. The terms 'director' and 'officer' should be interpreted based on the definitions in the Act.

8.1.2. Reserves and Surplus

Note 6(B) of the General Instructions deals with the disclosures of "Reserves and Surplus" in the Notes to Accounts and the classification thereof under the various types of reserves.

8.1.2.1. Reserve:

The Guidance Note on Terms Used in Financial Statements defines the term 'Reserve' as *"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."*'Reserves' should be distinguished from 'provisions'. For this purpose, reference may be made to the definition of the expression `provision' in *AS-29 Provisions, Contingent Liabilities and Contingent Assets.*

As per *AS-29*, *a `provision' is "a liability which can be measured only by using a substantial degree of estimation". A '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."'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."*

8.1.2.2. CapitalReserves :

It is necessary to make a distinction between capital reserves and revenue reserves in the accounts. A revenue reserve is a reserve which is available for distribution. The term "Capital Reserve" has not been defined under the Schedule III. However, as per the Guidance Note on Terms Used in Financial Statements, the expression 'capital reserve' is defined as "a reserve of a corporate enterprise which is not available for distribution as dividend". Though the Schedule III does not have the requirement of "transferring capital profit on reissue of forfeited shares to capital reserve", since profit on re-issue of forfeited shares is basically profit of a capital nature and, hence, it should be credited to capital reserve.

8.1.2.3. Capital Redemption Reserve :

Under the Act, Capital Redemption Reserve is required to be created in the following two situations:

a) Under the provisions of Section 55 of the Act, where the redemption of preference shares is out of profits, an amount equal to nominal value of shares redeemed is to be transferred to a reserve called 'capital redemption reserve'.

b) Under Section 69 of the Act, if the buy-back of shares is out of free reserves, the nominal value of the shares so purchased is required to be transferred to capital redemption reserve from distributable profit.

8.1.2.4. Securities Premium Reserve :

The Guidance Note of Terms Used in Financial Statements defines 'Share Premium' as *"the excess of the issue price of shares over their face value."* Though the terminology used in the Schedule III is 'Securities Premium Reserve" the nomenclature as per the Act is "Securities Premium Account". Accordingly, the terminology of the Act should be used.

8.1.2.5. Debenture Redemption Reserve :

According to Section 71 of the Act 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 every year to debenture redemption reserve, until such debentures are redeemed.

On redemption of the debentures for which the reserve is created, the amounts no longer necessary to be retained in this account need to be transferred to the General Reserve.

8.1.2.6. Revaluation Reserve :

As per the Guidance Note of Terms Used in Financial Statements, '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.'* Accordingly, if a company has carried out revaluation of its assets, the corresponding amount would be disclosed as "Revaluation Reserve"

8.1.2.7. Share Options Outstanding Account :

Presently, as per the Guidance Note on Accounting for Employee Share-based Payments, Stock Options Outstanding Account is shown as a separate line-item. The Schedule III requires this item to be shown as a part of 'Reserve and Surplus'.

8.1.2.8. Other Reserves (specify the nature and purpose of reserve and the amount in respect thereof) :

Every other reserve which is not covered in the paragraphs 8.1.2.2 to 8.1.2.7 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 Tonnage Tax Reserve to be created under the Income Tax Act, 1961.

8.1.2.9. 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.

Appropriations to the profit for the year (including carried forward balance) is to be presented under the main head 'Reserves and Surplus'. Under the Schedule III, the Statement of Profit and Loss will no longer reflect any appropriations, like dividends transferred to Reserves, bonus shares, etc.

Please also refer to the discussion in Para 10.9 below.

8.1.2.10. 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.

Please refer to Para 10.9 of this Guidance note.

8.1.2.11As per Schedule III, a reserve specifically represented by earmarked investments shall be termed as a 'fund'

8.1.2.12 Debit balance in the Statement of Profit and Loss and in Reserves and Surplus:

Debit balance in the Statement of Profit and Loss which would arise in case of accumulated losses, is to be shown as a negative figure under the head 'Surplus'. The aggregate amount of the balance of 'Reserves and Surplus', is to be shown after adjusting negative balance of surplus, if any. If the net result is negative, the negative figure is to be shown under the head 'Reserves and Surplus'.

8.1.3. Money received against Share Warrants

Generally, in case of listed companies, share warrants are issued to promoters and others in terms of the Guidelines for preferential issues viz., SEBI (Issue of Capital and Disclosure Requirements), Guidelines, 2009. AS 20*Earning Per Share* notified under the Companies (Accounting Standards) Rules, 2006 defines‘ share warrants’ as “financial instruments which give the holder the right to acquire equity shares”. Thus, effectively, share warrants are nothing but the amount which would ultimately form part of the Shareholders’ funds. Since shares are yet to be allotted against the same, these are not reflected as part of Share Capital but as a separate line-item – ‘Money received against share warrants.’

8.2. Share Application Money pending allotment

8.2.1. Share Application money pending allotment is to be disclosed as a separate line item on the face of Balance Sheet between “Shareholders’ Funds” and “Non-current Liabilities”. Share application money not exceeding the issued capital and to the extent not refundable is to be disclosed under this line item. If the company’s issued capital is more than the authorized capital and approval of increase in authorized capital is pending, the amount of share application money received over and above the authorized capital should be shown under the head “Other Current Liabilities”.

8.2.2. Clause (g) of Note6Gof General Instructions for preparation of Balance sheet lists various circumstances and specifies the information to be disclosed in respect of share application money. However, amount shown as ‘share application money pending allotment’ will not include share application money to the extent refundable. For example, the amount in excess of issued capital, or where minimum subscription requirement is not met. Such amount will have to be shown separately under ‘Other Current Liabilities’.

8.2.3. Various disclosure requirements pertaining to Share Application Money are as follows:

- terms and conditions;
- number of shares proposed to be issued;
- the amount of premium, if any;
- the period before which shares are to be allotted;
- whether the company has sufficient authorized share capital to cover the share capital amount on allotment of shares out of share application money;
- Interest accrued on amount due for refund;

- The period for which the share application money has been pending beyond the period for allotment as mentioned in the share application form along with the reasons for such share application money being pending.

The above disclosures should be made in respect of amounts classified under both Equity as well as Current Liabilities, wherever applicable.

8.2.4. As per power given under section 50 of the Act, a company, if so authorized by its Articles, may accept from any member the whole or a part of the amount remaining unpaid on any shares held by him, although no part of that amount has been called up. The shareholder who has paid the money in advance is not a creditor for the amount so paid as advance, as the same cannot be demanded for repayment and the company cannot pay him back unless Articles so provide. The amount of calls paid in advance does not form part of the paid-up capital. The Department of Company Affairs has clarified that it is better to show “Calls in Advance” under the head “Current Liabilities and Provisions” (Letter No. 8/16(1)/61-PR, dated 9.5.1961). Thus, under the Schedule III, calls paid in advance are to be reflected under “Other Current Liabilities”. The amount of interest which may accrue on such advance should also is to be reflected as a liability.

8.2.5. “Share application money pending allotment” is required to be shown as a separate line item on the face of the Balance Sheet after Shareholders’ Funds. However, under “Other current liabilities” there is a statement that Share application money not exceeding the issued capital and to the extent not refundable shall be shown under the head Equity. The two requirements appear to be conflicting. However, from the format as set out in the Schedule, it appears that the Regulator’s intention is to specifically highlight the amount of Share application money pending allotment, though they may be, in substance, in nature of Equity. Accordingly, the equity element should continue to be disclosed on the face of the Balance Sheet as a separate line item, rather than as a component of Shareholders’ Funds.

8.3. 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 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.

Based on the above definitions, on the face of the Balance Sheet, the following items shall be disclosed under non-current liabilities.

- Long-term borrowings;
- Deferred tax liabilities (Net);
- Other Long-term liabilities;
- Long-term provisions.

8.3.1. Long-term borrowings:

8.3.1.1. Long-term borrowings shall be classified as:

(a) Bonds/debentures;

(b) Term loans;

- from banks;
- from other parties;

(c) Deferred payment liabilities;

(d) Deposits;

(e) Loans and advances from related parties;

(f) Long term maturities of finance lease obligations;

(g) Other loans and advances (specify nature).

8.3.1.2. Borrowings shall further be sub-classified as secured and unsecured. Nature of security shall be specified separately in each case.

8.3.1.3. Where loans have been guaranteed by directors or others, the aggregate amount of such loans under each head shall be disclosed. The word “others” used in the phrase “directors or others” would mean any person or entity other than a director. Therefore, this is not restricted to mean only related parties. However, in the normal course, a person or entity guaranteeing a loan of a company will generally be associated with the company in some manner.

8.3.1.4. 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.

8.3.1.5. Particulars of any redeemed bonds/ debentures which the company has power to reissue shall be disclosed.

8.3.1.6. 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.

8.3.1.7. The phrase "long-term" has not been defined. However, the definition of 'non-current liability' in the Schedule III may be used as long-term liability for the above disclosure. Also, the phrase "term loan" has not been defined in the Schedule III. Term loans normally have a fixed or pre-determined maturity period or a repayment schedule.

8.3.1.8. As referred to in para 72 of the 2005 edition of the ICAI Statement on Companies (Auditor's Report) Order, 2003 (CARO) in the banking industry, for example, loans with repayment period beyond thirty six months are usually known as "term loans" (The same guidance is relevant for this item as per CARO 2015 also). Cash credit, overdraft and call money accounts/ deposit are, therefore, not covered by the expression "terms loans". 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.

8.3.1.9 Deferred payment liabilities 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.

8.3.1.10 The current maturities of all long-term borrowings will be disclosed under 'other current liabilities' and not under long-term borrowings and short-term borrowings. Hence, it is possible that the same bonds / debentures / term loans may be bifurcated under both long-term borrowings as well as under other current liabilities. Further, long-term borrowings are to be sub-classified as secured and unsecured giving the nature of the security for the secured position.

8.3.1.11 The Schedule III also stipulates that the nature of security shall be specified separately in each case. A blanket disclosure of different securities covering all loans classified under the same head such as 'All Term loans from banks' 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.

8.3.1.12 The disclosure about the nature of security should also cover the type of asset given as security e.g. inventories, plant and machinery, land and building, etc. This is because the extent to which loan is secured may vary with the nature of asset against which it is secured.

8.3.1.13 When promoters, other shareholders or any third party have given any personal security for any borrowing, such as shares or other assets held by them, disclosure should be made thereof, though such security does not result in the classification of such borrowing as secured.

8.3.1.14 The Schedule III requires that under the head "Borrowings," period and amount of "continuing default (in case of long-term borrowing) and default (in case of short-term borrowing) as on the Balance Sheet date in repayment of loans and interest shall be specified separately in each case". 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 such as bonds/ debentures, deposits, deferred payment liabilities, finance lease obligations, etc. and not only to items classified as "loans" such as term loans, or loans and advances ,etc.

8.3.1.15 Also, 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 Schedule III requires specific disclosures only for default in repayment of loans and interest and not for other defaults.

8.3.1.16 Though two different terms, viz., continuing default (in case of long-term borrowing) and default (in case of short-term borrowing) have been used, the requirement should be taken to disclose default "as on the Balance Sheet date" in both the cases. Pursuant to this requirement, details of any default in repayment of loan and interest 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.

8.3.1.17 Terms of repayment of term loans and other loans shall be disclosed. The term 'other loans' is used in general sense and should be interpreted to mean all categories listed under the heading 'Long-term borrowings' as per Schedule III. 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.

8.3.1.18 Disclosure of repayment terms should include the period of maturity with respect to the Balance Sheet date, number and amount of instalments due, the applicable rate of interest and other significant relevant terms if any.

8.3.1.19 Deposits classified under Borrowings would include deposits accepted from public and inter corporate deposits which are in the nature of borrowings.

8.3.1.20 Loans and advances from related parties are required to be disclosed. Advances under this head should include those advances which are in the nature of loans.

8.4. Other Long-term liabilities

This should be classified into:

a) Trade payables; and
b) Others.

8.4.1 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. As per the Old Schedule VI, the term 'sundry creditors' included amounts due in respect of goods purchased or services received or in respect of other contractual obligations as well. Hence, amounts due under contractual obligations can no longer be included within Trade payables. Such items may include dues payables in respect of statutory obligations like contribution to provident fund, purchase of fixed assets, contractually reimbursable expenses, interest accrued on trade payables, etc. 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.

8.4.2 The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 however, requires specified disclosures to be made in the annual Financial Statements of the buyer wherever such Financial Statements are required to be audited under any law. Though not specifically required by the Schedule III, such disclosures will still be required to be made in the annual Financial Statements.

8.4.3 The following disclosures are required under Sec 22 of MSMED Act 2006 under the Chapter on Delayed Payments to Micro and Small Enterprises:

(a) the principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of accounting year;

(b) the amount of interest paid by the buyer under MSMED Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year;

(c) the amount of interest due and payable for the period (where the principal has been paid but interest under the MSMED Act, 2006 not paid);

(d) The amount of interest accrued and remaining unpaid at the end of accounting year; and

(e) The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23.

The terms ''appointed day'', ''buyer'', ''enterprise'', ''micro enterprise'', ''small enterprise'' and'' supplier'', shall be as defined under clauses (b), (d), (e), (h), (m) and (n) respectively of section 2 of the Micro, Small and Medium Enterprises Development Act, 2006.

8.5. Long-Term Provisions

8.5.1This should be classified into provision for employee benefits and others specifying the nature. Provision for employee benefits should be bifurcated into long-term (non-current) and other current and the long-term portion is disclosed under this para. All long-term provisions, other than those related to employee benefits should be disclosed separately based on their nature. Such items would include Provision for warranties etc. While AS-15*Employee Benefits* governs the measurement of various employee benefit obligations, their classification as current and non-current liability will be governed by the criteria laid down in the Schedule III. Accordingly, a liability is classified as current if a company does not have an unconditional right as on the Balance Sheet date to defer its settlement for 12 months after the reporting date. Each company will need to apply these criteria to its specific facts and circumstances and decide an appropriate classification for its employee benefit obligations.

8.6. Current Liabilities

This should be classified on the face of the Balance Sheet as follows:

- Short-term borrowings;
- Trade payables;
- Other current liabilities;
- Short-term provisions.

8.6.1. Short-term borrowings

8.6.1.1. (i) Short-term borrowings shall be classified as:

(a) Loans repayable on demand

- from banks;
- from other parties.

(b)Loans and advances from related parties;

(c) Deposits;

(d) Other loans and advances (specify nature).

(ii) Borrowings shall further be sub-classified as secured and unsecured. Nature of security shall be specified separately in each case.

(iii) Where loans have been guaranteed by directors or others, the aggregate amount of such loans under each head shall be disclosed.

(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.

8.6.1.2Loans payable on demand should be treated as part of short-term borrowings. Short-term borrowings will include all loans within a period of 12 months from the date of the loan. In the case of short-term borrowings, all defaults existing as at the date of the Balance Sheet should be disclosed (item-wise). Current maturity of long-term borrowings should not be classified as short-term borrowing. They have to be classified under Other current liabilities. Guidance on disclosure on various matters under this Para should also be drawn, to the extent possible, from the guidance given under Long-term borrowings.

8.6.2. Trade payables

Guidance on disclosure under this clause should be drawn from the guidance given under Other Long-term borrowings to the extent applicable.

8.6.3. Other current liabilities

The amounts shall be classified as:

(a) Current maturities of long-term debt;

(b) Current maturities of finance lease obligations;

(c) Interest accrued but not due on borrowings;

(d) Interest accrued and due on borrowings;

(e) Income received in advance;

(f) Unpaid dividends;

(g) Application money received for allotment of securities and due for refund and interest accrued thereon;

(h) Unpaid matured deposits and interest accrued thereon;

(i) Unpaid matured debentures and interest accrued thereon;

(j) Other payables (specify nature).

