Revised Schedule VI :
A Practitioner's Guide

Committee for Capacity Building of CA Firms and Small & Medium Practitioners (CCBCAF & SMP)

The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)

New Delhi

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Edition	:	June, 2012
Committee/ Department	:	Committee for Capacity Building of CA Firms and Small & Medium Practitioners (CCBCAF&SMP), ICAI
Email	:	ccbcaf@icai.org
Website	:	www.icai.org, www.icai.org.in
ISBN	:	978-81-8441-551-3
Price	:	₹ 200 /-
Published by	:	The Publication Department on behalf of the Institute of Chartered Accountants of India, ICAI Bhawan, Post Box No. 7100, Indraprastha Marg, New Delhi - 110 002.
Printed by	:	Sahitya Bhawan Publications, Hospital Road, Agra-282 003. October/2012/500 Copies

Foreword

The accounting policies are undergoing transition across the world. There are attempts to harmonize the accounting methodologies and principles so that the same can be easily understood by all the stakeholders. The Ministry of Corporate Affairs, vide its notification No. 447(E) dated 28th February, 2011, has revised the Schedule VI of the Companies Act, 1956. The notification has come into force for the Balance Sheet and Profit and Loss Account to be prepared for the financial year commencing on or after 1.4.2011. In view of the same, the annual accounts from the financial year 2011-12 have to be prepared in line with the Revised Schedule VI of the Companies Act, 1956. The revised Schedule VI, is in line with generally accepted financial statements followed in different parts of the world. Ministry has also notified that the new Schedule VI is to be applicable to financial year ending on 31-03-2012.

Amendments' to the Schedule VI revised is line of simplification and understanding by all the stakeholders, i.e., financial statements, balance sheet, profit and loss notes to the accounts and significant account in policies followed or understood in the same parlance.

The revised Schedule VI has eliminated the concept of schedules and such information will now be provided in the notes to accounts. From now on, the compliance requirements of Act and/or Accounting standards will prevail over schedule VI. In revised Schedule VI, better presentation, disclosure is intended to facilitate better organised data for users of financial statement.

To help the Chartered Accountants to understand the changes those have been made through the revision in Schedule VI, the Committee for Capacity Building of CA Firms and Small & Medium Practitioners (CCBCAF & SMP) is bringing out a book - `Revised Schedule VI: A Practitioner's Guide'. The book which provides a knowledge base for the Practitioners for preparing the financial statements under the new Schedule VI. I congratulate the Chairman CCBCAF & SMP and his team for their efforts in bringing out this book. I hope that this publication would help the members in enhancing their knowledge base in the practice portfolio.

CA. Jaydeep Narendra Shah
President, ICAI

Preface

The Ministry of Corporate Affairs (MCA) has issued revised Schedule VI which lays down a new format for preparation and presentation of financial statements by Indian companies for financial years commencing on or after 1st April 2011. The pre-revised Schedule VI had been in existence for almost five decades without any major structural overhaul. In view of the drastic changes during this long period in economic philosophy and environment coupled with advancements in accounting principles and in global practices relating to corporate financial reporting, a major overhaul of the Schedule was overdue. Thus the revised Schedule VI introduces some significant conceptual changes such as current/non-current distinction, primacy to the requirements of the accounting standards, etc.

The existing Schedule VI does not require companies to classify their assets and liabilities into current and non-current, the revised Schedule VI does so in order to facilitate a fair portrayal of the financial and liquidity position of a company to the readers of the financial statements. The revised Schedule VI, among other things, has also prescribed a format for Statement of Profit and Loss mandating classification of expenses by their nature as opposed to by function and added a host of incremental disclosures. In this publication, apart from discussing the specific implementation issues surrounding the changes brought out by the revised Schedule VI, we have also attempted to illustrated some practical application issues current & non current classifications, which will be very useful for the practitioners. I hope this book on “Revised Schedule VI: A Practitioner’s Guide”, published by the Committee for Capacity Building of CA Firms and Small & Medium Practitioners (CCBCAF&SMP), ICAI will be a very useful support material for Practitioners.

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

With warm regards

Chairman
Committee for Capacity Building of CA Firms and
Small & Medium Practitioners (CCBCAF&SMP), ICAI

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Chapter 1
Introduction

1.1 The FORM AND CONTENT of Balance Sheet and Profit and Loss Account of companies are regulated as per Section 211 of the Companies Act, 1956.

Sub-section (1) of Section 211 of the Companies Act, 1956 requires that every balance-sheet of a company must comply with the following three requirements:

1) It must give a true and fair view of the state of affairs of the company as at the end of the financial year.

2) It must, subject to the provisions of this section, be in the form set out in Part-I of Schedule-VI or as near thereto as circumstances admit or in such other form as may be approved by the Central Government either generally or any particular case; and

3) Due regard must be had, as far as may be, in preparing the balance sheet to the general instructions for preparation of Balance Sheet under the heading "Notes" at the end of that part.

Sub-section (2) of above section requires that every profit and loss account of a company must:

1) give a true and fair view of the profit or loss of the company for the financial year, and

2) comply, subject to the provisions of the section, with the requirements of Part II of Schedule-VI so far as they are applicable thereto.