The portion of long term debts / lease obligations, which is due for payments within twelve months of the reporting date is required to be classified under "Other current liabilities" while the balance amount should be classified under Long-term borrowings.

Trade Deposits and Security Deposits which are not in the nature of borrowings should be classified separately under Other Non-current/Current liabilities. Other Payables may be in the nature of statutory dues such as Withholding taxes, Service Tax, VAT, Excise Duty etc.

8.6.4. Short-term provisions

The amounts shall be classified as:

(a) Provision for employee benefits;

(b) Others (specify nature).

Others would include all provisions other than provisions for employee benefits such as Provision for dividend, Provision for taxation, Provision for warranties, etc. These amounts should be disclosed separately specifying nature thereof.

II. Assets

8.7. Non-current assets

Definition and Presentation

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'.

Based on the above definition, on the face of the Balance Sheet, the following items shall be disclosed under non-current assets: -

(a) Fixed Assets
   (i) Tangible assets;
   (ii) Intangible assets;
   (iii) Capital work-in-progress;
   (iv) Intangible assets under development

(b) Non-current investments

(c) Deferred tax assets (net)

(d) Long-term loans and advances

(e) Other non-current assets

8.7.1 Fixed Assets

Fixed assets are classified as:

S.No.	Particulars	Relevant Accounting Standards as notified under Companies (Accounting Standards) Rules, 2006
1.	Tangible assets	AS 10, AS 6
2.	Intangible assets	AS 26
3.	Capital work-in-progress	AS 10
4.	Intangible assets under development	AS 26

8.7.1.1 Tangible Assets

The company shall disclose the following in the Notes to Accounts as per 6(I) of Part I of the Schedule III.

(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).

(ii) Assets under lease shall be separately specified under each class of asset.

The term “under lease” should be taken to mean assets given on operating lease in the case of lessor and assets held under finance lease in the case of lessee. 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.

All acquisitions, whether by way of an asset acquisition or through a business combination are to be disclosed as part of the reconciliation in the note on Fixed Assets. Acquisitions through ‘Business Combinations’ need to be disclosed separately for each class of assets. Similarly, though not specifically required, it is advisable that asset disposals through demergers, etc. may also be disclosed separately for each class of assets.

The term “business combination” has not been defined in the Act or the Accounting Standards as notified under the Companies (Accounting Standards) Rules, 2006. However, related concepts have been enumerated in AS14*Accounting for Amalgamations* and AS10*Accounting for Fixed Assets*. Accordingly, such terminology should be interpreted to mean an amalgamation or acquisition or any other mode of restructuring of a set of assets and/or a group of assets and liabilities constituting a business.

Other adjustments should include items such as capitalization of exchange differences where such option has been exercised by the Company as per AS11*The Effects of Changes in Foreign Exchange Rates* and/or adjustments on account of exchange fluctuations for fixed assets in case of non-integral operations as perAS11and/or borrowing costs capitalised in accordance with AS 16 *Borrowing Costs*. Such adjustments should be disclosed separately for each class of assets.

Since reconciliation of gross and net carrying amounts of fixed assets is required, the corresponding depreciation/amortization for each class of asset should be disclosed in terms of Opening Accumulated Depreciation, Depreciation/amortization for the year, Deductions/Other adjustments and Closing Accumulated Depreciation/Amortization. Similar disclosures should also be made for Impairment, if any, as applicable.

(iv) Where any amounts 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. Disclosure by way of a note would also be required to 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.

The Schedule III has introduced office equipment as a separate line item while dropping items like, live stock, railway sidings, etc. However, if the said items exist, the same should be disclosed separate asset class specifying nature thereof.

The Revised Schedule does not prescribe any particular classification/presentation for leasehold land. AS 19 *Leases,* excludes land leases from its scope. The accounting treatment for leasehold land should be continued with as is being currently followed under the prevailing Indian generally accepted accounting principles and practices. Accordingly, Leasehold land should also continue to be presented as a separate asset class under Tangible Assets. Also, Freehold land should continue to be presented as a separate asset class.

AS10 *Accounting for Fixed Assets* also requires a company to disclose details such as gross book value of revalued assets, method adopted to compute revalued amounts, nature of indices used, year of appraisal, involvement of external valuer as long as the concerned assets are held by the enterprise.

The Schedule III is clear that the disclosure requirements of the Accounting Standards are in addition to disclosures required under the Schedule. Also, in case of any conflict, the Accounting Standards will prevail over the Schedule. Keeping this in view, companies should make disclosures required by the Schedule III only for five years. However, details required by AS10 will have to be given as long as the asset is held by the company.

However, it may be noted that, AS 26 Intangible Assets does not permit revaluation of intangible assets.

8.7.1.2 Intangible assets

The company shall disclose the following in the Notes to Accounts as per 6(J) of Part I of the Schedule III.

(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;

(i) Others (specify nature).

(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 through business combinations and other adjustments and the related amortization and impairment losses/reversals shall be disclosed separately.

(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.

Classification of intangible assets (as listed above) has been introduced under the Schedule III, which did not exist earlier.

The guidance given above on Tangible Assets, to the extent applicable, is also to be used for Intangible Assets.

8.7.1.3Capital work-in-progress

As per the Schedule III, capital advances should be included under Long-term loans and advances and hence, cannot be included under capital work-in-progress.

8.7.1.4Intangible assets under development

Intangible assets under development should be disclosed under this head provided they can be recognised based on the criteria laid down inAS 26*Intangible Assets*.

8.7.2 Non-current investments

(i) Non-current investments shall be classified as trade investments and other investments and further classified as:

(a) Investment property;

(b) Investments in Equity Instruments;

(c) Investments in preference shares;

(d) Investments in Government or trust securities;

(e) Investments in debentures or bonds;

(f) Investments in Mutual Funds;

(g) Investments in partnership firms;

(h) Other non-current investments (specify nature).

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.

(ii) Investments carried at other than at cost should be separately stated specifying the basis for valuation thereof.

(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

If a debenture is to be redeemed partly within 12 months and balance after 12 months, the amount to be redeemed within 12 months should be disclosed as current and balance should be shown as non-current.

8.7.2.1 Trade Investment

Note 6(K)(i) of Part I requires that non-current investments shall be classified as "trade investment" and "other investments". The term “trade investments” is defined neither in Schedule III nor in Accounting Standards.

The term "trade investment" is, however, normally understood as an investment made by a company in shares or debentures of another company, to promote the trade or business of the first company.

8.7.2.2 Investment property

As per AS13 *Accounting for Investments*, an investment property is an investment in land or buildings that are not intended to be occupied substantially for use by, or in the operations of, the investing enterprise.

8.7.2.3 Aggregate provision for diminution in value

As per the Schedule III, this amount should be disclosed separately in the notes. However, as per AS13 all long-term (non-current) investments are required to be carried at cost. However, when there is a decline, other than temporary, in the value of a long-term investment, the carrying amount is reduced to recognize the decline. Accordingly, the value of each long-term investment should be carried at cost less provision for other than temporary diminution in the value thereof. It is recommended to disclose the amount of provision netted-off for each long-term investment.

However, the aggregate amount of provision made in respect of all non-current investments should also be separately disclosed to comply with the specific disclosure requirement in Schedule III.

8.7.2.4 Controlled special purpose entities

Under investments, there is also a requirement to disclose the names of bodies corporate, including separate disclosure of investments in “controlled special purpose entities” in addition to subsidiaries, etc. The expression “controlled special purpose entities” however, has not been defined either in the Act or in the Schedule III or in the Accounting Standards. Accordingly, no disclosures would be additionally required to be made under this caption. If and when such terminology is explained/ introduced in the applicable Accounting Standards, the disclosure requirement would become applicable.

8.7.2.5 Basis of valuation

The Schedule III requires disclosure of the “basis of valuation” of non-current investments which are carried at other than cost. However, what should be understood by such terminology has not been clarified. The term ‘basis of valuation’ was not used in the Old Schedule VI. Hence, the same may be interpreted in the following ways:

One view is that basis of valuation would mean the market value, or valuation by independent valuers, valuation based on the investee’s assets and results, or valuation based on expected cash flows from the investment, or management estimate, etc. Hence, for all investments carried at other than cost, the basis of valuation for each individual investment should be disclosed.

The other view is that, disclosure for basis of valuation should be either of:

- At cost;
- At cost less provision for other than temporary diminution;
- Lower of cost and fair value.

However, making disclosures in line with the latter view would be sufficient compliance with the disclosure requirements.

8.7.2.6 Quoted investments

The term quoted investments has not been defined in the Schedule III. The expression "quoted investment", as defined in the Old Schedule VI, means an investment as respects which there has been granted a quotation or permission to deal on a recognized stock exchange, and the expression "unquoted investment" shall be construed accordingly.

8.7.2.7 Under each sub-classification of Investments, there is a requirement to disclose details of investments including names of the bodies corporate and the nature and extent of the investment in each such boy corporate. The term "nature and extent" should be interpreted to mean the number and face value of shares. There is also a requirement to disclose partly-paid shares. However, it is advisable to clearly disclose whether investments are fully paid or partly paid.

8.7.2.8 Disclosure relating to partnership firms in which the company has invested, etc. (under Current and Non-current Investments in the Balance Sheet)

A company, as a juridical person, can enter into partnership. The Schedule III provides for certain disclosures where the company is a partner in partnership firms.

In the Balance Sheet, under the sub-heading "Current Investments" and "Non-current Investments", separate disclosure is to be made of any investment in the capital of partnership firm by the company. In addition, in the Notes to Accounts separate disclosure is required with regard to the names of the firms, along with the names of all their partners, total capital and the shares of each partner.

The disclosure in the Balance Sheet relating to the value of the investment in the capital of a partnership firm as the amount to be disclosed as on the date of the Balance Sheet can give rise to certain issues, the same are discussed in the following paragraphs.

(a) In case of a change in the constitution of the firm during the year, the names of the other partners should be disclosed by reference to the position existing as on the date of the company's Balance Sheet.

(b) The total capital of the firm to be disclosed should be with reference to the amount of the capital on the date of the company's Balance Sheet.

If it is not practicable to draw up the Financial Statements of the partnership upto such date and, are drawn up to different reporting dates, drawing analogy from AS-21 and AS-27, adjustments should be made for the effects of significant transactions or other events that occur between those dates and the date of the parent's Financial Statements. In any case, the difference between reporting dates should not be more than six months. In such cases, the difference in reporting dates should be disclosed.

(c) For disclosure of the share of each partner it is suggested to disclose share of each partner in the profits of the firm rather than the share in the capital since, ordinarily, the expression "share of each partner" is understood in this sense. Moreover, disclosure is already required of the total capital of the firm as well as of the company's share in that capital. The share of each partner should be disclosed as at the date of the company's Balance Sheet

(d) The Statement of investments attached to the Balance Sheet is required to disclose, *inter alia,* the total capital of the partnership firm in which the company is a partner. Where such a partnership firm has separate accounts for partner's capital, drawings or current, loans to or from partners, etc., disclosure must be made with regard to the total of the capital accounts alone, since this is what constitutes the capital of the partnership firm. Where, however, such accounts have not been segregated, or where the partnership deed provides that the capital of each partner is to be calculated by reference to the net amount at his credit after merging all the accounts, the disclosure relating to the partnership capital must be made on the basis of the total effect of such accounts taken together.

Separate disclosure is required by reference to each partnership firm in which the company is a partner. The disclosure must be made along with the name of each such firm and must then indicate the total capital of each firm, the names of all the partners in each firm and the respective shares of each partner in the firm.

8.7.2.9 A limited liability partnership is a body corporate and not a partnership firm as envisaged under the Partnership Act, 1932. Hence, disclosures pertaining to Investments in partnership firms will not include investments in limited liability partnerships. The investments in limited liability partnerships will be disclosed separately under other investments. Also, other disclosures prescribed for Investment in partnership firms, need not be made for investments in limited liability partnerships.

8.7.2.10 Any application money paid towards securities, where security has not been allotted on the date of the Balance Sheet shall be disclosed as a separate line item. If the amount is material, details about the allotment since made or when the allotment is expected to be completed may also be disclosed.

In case the investment is of current investment in nature, such share application money shall be accordingly, disclosed under current investments.

8.7.3 Long-term loans & advances

(i) Long-term loans and advances shall be classified as:

- (a) Capital Advances;
- (b) Security Deposits;
- (c) Loans and advances to related parties (giving details thereof);
- (d) Other loans and advances (specify nature).

(ii) The above shall also be separately sub-classified as:

- (a) Secured, considered good;
- (b) Unsecured, considered good;
- (c) Doubtful.

(iii) Allowance for bad and doubtful loans and advances shall be disclosed under the relevant heads separately.

(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.

Under the Schedule III, Capital Advances are not be classified under Capital Work in Progress, since they are specifically to be disclosed under this para.

Capital advances are advances given for procurement of fixed assets which are non-current assets. Typically, companies do not expect to realize them in cash. Rather, over the period, these get converted into fixed assets which, by nature, are non-current assets. Hence, capital advances should be treated as non-current assets irrespective of when the fixed assets are expected to be received and should not be classified as Short-Term/Current.

Details of loans and advances to related parties need to be disclosed. Since the Schedule III states that the terms used therein should be interpreted based on applicable the Accounting Standards, the term “details” should be interpreted to understand the disclosure requirements contained in AS 18*Related Party Disclosure*. Accordingly, making disclosures beyond the requirements of AS-18 would not be necessary.

Other loans and advances should include all other items in the nature of advances recoverable in cash or kind such as Prepaid expenses, Advance tax, CENVAT credit receivable, VAT credit receivable, Service tax credit receivable, etc. which are not expected to be realized within the next twelve months or operating cycle whichever is longer, from the Balance Sheet date.

Each item of loans and advances should be further sub-classified as a) Secured, considered good, b) Unsecured, considered good and c) Doubtful. Further, the amount of allowance for bad and doubtful loans and advances is required to be disclosed separately under the “relevant heads”. Therefore, the amount of such allowance also should be disclosed separately for each category of loans and advances.

8.7.4 Other non-current assets

Other non-current assets shall be classified as:

(i) Long term Trade Receivables (including trade receivables on deferred credit terms);

(ii) Others (specify nature)

Long term Trade Receivables, shall be sub-classified as:

(i) (a) Secured, considered good;

(b) Unsecured considered good;

(c) Doubtful

(ii) Allowance for bad and doubtful debts shall be disclosed under the relevant heads separately.

(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.

A receivable shall be classified as '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. Whereas as per the Old Schedule VI, the term 'sundry debtors' included amounts due in respect of goods sold or services rendered or in respect of other contractual obligations as well. Hence, amounts due under contractual obligations cannot be included within Trade Receivables. Such items may include dues in respect of insurance claims, sale of fixed assets, contractually reimbursable expenses, interest accrued on trade receivables, etc. Such receivables should be classified as "others" and each such item should be disclosed nature-wise.

Guidance in respect of above items may also be drawn from the guidance given in respect of Long-term loans & advances to the extent applicable.

The 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. The Old Schedule VI required these items to be included under the head "Miscellaneous Expenditure."

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. The 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, 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.

8.8 Current assets

As per the Schedule III, all items of assets and liabilities are to be bifurcated between current and non-current portions. In some cases, the items presented under the "non-current" head of the Balance Sheet do not have a corresponding "current" head especially for Assets. For example: Security Deposits have been shown under "Long-term loans & advances", however, the same is not reflected under the "short-term loans & advances". Since Schedule III permits the use of additional line items, in such cases the current portion should be classified under the Short-term category of the respective balance as a separate line item and other relevant disclosures e.g. doubtful amount, related provision etc. should be made.

8.8.1 Current investments

(i) Current investments shall be classified as:

- (a) Investments in Equity Instruments;
- (b) Investment in Preference Shares
- (c) Investments in government or trust securities;
- (d) Investments in debentures or bonds;
- (e) Investments in Mutual Funds;
- (f) Investments in partnership firms
- (g) Other investments (specify nature).

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.

(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.

Guidance in respect of above items may be drawn from the guidance given in respect of Non-current investments to the extent applicable.

Based on these criteria, if a debenture is to be redeemed partly within twelve months and balance after twelve months, the amount to be redeemed within twelve months should be disclosed as current and balance should be shown as non-current.

Additionally, the Schedule III also require basis of valuation of individual investment. It is pertinent to note that there is no requirement to classify investments into trade & non-trade in respect of current investments.

The aggregate provision for diminution in the value of current investments that needs to be separately disclosed is the amount written down based on the measurement principles of Current Investments as per AS-13 on a cumulative basis, though such write-down is not actually a 'provision' as per the Standard.

8.8.2 Inventories

(i) Inventories shall be classified as:

- (a) Raw materials;
- (b) Work-in-progress;
- (c) Finished goods;
- (d) Stock-in-trade (in respect of goods acquired for trading);
- (e) Stores and spares;
- (f) Loose tools;
- (g) Others (specify nature).

(ii) Goods-in-transit shall be disclosed under the relevant sub-head of inventories.

(iii) Mode of valuation shall be stated.

As per the Schedule III, goods in transit should be included under relevant heads with suitable disclosure. Further, mode of valuation for each class of inventories should be disclosed.

The heading Finished goods should comprise of all finished goods other than those acquired for trading purposes.

8.8.3 Trade Receivables (current)

(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.

(ii) Trade receivables shall be sub-classified as:

- (a) Secured, considered good;
- (b) Unsecured considered good;
- (c) Doubtful.

(iii) Allowance for bad and doubtful debts shall be disclosed under the relevant heads separately.

(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.

A trade receivable will be treated as current, if it is likely to be realized within twelve months from the date of Balance Sheet or operating cycle of the business.

The Old Schedule VI required separate presentation of debtors (i) outstanding for a period exceeding six months (i.e., based on billing date) and (ii) other debtors. However, the Schedule III (and earlier, the Revised Schedule VI) requires separate disclosure of “Trade Receivables outstanding for a period exceeding six months from the date they became due for payment” only for the current portion of trade receivables.

Where no due date is specifically agreed upon, normal credit period allowed by the company should be taken into consideration for computing the due date which may vary depending upon the nature of goods or services sold and the type of customers, etc.

All other guidance given under Long-term Trade Receivables to the extent applicable are applicable here also.

8.8.4 Cash and cash equivalents

(i) Cash and cash equivalents shall be classified as:

- (a) Balances with banks;
- (b) Cheques, drafts on hand;
- (c) Cash on hand;
- (d) Others (specify nature).

(ii) Earmarked balances with banks (for example, for unpaid dividend) shall be separately stated.

(iii) Balances with banks to the extent held as margin money or security against the borrowings, guarantees, other commitments shall be disclosed separately.

(iv) Repatriation restrictions, if any, in respect of cash and bank balances shall be separately stated.

(v) Bank deposits with more than twelve months maturity shall be disclosed separately.

The term "cash and bank balances" in the Old Schedule VI is replaced with ‘Cash and cash equivalents’ in the Schedule III.

Please also refer to the earlier discussion under the section on General Instructions in para 6.4 for classification of items under this head.

"Other bank balances" would comprise of items such as balances with banks to the extent of held as margin money or security against borrowings etc, and bank deposits with more than three months maturity. Banks deposits with more than more than twelve months maturity will also need to be separately disclosed under the sub-head 'Other bank balances'. The non-current portion of each of the above balances will have to be classified under the head "Other Non-current assets" with separate disclosure thereof.

8.8.5Short-term loans & Advances

(i) Short-term loans and advances shall be classified as:

   (a) Loans and advances to related parties (giving details thereof);

   (b) Others (specify nature).

(ii) The above shall also be sub-classified as:

   (a) Secured, considered good;

   (b) Unsecured, considered good;

   (c) Doubtful.

(iii) Allowance for bad and doubtful loans and advances shall be disclosed under the relevant heads separately.

(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.

The guidance for disclosures under this head should be drawn from guidance given for items comprised within Long-term Loans and Advances.

8.8.6 Other current assets (specify nature)

This is an all-inclusive heading, which incorporates current assets that do not fit into any other asset categories e.g. unbilled Revenue, unamortized premium on forward contracts etc.

In case any amount classified under this category is doubtful, it is advisable that such doubtful amount as well as any provision made there against should be separately disclosed.

8.8.7 Contingent liabilities and commitments

(i) Contingent liabilities shall be classified as:

   (a) Claims against the company not acknowledged as debt;

(b) Guarantees;

(c) Other money for which the company is contingently liable

(ii) Commitments shall be classified as:

(a) Estimated amount of contracts remaining to be executed on capital account and not provided for;

(b) Uncalled liability on shares and other investments partly paid

(c) Other commitments (specify nature).

8.8.7.1 The provisions of AS-29*Provisions, Contingent Liabilities and Contingent Assets,* will be applied for determining contingent liabilities.

8.8.7.2 A contingent liability in respect of guarantees arises when a company issues guarantees to another person on behalf of a third party e.g. when it undertakes to guarantee the loan given to a subsidiary or to another company or gives a guarantee that another company will perform its contractual obligations. However, where a company undertakes to perform its own obligations, and for this purpose issues, what is called a "guarantee", it does not represent a contingent liability and it is misleading to show such items as contingent liabilities in the Balance Sheet. For various reasons, it is customary for guarantees to be issued by Bankers e.g. for payment of insurance premia, deferred payments to foreign suppliers, letters of credit, etc. For this purpose, the company issues a "counter-guarantee" to its Bankers. Such "counter-guarantee" is not really a guarantee at all, but is an undertaking to perform what is in any event the obligation of the company, namely, to pay the insurance premia when demanded or to make deferred payments when due. Hence, such performance guarantees and counter-guarantees should not be disclosed as contingent liabilities.

8.8.7.3 The Schedule III also requires disclosures pertaining to various commitments such as Capital commitments not provided for and Uncalled liability on shares. It also requires disclosures pertaining to ‘Other commitments’, with specification of nature thereof, which was not required by the Old Schedule VI.

8.8.7.4 The word ‘commitment’ has not been defined in the Schedule III. The Guidance Note on Terms Used in Financial Statements issued by ICAI defines ‘Capital Commitment’ as future liability for capital expenditure in respect of which contracts have been made. Hence, drawing inference from such definition, the term ‘commitment’ would simply imply future liability for contractual expenditure. Accordingly, the term ‘Other commitments’ would include all expenditure related contractual commitments apart from capital commitments such as commitments arising from long-term contracts for purchase of raw material, employee contracts, lease commitments, etc. The scope of such terminology is very wide and may include contractual commitments for purchase of inventory, services, investments, sales, employee contracts, etc. However, to give disclosure of all contractual commitments would be contrary to the overarching principle under General Instructions that "a balance shall be maintained between providing excessive detail that may not assist users of Financial Statements and not providing important information as a result of too much aggregation."

8.8.7.5 Disclosures relating to lease commitments for non-cancellable leases are required to be disclosed by *AS-19 Leases*.

8.8.7.6Accordingly, the disclosures required to be made for 'other commitments' should include only those non-cancellable contractual commitments (i.e. cancellation of which will result in a penalty disproportionate to the benefits involved) based on the professional judgement 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 Financial Statements.

Examples may include commitments in the nature of buy-back arrangements, commitments to fund subsidiaries and associates, non-disposal of investments in subsidiaries and undertakings, derivative related commitments, etc.

8.8.7.7 The Schedule III requires disclosure of the amount of dividends proposed to be distributed to equity and preference shareholders for the period and the related amount per share to be disclosed separately. It also requires separate disclosure of the arrears of fixed cumulative dividends on preference shares. The Old Schedule VI specifically required proposed dividend to be disclosed under the head "Provisions." In the Schedule III, this needs to be disclosed in the notes. Hence, a question that arises is as to whether this means that proposed dividend is not required to be provided for when applying the Schedule III. *AS-4 Contingencies and Events Occurring After the Balance Sheet date* requires that dividends stated to be in respect of the period covered by the Financial Statements, which are proposed or declared by the enterprise after the Balance Sheet date but before approval of the Financial Statements, should be adjusted. Keeping this in view and the fact that the Accounting Standards override the Schedule III, companies will have to continue to create a provision for dividends in respect of the period covered by the Financial Statements and disclose the same as a provision in the Balance Sheet, unless *AS-4* is revised. Hence, the disclosure to be made in the notes is over and above the disclosures pertaining to a) the appropriation items to be disclosed under Reserves and Surplus and b) Provisions in the Balance Sheet.

8.8.7.8The Schedule III requires that 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.

8.8.7.9 The Schedule III also states that 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. It is difficult to contemplate a situation where any asset other than fixed assets and non-current investments has a realizable value that is lower than its carrying value, and the same is not given effect to in the books of account, since Accounting Standards do not permit the same. AS13*Accounting for Investments* requires current investments to be valued at lower of cost and fair value. AS2 *Valuation of Inventories* also requires inventories to be valued at the lower of cost and net realizable value. Further, Allowance for bad and doubtful debts is required to be shown as a deduction from both Long-term loans &advances and Other Non-current assets as well as Trade Receivables and Short-term loans and advances as per Schedule III. Hence, a diligent application of the requirements of Accounting Standards and Schedule III will normally not leave any scope for making any additional disclosures in this regard.

9. Part II – Statement of Profit and Loss

Part II deals with disclosures relating to the Statement of Profit and Loss. The format prescribed is the vertical form wherein disclosure for revenues and expenses is in various line items. Part II of the Schedule contains items I to XVI which lists items of Revenue, Expenses and Profit / (Loss). "General Instructions for Preparation of Statement of Profit and Loss" govern the other disclosure and presentation.

As per the Guidance Note 'Terms Used in Financial Statements', the phrase '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.*"

As per Note 1 to "General Instructions for Preparation of Statement of Profit and Loss", the provisions of this part also apply to the income and expenditure account referred to in sub clause (ii) of clause (40) of section 2 of the Companies Act, 2013 in the same manner as they apply to a Statement of Profit and Loss.

The specific format laid down for presentation of various items of Income and Expenses in the Statement of Profit and Loss indicates that expenses should be aggregated based on their nature. Accordingly, functional classification of expenses is prohibited.

As per the Framework For The Preparation and Presentation Of Financial Statements, Income and expenses are defined as follows:

(a) *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.

(b) *Expenses* are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

9.1 Revenue from operations:

The aggregate of Revenue from operations needs to be disclosed on the face of the Statement of Profit and Loss as per Schedule III

9.1.1 Note 2(A) to General Instructions for the Preparation of Statement of Profit and Loss require that in respect of a company other than a finance company, Revenue from operations is to be separately disclosed in the notes, showing revenue from:

(a) Sale of products

(b) Sale of services

(c) Other operating revenues

(d) Less: Excise duty

9.1.2 As per AS-9 “*Revenue Recognition*”, the above disclosure in respect of Excise Duty needs to be shown on the face of the Statement of Profit and Loss. Since Accounting Standards override Schedule III, the presentation in respect of excise duty will have to be made on the face of the Statement of Profit and Loss. 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.

9.1.3Indirect taxes such as Sales tax, Service tax, Purchase tax etc. are generally collected from the customer on behalf of the government in majority of the cases. However, this may not hold true in all cases and it is possible that a company may be acting as principal rather than as an agent in collecting these taxes. Whether revenue should be presented gross or net of taxes should depend on whether the company is acting as a principal and hence responsible for paying tax on its own account or, whether it is acting as an agent i.e. simply collecting and paying tax on behalf of government authorities. In the former case, revenue should also be grossed up for the tax billed to the customer and the tax payable should be shown as an expense. However, in cases, where a company collects tax only as an intermediary, revenue should be presented net of taxes.

9.1.4 However, as per the Guidance Note on Value Added Tax, "Value Added Tax (VAT) is collected from the customers on behalf of the VAT authorities and, therefore, its collection from the customers is not an economic benefit for the enterprise and it does not result in any increase in the equity of the enterprise". Accordingly, VAT should not be recorded as Revenue of the enterprise. At the same time, the payment of VAT should not be treated as an expense in the Financial Statements of the company.

9.1.5 Further, as per the definition of Revenue in the Guidance Note on Terms Used in Financial Statement, "It excludes amounts collected on behalf of third parties such as certain taxes". The Guidance Note on VAT further states, "Where the enterprise has not charged VAT separately but has made a composite charge, it should segregate the portion of sales which is attributable to tax and should credit the same to 'VAT Payable Account' at periodic intervals".

9.1.6 For non-finance companies, revenue from operations needs to be disclosed separately as revenue from

(a) sale of products,

(b) sale of services and

(c) other operating revenues.

It is important to understand what is meant by the term "other operating revenues" and which items should be classified under this head vis-à-vis under the head "Other Income".

9.1.7 The term "other operating revenue" is not defined. 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. Whether a particular income constitutes "other operating revenue" or "other income" is to be decided based on the facts of each case and detailed understanding of the company's activities. The classification of income would also depend on the purpose for which the particular asset is acquired or held. For instance, a group engaged in manufacture and sale of industrial and consumer products also has one real estate arm. If the real estate arm is continuously engaged in leasing of real estate properties, the rent arising from leasing of real estate is likely to be "other operating revenue". On the other hand, consider a consumer products company which owns a 10 storied building. The company currently does not need one floor for its own use and has given the same temporarily on rent. In that case, lease rent is not an "other operating revenue"; rather, it should be treated as "other income".

9.1.8 To take other examples, sale of Fixed Assets is not an operating activity of a company, and hence, profit on sale of fixed assets should be classified as other income and not other operating revenue. On the other hand, sale of manufacturing scrap arising from operations for a manufacturing company should be treated as other operating revenue since the same arises on account of the company's main operating activity.

9.1.9 Net foreign exchange gain should be classified as Other Income. This is because such gain or loss arises purely on account of fluctuation in exchange rates and not on account of sale of products or services rendered, unless the business of the company is to deal in foreign exchange.

9.1.10 As per Note 2(A) to General Instructions for Preparation of Statement of Profit and loss, in respect of a finance company, revenue from operations shall include revenue from

(a) Interest; and

(b) Other financial services

Revenue under each of the above heads is to be disclosed separately by way of Notes to Accounts to the extent applicable.

9.1.11 The term finance company is not defined under the Companies Act, 2013, or Schedule III. 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 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 lumpsum 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;

9.1.12 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.

9.2 Other income:

The aggregate of 'Other income' is to be disclosed on face of the Statement of Profit and Loss.

9.2.1 As per Note 4 to General Instructions for the preparation of Statement of Profit and Loss 'Other Income shall be classified as:

(a) Interest Income (in case of a company other than a finance company);

(b) Dividend Income;

(c) Net gain / loss on sale of investments;

(d) Other non-operating income (net of expenses directly attributable to such income).

9.2.2 All kinds of interest income for a company other than a finance company should be disclosed under this head such as interest on fixed deposits, interest from customers on amounts overdue, etc.

9.2.3 Clause (a) of Note 5 (vii) requires a separate disclosure for Dividends from subsidiary companies. The Old Schedule VI specifically required parent companies to recognise dividend declared by subsidiary companies even if declared after the Balance Sheet date if they are related to the period covered by the Financial Statements. The Schedule III (and earlier, the Revised Schedule VI) does not prescribe any such accounting requirement. Accordingly, dividend income from subsidiary companies should be recognized in accordance with AS-9, i.e. only when they have a right to receive the same on or before the Balance Sheet date. Normally, the right to receive is established only when the dividend is approved by the shareholders at the Annual General Meeting of the investee company.

9.2.4 Other income items such as interest income, dividend income and net gain on sale of investments should be disclosed separately for Current as well as Long-term Investments as required by AS13 "*Accounting for Investments*". If it is a net loss the same should be classified under expenses.

9.2.5 For other non-operating income, income should be disclosed under this head net off expenses directly attributable to such income. However, the expenses so netted off should be separately disclosed.

9.3 Share of profits/losses in a Partnership firm

9.3.1 Though, there is no specific requirement in the Schedule III to disclose profit or losses on investments in a partnership firm as was required by the Old Schedule VI, the same should be disclosed as discussed as under.

9.3.2 Share of profit or loss in a partnership firm accrues the moment the same is computed and credited or debited to the Capital/Current/any other account of the company in the books of the partnership firm. Hence, the same should be accordingly accounted for in the books of the company.

9.3.3 Separate disclosure of profits or losses from partnership firms should be made. In a case where the company was a partner during the year but is not a partner at the end of the year, the disclosure should be made for the period during which the company was a partner.

9.3.4 The company's share of the profits or losses of the partnership firm should be calculated by reference to the company's own accounting year. The Financial Statements of the partnership for computing the share of profits and losses should be drawn up to the same reporting date. If it is not practicable to draw up the Financial Statements of the partnership upto such date and, are drawn up to a different reporting date, drawing analogy from AS-21 and AS-27, adjustments should be made for the effects of significant transactions or other events that occur between that date and the date of the parent's Financial Statements. In any case, the difference between reporting dates should not be more than six months. In such cases, the difference in reporting dates should be disclosed.

9.3.5 In case the year ending of the company and of the firm fall on different dates, the Financial Statements of the company should also contain a note to indicate that the accounting period of the partnership firm in respect of which the profits or losses have been accounted for in the company's books.

9.3.6 If however, a partnership firm happens to be in the nature of a Jointly Controlled Operation as defined in AS-27, the share of incomes, expenses, assets or liabilities will have to be accounted for in the Standalone Financial Statements as prescribed in AS-27.

9.3.7 In case the partnership firm is a Subsidiary under AS-21, Associate under AS-23 or Jointly Controlled Entity/Jointly Controlled Operation under AS-27, in the Consolidated Financial Statements, the share of profit/loss from the firm should be accounted for in terms of the applicable Accounting Standard as stated above.

9.3.8 The aforesaid principles should also be applied to accounting for the share of profits and losses in an Association of Persons (AOP).

9.4 Share of profits/losses in a Limited Liability Partnership (LLP)

9.4.1 A Limited Liability Partnership, as per the LLP Act, is a body corporate and the share of profit/loss in the LLP does not accrue to the partners till the same is transferred to the Partners' Capital/Current Account as per the terms of the LLP Agreement. Accordingly, the share of profit/loss should be accounted in the books of the company as and when the same is credited/debited to the Partners' Capital Account.

9.4.2 Depending upon the terms of agreement between the Partners, the LLP may be a Subsidiary under AS-21, Associate under AS-23 or Jointly Controlled Entity under AS-27. Hence, accounting in respect of the same in the Consolidated Financial Statements would be governed by the applicable Accounting Standards.

9.5 Expenses

The aggregate of the following expenses are to be disclosed on the face of the Statement of Profit and Loss:

- Cost of materials consumed
- Purchases of Stock-in-Trade
- Changes in inventories of finished goods, work in progress and stock in trade
- Employee benefits expense
- Finance costs
- Depreciation and amortization expense
- Other expenses

9.5.1 Cost of materials consumed

9.5.1.1 This disclosure is applicable for manufacturing companies. Materials consumed would consist of raw materials, packing materials (where classified by the company as raw materials) and other materials such as purchased intermediates and components which are 'consumed' in the manufacturing activities of the company. Where packing materials are not classified as raw materials the consumption thereof should be disclosed separately. However, intermediates and components which are internally manufactured are to be excluded from the classification:

9.5.1.2 For purpose of classification of inventories, internally manufactured components may be disclosed as below:

i. where such components are sold without further processing they are to be disclosed as 'finished products'.

ii. where such components are sold only after further processing, the better course is to disclose them as 'work-in-progress' but they may also be disclosed as 'manufactured components' subject to further processing or with such other suitable description as 'semi-finished products' or 'intermediate products'.

iii. where such components are sometimes sold without further processing and sometimes after further processing it is better to disclose them as 'manufactured components'.

9.5.1.3 For the purpose of interpreting the requirement to classify the raw materials, some guidance may be necessary with regard to the question as to what constitutes raw materials. According to the strict dictionary connotation of this term, raw materials would include only materials obtained in the state of nature. Such a definition would, however, be unrealistic in context of this requirement because it would exclude even a basic material such as steel. Generally speaking, the term "raw materials" would include materials which physically enter into the composition of the finished product. Materials, such as stores, fuel, spare parts etc, which do not enter physically into the composition of the finished product, would therefore, be excluded from the purview of the term "raw materials".

9.5.1.4 The requirement is silent with regard to containers and packaging materials. It is, therefore, open to question whether such materials constitute a category of "raw materials" for the purpose of the classification. The matter should be decided in the light of the facts and circumstances of each case, the nature of the containers and packaging materials, their relative value in comparison to the raw materials consumed, and other similar considerations.

Where, however, packaging materials, because of their nature are included in raw materials it is preferable to show the description as “raw materials including packaging materials consumed”.

9.5.1.5 Since in case of a company which falls under the category of manufacturing or manufacturing and trading company, disclosure is required with regard to raw materials consumed, care should be taken to ensure that the figures relate to actual consumption rather than “derived consumption”. The latter figure is ordinarily obtained by deducting the closing inventory from the total of the opening inventory and purchases, but this figure may not always represent a fair indication of actual consumption because it might conceal losses and wastages. On the other hand, if the figure of actual consumption can be compiled from issue records or other similar data, it is likely to be more accurate. Where this is not possible, the derived figure of consumption may be shown and it is left to the company, according to the circumstances of each case, to determine whether any footnote is required to indicate that the consumption disclosed is on the basis of derived figures rather than actual records of issue.

9.5.1.6 Where the consumption is disclosed on the basis of actual records of issue, a further question arises with regard to the treatment of shortages, losses and wastages. In most manufacturing companies, these are inevitable. It is, therefore, suggested that the company should itself establish reasonable norms of acceptable margins. Any shortages, losses or wastages which are within these norms may be regarded as an ordinary incidence of the manufacturing process and may, therefore, be included in the figure of consumption. On the other hand, any shortages, losses or wastages which are beyond the permitted margin or when they are known to have occurred otherwise than in the manufacturing process, should not be included in the consumption figures. Whether or not such abnormal variations need to be separately disclosed in the accounts would depend upon the facts and circumstances of each case. The General Instructions for Preparation of Statement of Profit and Loss does not require any specific disclosures.

9.5.1.7 In the case of industries where there are several processes, materials may move from process to process, so that the finished product of one department constitutes the raw materials of the next. Since the disclosure requirement provides only for disclosure of raw material under broad heads and goods purchased under broad heads and also having regard to the fact that the consumption of raw materials for production of such intermediates would have to be accounted as raw materials consumed, it follows that internal transfers from one department to another should be disregarded in determining the consumption figures to be disclosed. .

9.5.2 Purchases of Stock in Trade

Stock-in-trade refers to goods purchased normally with the intention to resell or trade in. In case, any semi-finished goods/materials are purchased with an intention of doing further processing activities on the same, the same should be included in 'cost of materials consumed' rather than under this item.

9.5.3 Changes in inventories of finished goods, work-in-progress and stock-in-trade

This requires disclosure of difference between opening and closing inventories of finished goods, work-in-progress and stock-in-trade. The difference should be disclosed separately for finished goods, work in progress and stock in trade.

9.5.4 Employee benefits expense [Note 5(i)(a)]

This requires disclosure of the following details:

9.5.4.1Salaries and wages

The aggregate amounts paid/payable by the company for payment of salaries and wages are to be disclosed here. Expenses on account of bonus, leave encashment, compensation and other similar payments also need to be disclosed here. Where a separate fund is maintained for Gratuity payouts, contribution to Gratuity fund should be disclosed under the sub-head Contribution to provident and other funds.

The term employee should be deemed to include directors who are either in whole-time or part-time employment of the company. It will exclude those directors who attend only Board meetings and are not under a contract of service with the company. Those who act as consultants or advisers without involving the relationship of master and servant with the company should also be excluded. A distinction should be made between persons engaged under a contract of service and those engaged under a contract for services. Only the former are to be included in the computation. Whether part-time employees are to be included would depend on the facts and circumstances of each case - the basic criterion being whether they are employed under a contract of service or a contract for services.

9.5.4.2 Contribution to provident and other funds

The aggregate amounts paid/payable by a company on account of contributions to provident fund and other funds like Gratuity fund, Superannuation fund, etc. are to be disclosed here.

Contributions for such funds for contract labour may also be separately disclosed here. However, penalties and other similar amounts paid to the statutory authorities are not strictly in the nature of 'contribution' and should not be disclosed here.

9.5.4.3 Expense on Employee Stock Option Scheme (ESOP) and Employee Stock Purchase Plan (ESPP)

The amount of expense under this head should be determined 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 required by the aforesaid Guidance Note should be made here.

9.5.4.4 Staff welfare expense

The total expenditure on Staff welfare is to be disclosed herein.

9.5.5 As per Note 3 of to the General Instructions for the Preparation of the Statement of Profit and Loss, disclosure of Finance costs is to be bifurcated under the following:

(A) Interest expense

(B) Other borrowing costs

(C) Applicable net gain/loss on foreign currency transactions and translation

A) Interest expense

This would cover interest paid on borrowings from banks and others, on debentures, bonds or similar instruments etc. Finance charges on finance leases are in the nature of interest expense and hence should also be classified as interest expense.

B) Other borrowing costs

Other borrowing costs would include commitment charges, loan processing charges, guarantee charges, loan facilitation charges, discounts/premium on borrowings, other ancillary costs incurred in connection with borrowings, or amortization of such costs, etc.

C) Applicable net gain/loss on foreign currency transactions and translation

As per Para 4(e) of AS-16, borrowing costs also include exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. Any such exchange differences would need to be disclosed under this head.

9.5.6 Depreciation and amortization expense [Note 5(i)(b)]

A company has to disclose depreciation provided on fixed assets and amortization of intangible assets under this head.

9.5.7 Other Expenses

All other expenses not classified under other heads will be classified here. For this purpose, any item of expenditure which exceeds one percent of the revenue from operations or `Rs. 1,00,000, whichever is higher (as against the requirement of Old Schedule VI of 1 percent of total revenue or Rs. 5,000 whichever is higher), needs to be disclosed separately.

Further Note 5(vi) requires a separate disclosure of each of the following items, which will also be classified under 'Other expenses'

- Consumption of stores and spare parts;
- Power and fuel;
- Rent;
- Repairs to buildings;
- Repairs to machinery;
- Insurance;
- Rates and taxes, excluding taxes on income;
- Miscellaneous expenses.

9.6 Exceptional items

The term 'Exceptional items' is not defined in Schedule III. However, AS-5 "*Net Profit or Loss for the period, Prior period items and changes in Accounting Policies*" 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.

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;"

- ✓ *disposals of items of fixed assets;*
- ✓ *disposals of long-term investments;*
- ✓ *legislative changes having retrospective application;*
- ✓ *litigation settlements; and*
- ✓ *other reversals of provisions.*

In case the company has more than one such item of income / expense of the above nature, the aggregate of such items should be disclosed on the face of the Statement of Profit and Loss. Details of the all individual items should be disclosed in the Notes.[Note 5 (i) (l) to the General Instructions for preparation of the Statement of Profit and Loss]

9.7 Extraordinary items

The term 'Extraordinary items' is not defined in Schedule III. However, AS 5 "*Net Profit or Loss for the period, Prior period items and changes in Accounting Policies*" at para 4.2 defines 'extraordinary items' as: '*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. Further p*ara 8 of AS-5 discusses about the disclosure of extraordinary items as below:

Extraordinary items should be disclosed in the Statement of Profit and Loss as a part of net profit or loss for the period. The nature and the amount of each extraordinary item should be separately disclosed in the Statement of Profit and Loss in a manner that its impact on current profit or loss can be perceived."

In case the company has more than one such item of income / expense of the above nature, the aggregate of such items should be disclosed on the face of the Statement of Profit and Loss. Details of the all individual items should be disclosed in the Notes. [Note 5 (i) (l) to the General Instructions for Preparation of the Statement of Profit and Loss].

9.8 Tax expense:

This is to be disclosed on the face of the Statement to Profit and Loss and bifurcated into:

(1) Current tax and

(2) Deferred tax

9.8.1 Current tax

9.8.1.1 The term 'Current tax' has been defined under AS-22 "Accounting for Taxes" on Income as the amount of income tax determined to be payable (recoverable) in respect of the taxable income (tax loss) for a period. Hence, details of all taxes on income payable under the applicable taxation laws should be disclosed here.

9.8.1.2 Presentation for Minimum Alternate Tax (MAT) credit should be made as prescribed by the ICAI Guidance Note on "Accounting for Credit Available in Respect of Minimum Alternative tax under the Income-tax Act, 1961'. The relevant portion is as under:

"*Profit and Loss Account:*

15. According to paragraph 6 of Accounting Standards Interpretation (ASI) 6, 'Accounting for Taxes on Income in the context of Section 115JB of the Income-tax Act, 1961', issued by the Institute of Chartered Accountants of India, MAT is the current tax. Accordingly, the tax expense arising on account of payment of MAT should be charged at the gross amount, in the normal way, to the profit and loss account in the year of payment of MAT. In the year in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in this Guidance Note, the said asset should be created by way of a credit to the profit and loss account and presented as a separate line item therein."

The Disclosure in this regard should be made as under :

Current tax (MAT)	XX
Less : MAT credit entitlement	(XX)
Net Current tax	XX

9.8.1.3 Any interest on shortfall in payment of advance income-tax is in the nature of finance cost and hence should not be clubbed with the Current tax. The same should be classified as Interest expense under finance costs. However, such amount should be separately disclosed.

9.8.1.4 Any penalties levied under Income tax laws should not be classified as Current tax. Penalties which are compensatory in nature should be treated as interest and disclosed in the manner explained above. Other tax penalties should be classified under Other expenses.

9.8.1.5 Wealth tax payable by a company on assets liable for wealth tax should not be included within current tax since the same is not a tax on income. Accordingly, wealth tax should be included in Rates and taxes under other expenses.

9.8.1.6 Excess/Short provision of tax relating to earlier years should be separately disclosed.

9.8.2 Deferred tax

9.8.2.1 Any charge/credit for deferred taxes needs to be disclosed separately on the face of the Statement of Profit and Loss.

9.8.2.2 AS22 *"Accounting for Taxes on Income" defines 'Deferred tax' as the tax effect of timing differences.*

Timing differences are defined as "differences between taxable income and accounting income for a period that originate in one period and are capable of reversal in one or more subsequent periods."

9.9 Profit / (loss) for the period from Discontinuing operations

9.9.1 *The term 'Discontinuing operations' is defined in* AS 24 *"Discontinuing operations" as 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.*

9.9.2 Profit or loss from Discontinuing Operations needs to be separately disclosed on the face of Statement of Profit and Loss. This disclosure is in line with the disclosure requirement of AS-24 Para 32(a) which requires the amount of pre-tax profit or loss from ordinary activities attributable to the discontinuing operation during the current financial reporting period, and the income tax expense related thereto to be disclosed on the face of the Statement of Profit and Loss.

9.9.3 Further, AS-24 Para 32(b) requires the following disclosure to be made on the face of the Statement of Profit and Loss as well:

"(b) the amount of the pre-tax gain or loss recognised on the disposal of assets or settlement of liabilities attributable to the discontinuing operation."

Accordingly, such disclosures for discontinuing operations should be made wherever applicable.

9.10 Tax expense of discontinuing operations

In case there are any taxes payable / tax credits available on profits / losses of discontinuing operations, the same needs to be disclosed as a separate line item on the Statement of Profit and Loss.

9.11 Earnings per equity share

Computation of Basic and Diluted Earnings Per Share should be made in accordance with AS20 *Earnings Per Share*. It is pertinent to note that the nominal value of equity shares should be disclosed along with the Earnings Per Share figures as required by AS20.

10 Other additional information to be disclosed by way of Notes to Statement of Profit and Loss

Besides the above disclosures, Para 5 of the General instructions for Preparation of Statement of Profit and Loss also require disclosure on the following items:

10.1 Adjustments to the carrying amount of investments [Clause (h) of Note 5(i)]

In case there are any adjustments to carrying amount of investments pursuant to diminution in value of the investment (or reversal thereof) in conformity with AS 13 "*Accounting for Investments*", the same should be disclosed here.

10.2 Net gain or loss on foreign currency translation (other than considered as finance cost) Clause (i) of Note 5(i)

Any gains / losses on account of foreign exchange fluctuations are to be disclosed separately as per AS11. Thus net exchange loss should be classified under Other expenses and the amount so included should be separately disclosed. Under this head, exchange differences to the extent classified as borrowing costs as per Para 4(e) of AS-16 should not be disclosed. Refer para9.6.5 [Note 3(c) of Schedule III].

10.3 Payments to the auditor [Clause (j) of Note 5(i)]

Payments covered here should be for payments made to the firm of auditor(s). Expenses incurred towards such auditor's remuneration should be disclosed under each of the following sub-heads as follows:

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;

10.4 Prior period items [Clause (m) of Note 5 (i)]

The term 'Prior period Items' is not defined in Schedule III. AS 5 "*Net Profit or Loss for the period, Prior period items and changes in Accounting Policies*", in para 4.3 defines 'Prior period items' as "*Prior period items are income or expenses which arise in the current period as a result of errors or omissions in the preparation of the Financial Statements of one or more prior periods".*

10.5 The Schedule III requires the following additional information to be given by way of notes:

Nature of company	Disclosures required
Manufacturing companies	Raw materials under broad heads Goods purchased under broad heads
Trading companies	Purchases of goods traded under broad heads
Companies rendering or supplying services	Gross income derived from services rendered under broad heads
Company that falls under more than one category	It will be sufficient compliance with the requirements, if purchases, sales and consumption of raw material and the gross income from services rendered are shown under broad heads.

10.6 The disclosure requirements to be made for the above in the Financial Statements are discussed as under:

The disclosures required as above are not very clear and give rise to the following questions:

(a) Whether a company is required to disclose quantitative details or not?

(b) Whether a manufacturing company will disclose purchase, sale or consumption of raw materials?

(c) What is meant by "good purchased" in case of manufacturing companies?

(d) While there is a requirement to disclose gross income in case of a service company and sales in case of a company falling under more than one category, there is no clear requirement to disclose sales for a manufacturing or a trading company.

(e) With regard to a company falling under more than one category different interpretations seem possible. One interpretation is that it should disclose purchase, sale and consumption for raw material. The other interpretation is that purchase relates to traded goods, sale relates to all goods sold (both manufactured goods and traded goods) and for raw material, only consumption needs to be disclosed.

10.7 Since the Schedule III gives a note stating that "Broad heads shall be decided taking into account the concept of materiality and presentation of true and fair view of Financial Statements", a company may consider the following in deciding the disclosures required:

(a) Apparently, there is no need to give quantitative details for any of the items.

(b) Considering the ambiguity and on a conservative interpretation, a manufacturing company may disclose the following under broad heads:

   (i) Consumption of major items of raw materials (including other items classified as raw material such as intermediates/ components/packing material)

   (ii) Goods purchased for trading (if any)

   (iii) Though the Schedule III does not specifically require, it is also suggested to disclose major items of opening and closing stock. However, it is 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.

(c) The term “broad heads” may be interpreted to mean broad categories of raw materials, goods purchased, etc. These categories should be decided based on the nature of each business and other facts and circumstances. Normally, 10 percent of total value of sales/services, purchases of trading goods and consumption of raw material is considered as an acceptable threshold for determination of broad heads. Any other threshold can also be considered taking into account the concept of materiality and presentation of true and fair view of Financial Statements.

(d) Similar principle may be followed to decide disclosure requirement in other cases.

10.8 Based on the above perspectives, given below is a suggested format for making this disclosure:

10.8.1 Manufacturing company

(Amount in ₹)

Particulars	Consumption
Raw materials	
Raw material A	XX (YY)
Raw material B	XX (YY)
Others	XX (YY)
Total	XX (YY)

Particulars	Purchases
Goods purchased	
Traded item A	XX (YY)
Traded item B	XX (YY)
Others	XX (YY)
Total	XX (YY)

Particulars	Sales values	Closing Inventory	Opening Inventory
Manufactured goods			
Finished goods A	XX (YY)	XX	XX
Finished goods B	XX (YY)	XX	XX
Others	XX (YY)	XX	XX
Total	XX (YY)	XX	XX
Traded goods			
Traded goods A	XX (YY)	XX	XX
Traded goods B	XX (YY)	XX	XX
Others	XX (YY)	XX	XX
Total	XX (YY)	XX	XX

Particulars	WIP
Work in Progress	
Goods A WIP	XX (YY)
Goods B WIP	XX (YY)
Others	XX (YY)
Total	XX (YY)

10.8.2 Trading company

Particulars	Purchase	Sales
Traded goods		
Traded goods A	XX (YY)	XX (YY)
Traded goods B	XX (YY)	XX (YY)
Others	XX (YY)	XX (YY)
Total	XX (YY)	XX (YY)

10.8.3 Service Company

Particulars	Amount
Services rendered	
Service A	XX (YY)
Service B	XX (YY)
Others	XX (YY)
Total	XX (YY)

Note : Figures in brackets represent previous year figures.

A company falling under more than one category will make the above disclosures, to the extent relevant.

10.9 The aggregate, if material, of any amounts set aside or proposed to be set aside, to reserve [Clause (a) of Note 5(iv)]

10.9.1 Disclosure is required for amounts set aside or proposed to be set aside to reserves out of the profits for the period. The said transfers can be in terms of the applicable statute under which the Financial Statements are prepared i.e., the Companies Act, 2013 or any other applicable statute e.g. Income Tax Act, 1961, or RBI Act, 1932, etc. Further, profits may also be appropriated to free reserves as deemed appropriate by the management.

10.9.2 The transfer to reserves as above should, however, not include provisions made to meet any specific liability, contingency or commitment known to exist at the date as on which the Balance Sheet is made up.

10.10 The aggregate, if material, of any amounts withdrawn from such reserves [Clause (b) of Note 5 (iv):

In case the company has made any withdrawals from any reserves created in terms of Clause (a) of Note5(iv) above, the same is to be disclosed separately.

It may be noted that such setting aside as well as withdrawal from reserves is to be disclosed under applicable Line item of Reserves and Surplus, and not under the Statement of Profit and Loss since the same is an appropriation of profits and not a charge against revenue.

10.11 The aggregate, if material, of the amounts set aside to provisions made for meeting specific liabilities, contingencies or commitments and amounts withdrawn from such provisions, as no longer required [Clause (a) of Note5(v) and Clause (b) of Note5(v)]

The amounts in respect of the items under this requirement should be separately disclosed as a charge to the Statement of Profit and Loss. Provisions no longer required should be credited to the Statement of Profit and Loss.

10.12 Clause (b) of Note 5(vii) requires disclosure for 'Provisions for losses of subsidiary companies'.

However, as per AS-13, 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. Accordingly, the aforesaid disclosure should be made separately only where such a provision has been made in respect of the investment in such loss-making subsidiary.

10.13 Clause (k) of Note 5(i) requires disclosure for 'expenditure incurred on corporate social responsibility activities'.

This new requirement introduced by the Companies Act 2013 is that the companies which are covered under Section 135 are required to disclose the amount of expenditure incurred on corporate social responsibility activities. The Guidance Note on Accounting for Expenditure on Corporate Social Responsibility Activities issued may be referred to for disclosure requirements, which are essentially as under:

a) From the perspective of better financial reporting and in line with the requirements of Schedule III in this regard, it is recommended that all expenditure on CSR activities, that qualify to be recognised as expense should be recognised as a separate line item as 'CSR expenditure' in the statement of profit and loss. Further, the relevant note should disclose the break-up of various heads of expenses included in the line item 'CSR expenditure'.

b) The notes to accounts relating to CSR expenditure should also contain the following:

(1) Gross amount required to be spent by the company during the year.

(2) Amount spent during the year on:

In cash Yet to be paid in cash Total

(i) Construction/acquisition of any asset

(ii) On purposes other than (i) above

The above disclosure, to the extent relevant, may also be made in the notes to the cash flow statement, where applicable.

(c) Details of related party transactions, e.g., contribution to a trust controlled by the company in relation to CSR expenditure as per Accounting Standard (AS) 18, Related Party Disclosures.

(d) Where a provision is made in accordance with paragraph 8 above the same should be presented as per the requirements of Schedule III to the Companies Act, 2013. Further, movements in the provision during the year should be shown separately.

11 Other Disclosures

The Statement of Profit and Loss 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;

(b) Expenditure in foreign currency during the financial year on account of royalty, know-how, professional and consultation fees, interest, and other matters;

(c) Total value if all imported raw materials, spare parts and components consumed during the financial year and the total value of all indigenous raw materials, spare parts and components similarly consumed and the percentage of each to the total consumption;

(d) The amount remitted during the year in foreign currencies on account of dividends with a specific mention of the total number of non-resident shareholders, the total number of shares held by them on which the dividends were due and the year to which the dividends related;

(e) Earnings in foreign exchange classified under the following heads, namely:-

- Export of goods calculated on F.O.B. basis;
- Royalty, know-how, professional and consultation fees;
- Interest and dividend;
- Other income, indicating the nature thereof

11.1 Value of imports calculated on C.I.F. basis by the company during the financial year [Clause (a) of Note 5(viii)]

The above disclosure is to be given in respect of –

Raw materials;

Components and spare parts;

Capital goods.

11.1.1 One of the requirements of disclosure as a note to the Statement of Profit and Loss is the value of imports of raw materials calculated on C.I.F. basis. The manner in which the term “raw materials” should be interpreted for this purpose, is as discussed in para9.5.1.3 of this Guidance Note.

11.1.2 Disclosure is also required to be made as to the value of imports of components and spare parts and capital goods respectively. The term “components” may be interpreted in the same manner as the term “intermediates or components” in connection with the requirement, discussed earlier in para9.5.1.2 of this Guidance Note, to disclose the consumption of purchased components or intermediates. The term “spare parts” would ordinarily relate to spare parts for plant and machinery and other capital equipment. The total value of imports of components and spare parts may be disclosed in the aggregate. It may be appropriate to sub-classify the value of imports between components and spare parts respectively since the nature of these two items is not entirely similar. Such separate classification however, is not a mandatory requirement of the Schedule III. However, wherever the records for raw materials and components are maintained together, the information required under this clause pertaining to components can be presented collectively with raw materials.

11.1.3 As regards "capital goods", disclosure would be involved in respect of imported plant and machinery, furniture and fixtures, transport equipment, intangible assets and other types of expenditure which is treated as capital expenditure in the books of account. It is undoubtedly anomalous to disclose the value of imports of capital goods by way of a note on the Statement of Profit and Loss, since by the very definition, capital assets do not form part of the Statement of Profit and Loss. However, since this is the specific requirement of the Schedule III, it would have to be complied as such. Since this disclosure is required for the Statement of Profit and Loss, it would not be advisable to disclose the imports of capital goods by way of a note on Fixed Assets- Tangible Assets or Capital work-in-progress, even though it would be more appropriate to do so.

11.1.4 It is significant that this requirement covers only imported spare parts. It apparently does not apply to goods imported for sale, imported stores, etc. However, the practice followed by most companies is that imported stores are being clubbed with imported spare parts for the purposes of this disclosure. This is probably due to the practical difficulty involved in separating stores from spare parts. Hence, where it is not possible to segregate the two owing to practical difficulties, the total value of imports of stores and spare parts may be shown against a caption which clearly indicates that the value shown relates to both the stores as well as the spare parts.

11.1.5 The disclosure in respect of imports of the foregoing items is to be made on accrual basis. This is because disclosure is required in respect of the value of imports "during the financial year". Consequently, if the particular item has been imported during the accounting year, it should be disclosed as such, even though the payment is not made in that year.

11.1.6 It is also to be noted that the disclosure under this requirement relates to the imports as such. It is not linked with the consumption of the material or utilization of capital goods.

11.1.7 While a subsequent requirement relates to expenditure in foreign currency for designated items, the requirement presently under discussion is not linked with any particular expenditure in foreign currency or local currency. Consequently, the value of imports of raw materials, components and spare parts and capital goods is to be disclosed irrespective of whether or not such imports have resulted in an expenditure in foreign currency. It is possible that imports may have been arranged on Rupee payment terms without involving any foreign currency expenditure but even so, the value of the imports would have to be suitably disclosed.

11.1.8 Disclosure should be made in Indian currency. Where the imports involve foreign currency expenditure, the amount be disclosed would be the corresponding Rupee value of the imports as translated in the books of account on normal principles relating to the translation of foreign currencies.

11.1.9 The value of the imports is to be calculated on C.I.F. basis – that is inclusive of cost, insurance and freight. It is possible that the imported materials may have been shipped by an Indian carrier and the insurance may have been arranged with an Indian insurer, so that, really, there is no element of import of services with regard to the insurance and freight. Even so, the Schedule III requires the value of the imports to be disclosed on a C.I.F. basis, and while this may be anomalous in the types of situations indicated above, the requirement should ordinarily be complied with. If for any reason, there is some practical difficulty in disclosing the value of the imports on C.I.F. basis, a footnote should be appended to the statement indicating the precise method by which the value of imports has been arrived at. For example, it may be stated that, because of practical difficulties in disclosing the value of imports on C.I.F. basis, such disclosure has been made on F.O.B. basis. Without attempting to particularize the various circumstances under which it may be difficult to disclose the value of imports on a C.I.F. basis, one example may be cited. A company may have standing arrangements with a shipping line or with an insurer so that all imports are covered through such a standing arrangement, In that case, it may be difficult to allocate the insurance or freight to each specific shipment. Similarly, if a company is a self insurer, or if it owns its own fleet of ships, disclosure of the value of imports cannot be made on a C.I.F. basis. In situations of this kind the matter should be covered by a suitable explanatory note but otherwise, wherever possible, the value of imports should be disclosed on a C.I.F. basis. It may be noted that the requirement to disclose the value on a C.I.F. basis relates to the method of computation of the value, rather than the terms of the import contract. It is not to be implied that this method of valuation is restricted to a case where the import contract is itself on a C.I.F. basis.

11.1.10 Disclosure is required with regard to the value of imports “by the company”. This implies that only direct imports by the company are involved in the disclosure. If the company purchases imported materials in the open market, no disclosure would be necessary under this requirement. Similarly, if the company canalized its imports through another agency such as the State Trading Corporation, no disclosure would be required, since it is the latter agency which is the importing entity. On the other hand, if a company purchases import entitlements and thereafter imports materials on the basis of those entitlements, the value of such imports would need to be disclosed, since they are the imports of the company, irrespective of the manner in which the company procured the import entitlements. Within this rather broad statement of the case, it is apprehended that practical difficulties may arise in determining whether or not a particular import has been made "by the company".

11.1.11 For the purpose of this requirement, only direct imports are to be taken into consideration. Imported materials purchased locally, and imports canalized through other sources, need not be disclosed. While this distinction may be clear in the large majority of cases, problems may arise in individual cases. In particular, in the case of indirect imports, care should be taken to determine whether the source from which the imports have been obtained represent an agency or an independent principal. If a company has appointed a person or a company as its agent for the purpose of securing the import of raw materials, etc., the imports through such agent must be regarded as the company's imports, and the value of such imports should be disclosed pursuant to the requirement under this Note. On the other hand, if another person or company has already imported the materials and the company in question merely purchases such imported materials, on a principal to principal basis, (except in cases where importing the materials is done under specific requisition resulting in substance agent-principal relationship) the value of such imports should be ignored by the latter company, and included by the former.

11.1.12 The value of imports should also include goods which are in transit on the Balance Sheet date, provided significant risks and rewards of ownership in those goods have already passed to the purchasing company. For the purpose of determining whether or not the property has passed, reference may be made to the terms of the import contract, and recognized legal principles, relating to this matter. Conversely, goods-in-transit at the beginning of the year should be excluded on a similar basis so that they do not form part of the value of the current year's imports or succeeding year's for the purpose of the same disclosure relating to the value of imports.

11.1.13 Since the requirement is to disclose the value of imports during the accounting year, it may be necessary to determine when the significant risks and rewards of ownership to the goods has passed from the overseas exporter to the Indian importer in accordance with the well recognized legal principles relating to this matter, irrespective of the fact whether or not the goods have been physically received.

11.1.14 A particular problem may, however, arise in the case of import of capital goods where delivery is to be made in installments through part shipments from time to time. The contract may provide for the total value of the entire shipment and it may, therefore, be difficult to determine the separate value of the part shipments received during the accounting year. Since the disclosure which is required is in respect of imports during the accounting year, it may be necessary to estimate, on a reasonable basis, the separate value of part shipments. If such estimates are reasonable, no objection needs be taken thereto.

11.1.15 It follows from this that, in appropriate cases, the disclosure would include the value of goods in transit at the end of the year if the significant risks and rewards of ownership in such goods has already passed to the Indian importer. Conversely, it may be necessary to exclude the value of the opening inventory in transit if the title to such inventory had already passed to the Indian importer prior to the end of the previous year.

11.1.16 For the purpose of working out the C.I.F. value of imports, it may be necessary to make approximations in suitable cases. For example, a company may be actually importing materials on the basis of F.O.B. contracts so that the values directly available from its records would be those relating to F.O.B. terms. In such cases, a standard formula may be applied in order to convert the F.O.B. values to C.I.F. For example, the company's accountant may calculate that a loading of, say, eleven per cent on the F.O.B. values is ordinarily adequate and correct in order to convert the F.O.B. values to C.I.F. If such approximations are reasonable, no objection should ordinarily be taken thereto.

11.2 Expenditure in foreign currency during the financial year[Clause (b) of Note5(viii)]

The above is to be disclosed for expenditure incurred on account of royalty, know-how, professional and consultation fees, interest and other matters;

11.2.1 In addition to the requirement discussed earlier relating to the disclosure of the value imported materials, and the disclosure relating to the consumption of imported materials as compared to indigenous materials, there is also a further requirement to disclose expenditure in foreign currency on account of royalty, know-how, professional consultation fees, interest, and other matters.

11.2.2In this particular case, the disclosure is to be made with regard to the expenditure in foreign currency. Consequently, if no foreign currency expenditure is involved, no disclosure would be required, even though the specific services covered by this requirement have been imported free of cost or against Rupee payment or against any other method of payment or adjustment not involving the expenditure of foreign currency. Although the disclosure is required to be made with regard to items involving expenditure in foreign currency, the amount to be disclosed would be the Indian Rupee amount. It should be noted that every company is required to follow accrual system of accounting and the requirement refers to 'expenditure', the disclosure should be on the basis of the expenditure incurred and recorded in the books of account and not on the basis of remittance. The appropriate Rupee figure can be obtained by converting the foreign exchange figure through the application of a rate of exchange which is suitable for that purpose, having regard to normal principles of foreign currency translation/conversion in accounts. If so desired, the foreign currency figure may also be given as additional information but this cannot be regarded as mandatory.

11.2.3 While the requirement relating to the disclosure of imports clearly specifies the different heads under which the disclosure is to be made, and while the requirement relating to foreign exchange earnings also similarly indicates the specific heads under which the disclosure is to be classified, there is no such requirement with regard to the disclosure of expenditure in foreign currency. It is true that the specific items in respect of which such disclosure is to be made have been indicated, but this does not by itself imply that the disclosure is to be classified with reference to those items. At the same time, since such classification should not be difficult, it is advisable to classify the foreign currency expenditure between royalty, know-how, professional consultation fess, interest and other matters. In other words, the classification as between these items is certainly desirable but is probably not mandatory, having regard to the precise terms of the Schedule III. It may also be noted that under old Schedule VI, for the same requirement, the practice has been to classify between different heads and disclose.

11.2.4 The various items specified above do not call for any particular comments since they are expressed through well understood terms. The residual item relating to "other matters" appears to be sufficiently exhaustive so as to cover any items for which foreign currency expenditure is involved. It is necessary to point out that disclosure is required with regard to "other matters" rather than with regard to "other similar matters". Consequently, it would not be reasonable to infer that disclosure is limited to items of a nature similar to royalty, know-how, professional consultation fees and interest. At the same time, however, it would be unreasonable to suggest that disclosure should be made once again with regard to the expenditure involved in foreign currency for an item whose import value has already been disclosed in response to the earlier requirement. Ordinarily, the requirement presently under discussion relates to expenditure on intangible items rather than on the import of tangible goods. However, if any foreign currency expenditure on the import of tangible goods has not been disclosed pursuant to the earlier requirements, it would need to be disclosed under this requirement. For example, foreign currency expenditure on the import of stores may not have been disclosed on the basis that the earlier requirement necessitates disclosure only with regard to the value of imports of “components and spare parts”. In that case, the foreign currency expenditure involved in the import of stores would need to be disclosed under the requirement presently under discussion since this requirement covers “expenditure in foreign currency” on account of royalty, know-how, professional consultation fees, interest and *other matters.* Disclosure would also be involved under this requirement of any foreign currency expenditure in the payment of taxes in an overseas country on income earned in that country in a case where the payment of such taxes involves actual remittance from India. Where, however, the payment of taxes in the overseas country is made through deduction at source rather than by actual remittance from India, the method of disclosure has been suggested in a subsequent paragraph of this Note dealing with foreign exchange earnings where it has been recommended that foreign exchange earnings received subject to deduction of tax at source should be disclosed both gross and net.

11.2.5 The disclosure of expenditure in foreign currency is to be made on accrual basis since all the items in the Statement of Profit and Loss are stated on an accrual basis.

11.2.6 A further question which needs to be resolved is whether the disclosure is to be made of the gross amount of the expenditure, or of the net amount after tax deduction at source, in a case where such deduction is involved. So far as the company in concerned the gross expenditure is the amount of expenditure incurred in foreign currency even though a part of it may have been paid in Rupees to the Government to meet the statutory obligation of deducting tax at source. Deduction of tax at source by itself is not the finality of the matter and is merely a preliminary stage towards settlement of tax liability of the non-resident. Ultimately, on assessment of the non-resident, the full amount of tax deducted at source may have to be refunded. In view of this, the preferable course seems to be to disclose the gross expenditure that has been incurred by the company.

11.2.7 Disclosure is to be limited only to those cases where the company itself incurs a foreign currency expenditure. Where an expenditure involves foreign currency but the original payment by the company itself is in Rupees, no disclosure is necessary. For instance, if a company has borrowed a loan from a Government agency and incurs expenditure in payment of interest on that loan, the company may be aware that the interest paid by it to the Government agency in Rupees will ultimately be remitted by the Government agency to a foreign lender. However, since the company itself does not incur any foreign currency expenditure, no disclosure is required in its accounts.

11.3 Total value of 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; [Clause (c) of Note 5(viii)]

11.3.1 Apart from the disclosure relating to the C.I.F. value of imports, separate disclosure is also required with reference to the value of imported raw materials, spare parts and components consumed during the accounting year. There is no guidance, for the purpose of this requirement, as to the manner in which the imported materials are to be evaluated i.e., C.I.F. basis or F.O.B. basis or any other basis. Even though the value of materials imported by the company itself is required to be stated on a C.I.F. basis, it does not follow that this basis is necessarily appropriate to the disclosure of the value of imported materials consumed. In the latter case, it would be more appropriate to make the disclosure on the basis of the actual cost to the company of the imported materials which have been consumed, since it is this cost which enters into the company's accounts. Consequently, the value of imported materials consumed should include not only their cost but also incidental expenses directly related to the purchase of such materials. There is another reason for this suggestion and that is based on the fact that the value imported materials consumed is required to be compared with the value of indigenous materials consumed. Moreover, in the company's accounts, the total figure shown for consumption of materials (inclusive of indigenous and imported materials) would ordinarily be based on the value inclusive of the cost of such materials and various incidental charges. Therefore, in order to facilitate correlation with the total amount shown for consumption of materials in the Statement of Profit and Loss account as well as in order to facilitate comparison between the value of indigenous consumption and imported consumption, it is desirable that the value of imported materials consumed should be stated on a similar and consistent basis by including the cost of such materials and various incidental charges.

11.3.2 On the face of it, it would appear that this requirement duplicates the earlier requirement relating to the disclosure of the value of imports of raw materials, components and spare parts. However, there is a difference. The earlier requirement relates to the disclosure of the value of imports *per se* irrespective of whether or not the materials imported have been consumed in the company's operations. The latter requirement, on the other hand relates only to the value of the imported materials consumed in the company's operation.

11.3.3 As in the case of earlier requirement, it is not relevant to consider whether or not the imported materials which have been consumed have necessitated an expenditure in foreign currency. Even if no foreign currency expenditure is involved, the value of consumption of imported materials is still required to be disclosed.

11.3.4 The disclosure is to be made in Indian currency by applying normal methods for the translation of foreign currencies where the original expenditure was incurred in a foreign currency.

11.3.5 A question may arise whether to include the consumption of locally purchased materials of foreign origin. Apart from the difficulties of ascertaining which locally purchased materials are of imported origin, it is logical to interpret this requirement as requiring disclosure only of materials imported directly or indirectly by the company. This would include materials imported directly by the company as well as indirect imports made to be company's knowledge or at its request through canalizing agents such as the State Trading Corporation.

11.3.6 It is not entirely clear whether the requirement herein implies that the value of imported raw materials, spare parts and components should be separately disclosed for each of these three items, or whether a composite disclosure for all the three items taken together is sufficient. The latter part of this clause states that "the percentage of each to the total consumption" is also to be disclosed. This may be taken to imply that the consumption is to be shown separately for raw materials, spare parts and components respectively. However, wherever the records for raw materials and components are maintained together, the information required under this clause can be presented collectively.

11.3.7 While raw materials are undoubtedly consumed in the course of operations, this term is hardly appropriate to spare parts and components. Spare parts may be utilized for repairs and maintenance or for other similar purposes, and components may be assembled into the finished product. In either case, the spare parts and components can hardly be said to have been "consumed". However, without going into the semantics relating to the word "consumed", the intention appears to be reasonably clear and disclosure may, therefore, be made on the basis of indicating the value of imported spare parts and components utilized in the company's operations.

11.3.8 In addition to disclosing the value of imported raw materials spare parts and components consumed during the accounting year, disclosure is also required with regard to the value of indigenous raw materials, spare parts and components similarly consumed during that year. In both cases, the value of the consumption should be determined on the same identical basis, so that like is compared with like. Thereafter, it is also required that the relative percentages of consumption value in respect of imported items and indigenous items should be stated as a percentage of total consumption for each of the categories of raw materials, spare parts and components respectively.

11.3.9 Care should be taken to ensure that the total consumption agrees with the figures in the Statement of Profit and Loss. In the case of consumption of raw materials, the separate figures for such consumption is generally disclosed in one figure in the Statement of Profit and Loss, in which case, the total consumption classified as between imported and indigenous should agree with this figure. Sometimes, however, the total consumption of raw materials is not shown as one figure in the Statement of Profit and Loss. Instead, a note is given indicating the consumption of raw materials shown under more than one head of account. In that case, care should be taken to ensure that the total figure for consumption of raw materials analysed as between imported and indigenous agrees with the total consumption shown in the Statement of Profit and Loss inclusive of the figure of consumption charged to other heads of account.

11.3.10 The term "spare parts" for the purpose of the foregoing requirements would refer to spares for plant and machinery and other items of a similar nature or intended for a similar purpose. This term would not ordinarily include stores. The term "stores" refers to materials and supplies which assist the manufacturing process but which do not directly enter into the furnished product. It is a term of wider import than "spare parts" and ordinarily, the term "stores" would include "spare parts". Since the present requirement is limited to spare parts, it would appear to be unnecessary to disclose the separate figures relating to the consumption of stores – imported and indigenous. It is somewhat curious that disclosure should be required with regard to spare parts and not with regard to stores, but this is nevertheless, the logical interpretation of the words used in the relevant clause. Where the segregation between stores and spare parts is not possible owing to practical difficulties, the value of consumption of imported and indigenous stores and spare parts may be shown against a caption which clearly indicates that the value shown relates to both stores and spare parts.

11.3.11 As regards spare parts, the substantive requirement of Schedule III (Other expenses para 9.5.7) requires a composite figure to be disclosed in respect of consumption of stores and spare parts, whereas the analysis here is required only in respect of consumption of spare parts. Consequently, the total figure analysed for consumption of spare parts may not agree directly with the figure disclosed in the Statement of Profit and Loss for consumption of stores and spare parts, unless in the Statement of Profit and Loss, these two figures are separately itemized. In any case, however, a reconciliation statement should be kept on the company's working paper files to indicate that the figures have been agreed.

11.3.12 As regards components, the clause does not indicate clearly whether the classification of imported and indigenous components is to be restricted to purchased components, or whether it would also include components manufactured internally. Normally, imported components would in any case be restricted to those which are purchased, with the possible exception of a rare case in which components are fabricated outside India by a branch or department of the same company and are then shipped to India for incorporation into the finished product. Ignoring such an exception, it would appear that if imported components are to be restricted to those which are purchased, indigenous components would also have to be similarly restricted, otherwise the comparison would be vitiated. Consequently, it is suggested that this requirement may be interpreted in a manner whereby the classification of components between imported and indigenous would be limited to purchased components, ignoring any components which are manufactured internally.

11.3.13 Under some systems accounting, the consumption is originally charged in the accounts on the basis of standard or pre-determined rates. Periodically, an adjustment is made in the total consumption account in order to accord with the actual rates at which relevant materials may have been purchased. A problem may arise with reference to the classification of the total net debit or credit for such price adjustment as between imported and indigenous consumption. The most obvious method of solving this difficulty – which should be acceptable in most cases – is to allot the total debit or credit adjustment between imported and indigenous consumption, in the same ratio as the figure for imported and indigenous consumption prior to such debit or credit adjustment. A similar procedure may also be followed in the case of any other special debit or credit adjustments which are entered in the consumption accounts to reflect adjustments to the total consumption figure.

On a slightly different context, a similar problem arises where the same item is partly purchased locally and partly imported and stocks are not physically kept separately. In such cases, it appears to be permissible to assume that consumption is on a pro-rata basis, e.g., in the ratio of opening stock plus purchase.

11.4 Total 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 [Clause (d) of Note 5(viii)];

11.4.1 The requirement is to the disclosure with regard to the amount remitted to non-resident shareholders on account of dividends. This disclosure is to be made with reference to the amount remitted during the accounting year in foreign currencies. Consequently, if the dividend has been paid to a non-resident shareholder in Indian Rupees, disclosure would not appear to be necessary. Also, if a non-resident shareholder has indicated that all dividends payable to him are to be deposited in a Rupee account with his bankers in India, and if such deposit is actually made on the basis of the necessary sanctions from the Reserve Bank of India, no disclosure would be required because such a deposit does not constitute any payment in foreign currency. It is possible that the non-resident shareholder may ultimately arrange for foreign currency remittances out of his Rupee bank account but this would be no concern of the company which pays the dividends into his Rupee bank account. However, by way of additional information, deposits regarding such dividends paid in the bank account may be given, indicating the fact.

11.4.2 As in the case of other disclosure relating to imports, exports, foreign exchange expenditure and earnings, etc. the amount to be disclosed in respect of foreign currency dividends is to be stated in Indian Rupees. If so desired, additional information may be furnished with regard to the foreign currency equivalent to the dividend, which has been remitted, but the basic requirement is to disclose the rupee amount. Disclosure of the foreign currency equivalent is not mandatory.

11.4.3 Since disclosure is required with regard to the "amount remitted during the year", it would appear that the information is to be furnished in the year of actual payment of dividend rather than in the year in which the dividend is proposed or declared. In other words, the disclosure should be made on a cash basis, contrary to the fact that the other disclosures are to be made on accrual basis.

11.4.4 In addition to the disclosure relating to the amount of dividends remitted in foreign currency, further disclosure is also required with regard to the number of non-resident shareholders to whom the dividends were remitted, the number of shares held by them, and the year to which the dividends relate. These requirements should not be difficult to comply with and no particular problem in likely to be encountered.

11.4.5 A question may arise as to whether or not any information is to be furnished with regard to the number of non-resident shareholders and the number of shares held by them, in particular year in which no dividend has been remitted to the non-resident shareholders. The answer is in negative, since, as already indicated earlier, the information relating to the number of non-resident shareholders and the number of shares held by them is intended to be linked to the basic information relating to the dividends remitted to non-resident shareholders.

11.5 Earnings in Foreign exchange [Clause (e) of Note 5 (viii)]

11.5.1 Foreign exchange earnings have to be classified under the following heads:-

(i) export of goods calculated on F.O.B. basis;

(ii) royalty, know-how, professional and consultation fees;

(iii) interest and dividends; and

(iv) other income (indicating the nature thereof).

11.5.2 In this case also, as in the case of disclosure relating to foreign currency expenditure, the question arises as to whether foreign currency earnings have to be disclosed on a cash basis or on an accrual basis. The considerations relating to this aspect of the matter are similar to those discussed earlier in connection with the requirement relating to the disclosure of foreign currency expenditure. Since the Statement of Profit and Loss is prepared on an accrual basis, it may be suggested that foreign currency earnings should also be disclosed on a similar basis.

11.5.3 Since, foreign exchange earnings are to be disclosed on an accrual basis, the subsequent receipt of foreign exchange in a later year should be ignored, as otherwise the same earnings would be disclosed twice.

11.5.4 A further question which arises is whether the foreign exchange earnings should be disclosed gross of tax or whether they should be disclosed net of any tax deducted at source in the overseas country in which earnings have arisen. One way of looking at the matter is that the actual amount of earnings is the amount received after deduction of overseas tax at source, where such deduction is involved. On the other hand, the tax which is deducted at source in the overseas country is available by way of credit against the tax payable in that country. But for this credit, actual or constructive remittance may be involved from India to the overseas country for the purpose of meeting the tax liability in that country. It is, therefore, suggested that the more appropriate basis of disclosure would be gross of tax with a mention of the net of tax earnings and tax deducted at source. A further advantage of this method of disclosure is that the amount which is so disclosed would agree with the financial accounts, since, in the books of accounts kept in India, the gross amount of the foreign exchange earnings would be credited to revenue, while the tax deducted at source would be debited to an appropriate account relating to payment of taxes.

11.5.5 While the requirement relating to the disclosure of imports requires the "value of imports" to be disclosed, the disclosure of exports requires the "earnings from export of goods" to be disclosed. It would probably have been more consistent if the relevant clause had required the value of exports to be disclosed, rather than the earnings.

11.5.6 Considerations that apply in determining whether a purchase is an import by the company will also apply in determining whether sales is an export by the company. Any sales made direct by the company through an agent to any overseas buyer is an export by the company. However, goods sold to any canalizing agent like the State Trading Corporation for export is not the company's export.

12 Multiple Activity Companies

Where a company has multiple activities e.g. both manufacturing and trading i.e. it falls under more than one category, it should comply with the various disclosure requirements relating to each of its classified activities. For instance, in respect of its manufacturing activities, such a company should comply with the requirements relating to a manufacturing company, whereas in respect of its trading or service activities, it should comply with the requirements relating to those categories of companies. However, in case of complexities in segregating the required information it would be sufficient compliance if the information is disclosed with respect to main activities with a suitable disclosure explaining the reasons thereof.

13 Consolidated Financial Statements

The Companies Act 2013 has mandated that the companies which have one or more subsidiaries / associates (which as per the Act includes joint ventures) are required to prepare Consolidated Financial Statements, except under certain circumstances exempted under the Act and Rules.

The companies are expected to prepare the standalone financial statements and in addition prepare the consolidated financial statements also.

Schedule III provides for general instructions in regard to the preparation of consolidated financial statements. This is a new addition brought in under Companies Act 2013.

13.1. General requirement

Where the company is required to prepare consolidated financial statements, the company shall *mutatis mutandis* follow the requirements of Schedule III for the standalone financial statements. This means that all the reporting requirements of the Schedule III need to be aggregated and reported for the group as a whole in the consolidated financial statements.

This would also indicate the need to obtain such information for all the subsidiaries / associates of the consolidated financial statements, including where such subsidiaries / associates are not audited under the Companies Act 2013.

However, due note has to be taken of the fact that the Schedule III itself states that the provisions of the schedule are to be followed *mutatis mutandis* to a consolidated financial statement. MCA has also clarified vide General Circular No. 39 / 2014 dated 14th October 2014 that Schedule III to the Act [Refer Annexure F (pg 133)] read with the applicable Accounting Standards does not envisage that a company while preparing its CFS merely repeats the disclosures made by it under stand-alone accounts being consolidated. Accordingly, the company would need to give all disclosures relevant for CFS only.

In this context, the requirements of Schedule III shall apply to a CFS, subject to the following exemptions / modifications based on the relevance to the CFS:

Schedule III Requirement	Applicability to CFS (if left blank, is applicable, as it is)
Share capital – authorized, issued, subscribed and paid up	It is adequate to present paid up capital and any calls in arrears Note: It has no relevance in the CFS context.

Capital reserve or goodwill arising on consolidation	Needs to be shown as a separate line item on the face of the Balance Sheet Note: IFRS / Ind AS does not require this to be stated separately. However, as per AS, differing treatment is given to goodwill arising on amalgamation and goodwill arising on consolidation and even SEBI format requires this to be separately disclosed.
(a) 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. (b) 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 (c) 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 (d) 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	On all these items, disclosure can be limited to those which are material to the CFS; materiality could be considered at 10% of the respective balance sheet item

Sheet date, there shall be indicated by way of note how such unutilized amounts have been used or invested Note: This item is required to be disclosed even if it is exempted as per AS- 21 by keeping it here, as it is only reinforcing the regulatory requirement for reporting – what is required by AS 21 cannot override regulatory requirements	
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 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'	Separate notes should be given for such monies due outside the group in respect of entities which are consolidated.
Requirement to disclose excise duty	To be disclosed where

separately	such information is available for the entities consolidated. Note: Though AS 9 states excise to be shown separately, where subsidiaries are not disclosing it, it would not be practical and also no benefit is derived by disclosure of this.
(a) 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 (b) In case of Companies covered under section 135, amount of expenditure incurred on corporate social responsibility activities (c) Raw materials under broad heads (d) goods purchased under broad heads (e) In the case of trading companies, purchases in respect of goods traded in by the company under broad heads (f) In the case of companies rendering or supplying services, gross income derived form services rendered or supplied under broad heads (g) 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,	Not relevant at CFS level and hence, may be dispensed with

sales and consumption of raw material and the gross income from services rendered is shown under broad heads	
(h) In the case of other companies, gross income derived under broad heads (i) In the case of all concerns having works in progress, works-in-progress under broad heads (j) 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 (k) Expenditure in foreign currency during the financial year on account of royalty, know-how, professional and consultation fees, interest, and other matters (l) 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	Not relevant at CFS level and hence, may be dispensed with
(m) 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 (n) Earnings in foreign exchange classified under the following	Not relevant at CFS level and hence, may be dispensed with

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	

13.2. Accounting Standards

The Consolidated Financial Statements shall also disclose the information as required under the various accounting standards applicable.

13.3. Minority Interest

Profit or loss attributable to "minority interest" shall be shown as an allocation for the period in the statement of profit and loss.

In the Balance Sheet, "minority interest" shall be presented within equity separately from equity of the owners of the parent.

13.4. Additional information on the entities included in the consolidated financial statements

Schedule III requires specific disclosure of additional information on the entities which are included in the consolidated financial statement in the following format.

Name of the entity in	Net Assets i.e., total assets minus total liabilities		Share in profit or loss	
	As % of Consoli net assets	Amount	As % of Consolidated profit or loss	Amount
1	2	3	4	5
Parent Subsidiaries Indian				
1				
2				
3				

…				
…..				
Foreign				
1				
2				
3				
…				
…..				
Minority interest in all subsidiaries Associates (Investment as per equity method)				
Indian				
1				
2				
3				
…				
…				
Foreign				
1				
2				
3				
…				
…..				

Joint Ventures (as per proportionate consolidation/ Investment as per equity method)				
1				
2				
3				
…				
…..				
Foreign				
1				
2				
3				
…				
…..				
TOTAL				

In this context, it needs to be considered that in order to ensure that the total can be matched with the reported profits and net assets in the consolidated financial statements, the inter company eliminations needs to be adjusted to the respective entities which are part of the consolidated financial statements. This would require management to take judgements as to which entity the profit element and inter company balances are to be adjusted from in providing for an entity wise break up of net profits and net assets.

13.5. Entities not consolidated

Entities which are not covered in the consolidated financial statement, whether subsidiaries, associates or joint ventures are to be listed in the consolidated financial statement along with the reasons for not consolidating such entities. This requirement is also in line with the requirements of the accounting standard on consolidated financial statements.

13.6 Comparative figures

Schedule III states that except for the first financial statements prepared by a company after incorporation, presentation of comparative amounts is mandatory. Schedule III however, clarifies that in case of any conflict between Accounting Standards and Schedule III, Accounting Standards will prevail over the requirements of Schedule III. The transitional provisions of AS 21 exempt presentation of comparative numbers in the first set of consolidated financial statements prepared, even by an existing group. Hence, an existing group preparing consolidated financial statements for the first time under AS 21, need not present comparative information.

13.7 Definition of terms relevant for consolidation

The terms “Control”, “Subsidiary” and “Associate” are defined very differently in the Companies Act as compared to definition in Accounting Standards. Rule 6 of the Companies (Accounts) Rules however states that consolidated financial statements shall be prepared in accordance with the provisions of Schedule III of the Act and the applicable accounting standards. Accordingly, for removal of all doubts it is hereby clarified that for the purposes of preparing consolidated financial statements, the definitions of the above terms as given in Accounting Standards should be followed.

Annexure A

SCHEDULE III
(***See*** section 129)

GENERAL INSTRUCTIONS FOR PREPARATION OF BALANCE SHEET AND STATEMENT OF PROFIT AND LOSS OF A COMPANY

GENERAL INSTRUCTIONS

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 or 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 this Schedule shall stand modified accordingly.

2. The disclosure requirements specified in this Schedule are in addition to and not in substitution 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.

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 recognised 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 statements and not providing important information as a result of too much aggregation.

4. (*i*) Depending upon the turnover of the company, the figures appearing in the Financial Statements may be rounded off as given below:—

Turnover	Rounding off
(i) less than one hundred crore rupees	To the nearest hundreds, thousands, lakhs or millions, or decimals thereof.
(ii) one hundred crore rupees or more	To the nearest, lakhs, millions or crores, or decimals thereof.

(*ii*) Once a unit of measurement is used, it should be used uniformly in the Financial Statements.

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.

6. For the purpose of this Schedule, the terms used herein shall be as per the applicable Accounting Standards.

<u>Notes</u>

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.

PART I – Form of BALANCE SHEET

Name of the Company…………………….

Balance Sheet as at ………………………

(Rupees in…………)

	Particulars	Note No	Figures as at the end of (Current reporting period) (in Rs.) ___________ (DD/MM/YYYY)	Figures as at the end of (Previous reporting period) (in Rs.) ___________ (DD/MM/YYYY)
	1	2	3	4
I.	EQUITY AND LIABILITIES Shareholders' funds (*a*) Share capital (*b*) Reserves and surplus			
	(*c*)Money received against share warrants			
(2)	Share application money pending allotment			
(3)	Non-current liabilities			
	(*a*) Long-term borrowings			
	(*b*) Deferred tax liabilities (Net)			
	(*b*) Deferred tax liabilities (Net)			
	(*d*) Long-term provisions			
(4)	Current liabilities			
	(*a*) Short-term borrowings			
	(*b*) Trade payables			

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

See accompanying notes to the financial statements

Notes

GENERAL INSTRUCTIONS FOR PREPARATION OF BALANCE SHEET

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.

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.

3. 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 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.

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.

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.

6. A company shall disclose the following in the Notes to Accounts:

A. Share Capital

For each class of share capital (different classes of preference shares to be treated separately):

(a) the number and amount of shares authorized;

(b) the number of shares issued, subscribed and fully paid, and subscribed but not fully paid;

(c) par value per share;

(d) a reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period;

(e) the rights, preferences and restrictions attaching to each class of shares including restrictions on the distribution of dividends and the repayment of capital;

(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;

(g) shares in the company held by each shareholder holding more than 5 percent shares specifying the number of shares held;

(h) shares reserved for issue under options and contracts/commitments for the sale of shares/disinvestment, including the terms and amounts;

(i) For the period of five years immediately preceding the date as at which the Balance Sheet is prepared:

   - 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.

(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.

(k) Calls unpaid (showing aggregate value of calls unpaid by directors and officers)

(l) Forfeited shares (amount originally paid up)

B. Reserves and Surplus

(i) Reserves and Surplus shall be classified as:

(a) Capital Reserves;

(b) Capital Redemption Reserve;

(c) Securities Premium Reserve;

(d) Debenture Redemption Reserve;

(e) Revaluation Reserve;

(f) Share Options Outstanding Account;

(g) Other Reserves – (specify the nature and purpose of each reserve and the amount in respect thereof);

(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)

(ii) A reserve specifically represented by earmarked investments shall be termed as a 'fund'.

(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.

C. Long-Term Borrowings

(i) Long-term borrowings shall be classified as:

(a) Bonds/debentures.

(b) Term loans

- From banks
- From other parties

(c) Deferred payment liabilities.

(d) Deposits.

(e) Loans and advances from related parties.

(f) Long term maturities of finance lease obligations

(g) Other loans and advances (specify nature).

(ii) Borrowings shall further be sub-classified as secured and unsecured. Nature of security shall be specified separately in each case.

(iii) Where loans have been guaranteed by directors or others, the aggregate amount of such loans under each head shall be disclosed.

(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.

(v) Particulars of any redeemed bonds/ debentures which the company has power to reissue shall be disclosed.

(vi) Terms of repayment of term loans and other loans shall be stated.

(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.

D. Other Long term Liabilities

Other Long term Liabilities shall be classified as:

(a) Trade payables

(b) Others

E. Long-term provisions

The amounts shall be classified as:

(a) Provision for employee benefits.

(b) Others (specify nature).

F. Short-term borrowings

(i) Short-term borrowings shall be classified as:

(a) Loans repayable on demand

- From banks
- From other parties

(b) Loans and advances from related parties.

(c) Deposits.

(d) Other loans and advances (specify nature).

(ii) Borrowings shall further be sub-classified as secured and unsecured. Nature of security shall be specified separately in each case.

(iii) Where loans have been guaranteed by directors or others, the aggregate amount of such loans under each head shall be disclosed.

(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.

G. Other current liabilities

The amounts shall be classified as:

(a) Current maturities of long-term debt;

(b) Current maturities of finance lease obligations;

(c) Interest accrued but not due on borrowings;

(d) Interest accrued and due on borrowings;

(e) Income received in advance;

(f) Unpaid dividends

(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 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'

(h) Unpaid matured deposits and interest accrued thereon

(i) Unpaid matured debentures and interest accrued thereon

(j) Other payables (specify nature);

H. Short-term provisions

The amounts shall be classified as:

(a) Provision for employee benefits.

(b) Others (specify nature).

I. Tangible assets

(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).

(ii) Assets under lease shall be separately specified under each class of asset.

(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.

(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, 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.

J. Intangible assets

(i) Classification shall be given as:

(a) Goodwill.

(b) Brands /trademarks.

(c) Computer software.

(d) Mastheads and publishing titles.

(e) Mining rights.

(f) Copyrights, and patents and other intellectual property rights, services and operating rights.

(g) Recipes, formulae, models, designs and prototypes.

(h) Licenses and franchise.

(i) Others (specify nature).

(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 through business combinations and other adjustments and the related amortization and impairment losses/reversals shall be disclosed separately.

(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.

K. Non-current investments

(i) Non-current investments shall be classified as trade investments and other investments and further classified as:

(a) Investment property;

(b) Investments in Equity Instruments;

(c) Investments in preference shares

(d) Investments in Government or trust securities;

(e) Investments in debentures or bonds;

(f) Investments in Mutual Funds;

(g) Investments in partnership firms

(h) Other non-current investments (specify nature)

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.

(ii) Investments carried at other than at cost should be separately stated specifying the basis for valuation thereof.

(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

L. Long-term loans and advances

(i) Long-term loans and advances shall be classified as:

(a)Capital Advances;

(b)Security Deposits;

(c)Loans and advances to related parties (giving details thereof);

(d)Other loans and advances (specify nature).

(ii) The above shall also be separately sub-classified as:

(a)Secured, considered good;

(b)Unsecured, considered good;

(c)Doubtful.

(iii) Allowance for bad and doubtful loans and advances shall be disclosed under the relevant heads separately.

(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.

M. Other non-current assets

Other non-current assets shall be classified as:

(i) Long Term Trade Receivables (including trade receivables on deferred credit terms);

(ii) Others (specify nature)

(iii) Long term Trade Receivables, shall be sub-classified as:

(i) (a) Secured, considered good;

(b)Unsecured considered good;

(c)Doubtful

(ii) Allowance for bad and doubtful debts shall be disclosed under the relevant heads separately.

(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.

N. Current Investments

(i) Current investments shall be classified as:

(a) Investments in Equity Instruments;

(b) Investment in Preference Shares

(c) Investments in government or trust securities;

(d) Investments in debentures or bonds;

(e) Investments in Mutual Funds;

(f) Investments in partnership firms

(g) Other investments (specify nature).

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.

(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.

O. Inventories

(i) Inventories shall be classified as:

(a)Raw materials;

(b)Work-in-progress;

(c)Finished goods;

(d)Stock-in-trade (in respect of goods acquired for trading);

(e)Stores and spares;

(f)Loose tools;

(g)Others (specify nature).

(ii) Goods-in-transit shall be disclosed under the relevant sub-head of inventories.

(iii) Mode of valuation shall be stated.

P. Trade Receivables

(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.

(ii) Trade receivables shall be sub-classified as:

(a) Secured, considered good;

(b) Unsecured considered good;

(c) Doubtful.

(iii) Allowance for bad and doubtful debts shall be disclosed under the relevant heads separately.

(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.

Q. Cash and cash equivalents

(i) Cash and cash equivalents shall be classified as:

(a) Balances with banks;

(b) Cheques, drafts on hand;

(c) Cash on hand;

(d) Others (specify nature).

(ii) Earmarked balances with banks (for example, for unpaid dividend) shall be separately stated.

(iii) Balances with banks to the extent held as margin money or security against the borrowings, guarantees, other commitments shall be disclosed separately.

(iv) Repatriation restrictions, if any, in respect of cash and bank balances shall be separately stated.

(v) Bank deposits with more than 12 months maturity shall be disclosed separately.

R. Short-term loans and advances

(i) Short-term loans and advances shall be classified as:

(a) Loans and advances to related parties (giving details thereof);

(b) Others (specify nature).

(ii) The above shall also be sub-classified as:

(a) Secured, considered good;

(b) Unsecured, considered good;

(c) Doubtful.

(iii) Allowance for bad and doubtful loans and advances shall be disclosed under the relevant heads separately.

(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.

S. Other current assets (specify nature).

This is an all-inclusive heading, which incorporates current assets that do not fit into any other asset categories.

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

(i) Contingent liabilities shall be classified as:

(a)Claims against the company not acknowledged as debt;

(b)Guarantees;

(c)Other money for which the company is contingently liable

(ii) Commitments shall be classified as:

(a) Estimated amount of contracts remaining to be executed on capital account and not provided for;

(b) Uncalled liability on shares and other investments partly paid

(c) Other commitments (specify nature).

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. Arrears of fixed cumulative dividends on preference shares shall also be disclosed separately.

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.

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

PART II – Form of STATEMENT OF PROFIT AND LOSS

Name of the Company…………………….

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

(Rupees in…………)

	Particulars	Note	Figures for the current reporting period (in) From ___________ (DD/MM/YYYY) To ___________ (DD/MM/YYYY)	Figures for the previous reporting period (in) From__________ (DD/MM/YYYY) To____________ (DD/MM/YYYY)
	1	2	3	4
I.	Revenue from operations		xxx	xxx
II.	Other income		xxx	xxx
III.	Total Revenue (I + II)		xxx	xxx
IV.	Expenses			
	Cost of materials consumed			
	Purchases of Stock-in-Trade			
	Changes in inventories of finished goods		xxx	xxx
	Work-in-progress and Stock-in-Trade		xxx	xxx
	Employee benefits expense		xxx	xxx
	Depreciation and amortization expense		xxx	xxx
	Other expenses		xxx	xxx

	Total expenses		xxx	xxx
V	Profit before exceptional and extraordinary items and tax (III-IV)		xxx	xxx
VI	Exceptional items		xxx	xxx
VII	Profit before extraordinary items and tax (V - VI)		xxx	xxx
VIII	Extraordinary Items		xxx	xxx
IX	Profit before tax (VII-VIII)		xxx	xxx
X	Tax expense:			
	(1) Current tax		xxx	xxx
	(2) Deferred tax		xxx	xxx
XI	Profit (Loss) for the period from continuing operations (VII-VIII)		xxx	xxx
XII	Profit/(loss) from discontinuing operations		xxx	xxx
XIII	Tax expense of discontinuing operations		xxx	xxx
XIV	Profit/(loss) from Discontinuing operations (after tax) (XII-XIII)		xxx	xxx
XV	Profit/ (Loss) (XI + XIV)		xxx	xxx
XVI	Earnings per equity share		xxx	xxx
	(1) Basic		xxx	xxx
	(2) Diluted		xxx	xxx

See accompanying notes to the financial statements

GENERAL INSTRUCTIONS FOR PREPARATION OF STATEMENT OF PROFIT AND LOSS

1. The provisions of this Part shall apply to the income and expenditure account referred to in sub-clause (ii) of clause (40) section 2, in like manner as they apply to a statement of profit and loss.

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.

   (B) In respect of a 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 extent applicable.

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.

4. Other income

   Other income shall be classified as:

   (a) Interest Income (in case of a company other than a finance company);

   (b) Dividend Income;

   (c) Net gain/loss on sale of investments

   (d) Other non-operating income (net of expenses directly attributable to such income).

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].

(b) Depreciation and amortization expense;

(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;

(d) Interest Income;

(e) Interest Expense;

(f) Dividend Income;

(g) Net gain/ loss on sale of investments;

(h) Adjustments to the carrying amount of investments;

(i) Net gain or loss on foreign currency transaction and translation (other than considered as finance cost);

(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;

(k) In case of Companies covered under Section 135, amount of expenditure incurred on corporate social responsibility activities;

(l) Details of items of exceptional and extraordinary nature;

(m) Prior period items;

(ii) (a) In the case of manufacturing companies,-

(1) Raw materials under broad heads.

(2) goods purchased under broad heads.

(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 form 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.

(b) The aggregate, if material, of any amounts withdrawn from such reserves.

(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,

(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 in respect of –

I. Raw materials;

II. Components and spare parts;

III. Capital goods;

b) Expenditure in foreign currency during the financial year on account of royalty, know-how, professional and consultation fees, interest, and other matters;

c) Total value if all imported raw materials, spare parts and components consumed during the financial year and the total value of all indigenous raw materials, spare parts and components similarly consumed and the percentage of each to the total consumption;

d) The amount remitted during the year in foreign currencies on account of dividends with a specific mention of the total number of non-resident shareholders, the total number of shares held by them on which the dividends were due and the year to which the dividends related;

e) Earnings in foreign exchange classified under the following heads, 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

Note:-Broad heads shall be decided taking into account the concept of materiality and presentation of true and fair view of Financial Statements".

GENERAL INSTRUCTIONS FOR THE PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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:

   (*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.

   (*ii*) "Minority interests" in the balance sheet within equity shall be presented separately from the equity of the owners of the parent.

2. In Consolidated Financial Statements, the following shall be disclosed by way of additional information:

Name of the entity in	Net Assets i.e., total assets minus total liabilities		Share in profit or loss	
	As % of Consolidated net assets	Amount	As % of Consolidated profit or loss	Amount
1	2	3	4	5
Parent Subsidiaries Indian				
1.				
2.				
3.				
…				
…				
Foreign				
1.				
2.				
3.				

…				
…				
Minority interest in all subsidiaries Associates (Investment as per equity method)				
Indian				
1.				
2.				
3.				
…				
…				
Foreign				
1				
2.				
3.				
…				
…				
Joint Ventures (as per proportionate consolidation/ Investment as per 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.

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.

Annexure B

General Circular No.62/2011
F. No.17/244/2011-CL-V - Dt. 05.09.2011
Government of India
Ministry of Corporate Affairs

To

All Regional Directors

All Registrar of Companies

All Official Liquidators

Sub: Clarification on notification no. S.O. 447 (E) dated 28.02.2011 on Revised Schedule VI (shall be effective from 01.04.2011)

1. The undersigned is directed to refer to this Ministry's notification no. S.O. 447 (E) dated 28.02.2011 regarding Revised Schedule VI of the Companies Act, 1956 and to say that clarification has been sought that during the current year, Ministry has amended the Schedule VI which is to take effect for accounts closing 31st March 2012. During the Financial Year, in case companies intend to go for Initial Public Offer/Further Public Offer, they are expected to prepare accounts in the new schedule VI format. If previous figures are reclassified in accordance with new Schedule VI, this will pose enormous amount of administrative work and difficulty in making such changes besides making comparison with previous year unrealistic.

2. The Ministry has examined this matter and clarifies that the presentation of Financial Statements for the limited purpose of IPO/FPO during the Financial Year 2011-12 may be made in the format of the pre-Revised Schedule VI under the Companies Act, 1956. However, for period beyond 31st March 2012, they would prepare only in the new format as prescribed by the present Revised Schedule VI to the Companies Act, 1956. Also the companies would ensure that it will prepare and file the Annual Accounts for the Financial Year 2011-12 as per Revised Schedule VI of the Companies Act, 1956.

3. This issues with the approval of the Corporate Affairs Minister.

Annexure C

COMPARATIVE ANALYSIS BETWEEN
PROVISIONS UNDER REVISED SCHEDULE VI OF THE COMPANIES ACT, 1956 AND
PROVISIONS UNDER SCHEDULE III OF THE COMPANIES ACT, 2013

S. NO.	PARTICULARS	PROVISIONS UNDER THE COMPANIES Act, 1956	PROVISIONS UNDER COMPANIES Act, 2013
1.	Preparation of Statement of Profit & Loss	➢ Earlier it was not there in the Schedule.	➢ A Company shall also disclose by way of notes additional information regarding aggregate expenditure and income incurred by the Companies covered under Section 135.
2.	Preparation of Consolidated Financial Statements	➢ Earlier it was not there in the Schedule.	➢ Now General Instructions for the preparation of Consolidated Financial Statements is included in the Schedule.
3.	Changes in Form	➢ Earlier it was not there in the Form-23ACA	➢ Now in Form-AOC-4 Segment C – Reporting of Corporate Social Responsibilities & Segment D – Disclosure About Related Party Transactions is added.

Annexure D

Illustrative list of disclosures required under the Companies Act 2013

1. Section 69 - Transfer of certain sums to capital redemption reserve account.

Where a company purchases its own shares out of free reserves or securities premium account, a sum equal to the nominal value of the shares so purchased shall be transferred to the capital redemption reserve account and details of such transfer shall be disclosed in the balance sheet.

2. Section 129 - Financial Statement

(*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.

3. Section 131 - Voluntary revision of financial statements or Board's report

(*1*) If it appears to the directors of a company that—

(*a*) the financial statement of the company; or

(*b*) the report of the Board, do not comply with the provisions of section 129 or section 134 they may prepare revised financial statement or a revised report in respect of any of the three preceding financial years after obtaining approval of the Tribunal on an application made by the company in such form and manner as may be prescribed and a copy of the order passed by the Tribunal shall be filed with the Registrar:

Provided that the Tribunal shall give notice to the Central Government and the Income tax authorities and shall take into consideration the representations, if any, made by that Government or the authorities before passing any order under this section:

Provided further that such revised financial statement or report shall not be prepared or filed more than once in a financial year:

Provided also that the detailed reasons for revision of such financial statement or report shall also be disclosed in the Board's report in the relevant financial year in which such revision is being made.

4. Section 135 - Corporate Social Responsibility

(2) The Board's report under sub-section (*3*) of section 134 shall disclose the composition of the Corporate Social Responsibility Committee.

5. Section 182 - Prohibitions and restrictions regarding political contributions

(*3*) Every company shall disclose in its profit and loss account any amount or amounts contributed by it to any political party during the financial year to which that account relates, giving particulars of the total amount contributed and the name of the party to which such amount has been contributed.

6. Section 183 - Power of Board and other persons to make contributions to national defence fund, etc.

(*2*) Every company shall disclose in its profits and loss account the total amount or amounts contributed by it to the Fund referred to in sub-section (*1*) during the financial year to which the amount relates.

7. Section 186 - Loan and investment by company

(*4*) The company shall disclose to the members in the financial statement the full particulars of the loans given, investment made or guarantee given or security provided and the purpose for which the loan or guarantee or security is proposed to be utilised by the recipient of the loan or guarantee or security.

8. Section 272 - Petition for winding up

(*4*) The Registrar shall be entitled to present a petition for winding up under subsection (*1*) on any of the grounds specified in sub-section (*1*) of section 271, except on the grounds specified in clause (*b*), clause (*d*) or clause (*g*) of that sub-section:

Provided that the Registrar shall not present a petition on the ground that the company is unable to pay its debts unless it appears to him either from the financial condition of the company as disclosed in its balance sheet or from the report of an inspector appointed under section 210 that the company is unable to pay its debts:

Provided further that the Registrar shall obtain the previous sanction of the Central Government to the presentation of a petition:

Provided also that the Central Government shall not accord its sanction unless the company has been given a reasonable opportunity of making representations.

Annexure E

List of Accounting Standards notified as on date:

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.

ANNEXURE- F

General Circular No. 39/2014 dated: 14th October, 2014

To

All Regional Directors,

All registrars of Companies,

All Stakeholders

Subject: Clarification on matters relating to Consolidated Financial Statement.

Sir,

Government has received representations from stakeholders seeking clarifications on the manner of presentation of notes in Consolidated Financial Statement (CFS) to be prepared under Schedule III to the Companies Act, 2013(Act). These representations have been examined in consultation with the Institute of Chartered Accountants of India (ICAI) and it is clarified that Schedule III to the Act read with the applicable Accounting Standards does not envisage that a company while preparing its CFS merely repeats the disclosures made by it under stand-alone accounts being consolidated. In the CFS, the company would need to give all disclosures relevant for CFS only.

2. This issues with the approval of the competent authority.