Accordingly all Companies whether public or private and irrespective of level of operations are required to prepare their Balance Sheet, Profit and Loss Account and notes thereto, in the manner provided in Schedule VI.

However the requirements of the Schedule VI, do not apply to companies as referred to in the proviso to Section 211 (1) and Section 211 (2) 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 Profit and Loss account has been specified in or under any other Act governing such class of company.

However currently the above exception is not applicable to companies engaged in the generation or supply of electricity, as the act governing such companies i.e. Electricity Act, 2003 does not prescribe any specific format for presentation of

Financial Statements by an electricity company. Accordingly Schedule VI is currently not applicable only to insurance companies and banking companies. However presentation of the financial statements of a non-banking finance companies would be governed by Schedule VI.

1.2 Schedule VI to The Companies Act,1956

For enforcement of above sections, Schedule VI was incorporated in the Companies Act, in the year 1956 when said Act was passed. It is pertinent to mention that in the year 1956 no Accounting Standards were in existence. The first Accounting Standard i.e. AS 1 was issued in the year 1979 after the formation of the Accounting Standard Board of ICAI in the year 1977. Schedule VI was amended on several occasions since its inception, major amendment being made in the year 1979 with insertion of vertical format of Balance Sheet.

1.3 Revised Schedule VI - Notification

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

1.4 Revised Schedule VI – Influences From IFRS

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

- Accounting Standards have been given supremacy over Schedule VI. This is in line with IFRS which mandates that no statute can override the Standards.
- The schedule sets out minimum requirements for disclosure which is in spirit of International Accounting Standard (IAS) 1 "Presentation of Financial

Statements" which also mandates minimum requirements for disclosure and provides flexibility in format of financial statements to the companies.

- Bifurcation of assets and liabilities amongst current and non-current is required. This concept as well as definition of current / non current and operating cycle have been inspired from IAS 1.
- Proposed dividend is not recognized and only disclosed which is also in consonance to IAS 1.
- Cross referencing of each item of the financial statements to related information in the notes and definition of notes to accounts, which has also been taken from IAS1.

1.5 Revised Schedule VI – Accounting Standards.

In notification No S.O. 447(E) dated 28th February,2011 vide which Revised Schedule VI has been notified, reference has been made to the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 i.e. Accounting Standards 1 to 7 and 9 to 29 (effectively twenty eight accounting standards). Accordingly the Revised Schedule VI has nothing to do with the thirty five converged Indian Accounting Standards (IND AS) as uploaded on website of Ministry of Corporate Affairs on 25th February, 2011 for which date of applicability is not yet notified. As in India the convergence to IFRS would be in a phased manner accordingly as and when date of implementation of IND AS is notified a separate set of Schedule VI may be issued in respect of companies preparing their financial statements as per IND AS, wherein additional formats like Statement of Changes in Equity, Other Comprehensive Income would be required to be prepared apart from several other changes.

For ready reference the list of the twenty eight Accounting Standards notified under Companies (Accounting Standards) Rules, 2006, as amended, pursuant to Section 211 (3C) is given below:

AS 1 Disclosure of accounting policies

AS 2 Valuation of Inventories

AS 3 Cash Flow Statements

AS 4 Contingencies and Events Occurring After the Balance Sheet Date

AS 5 Net Profit or Loss for the period, Prior Period items and Changes in Accounting Policies.

AS 6 Depreciation Accounting.

AS 7 Construction Contracts.

AS 9 Revenue Recognition.

AS 10 Accounting for Fixed Assets.

AS 11 The Effects of Changes In Foreign Exchange Rates.

AS 12 Accounting for Government Grants.

AS 13 Accounting for Investments.

AS 14 Accounting for Amalgamation.

AS 15 Employee Benefits.

AS 16 Borrowing Costs.

AS 17 Segment Reporting.

AS 18 Related Party Disclosures.

AS 19 Accounting for Leases.

AS 20 Earnings Per Share.

AS 21 Consolidated Financial Statements.

AS 22 Accounting for Taxes on Income.

AS 23 Accounting for Investments in Associates in Consolidated Financial Statements.

AS 24 Discontinuing Operations.

AS 25 Interim Financial Reporting.

AS 26 Intangible Assets.

AS 27 Financial Reporting of Interests in Joint Ventures.

AS 28 Impairment of Assets.

AS 29 Provisions, Contingent liabilities and Contingent assets.

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

1.6 Revised Schedule VI – Applicability.

As per the Government Notification no. F.No.2/6/2008-C.L-V dated 30-3-2011, the Revised Schedule VI is applicable for the Balance Sheet and Profit and Loss Account to be prepared for the financial year commencing on or after April 1, 2011. This means that the financial statements of all the companies from the financial year

2011-12 onwards would be required to be prepared in the manner prescribed in Revised Schedule VI.

It is important to note here that Revised Schedule VI is applicable for the financial year commencing on or after April, 1, 2011, accordingly in respect of a company following the calendar year i.e. having December year end, it will be required to prepare its first financial statements as per Revised Schedule VI for statutory purposes for the period 1st January, 2012 to 31st December 2012.

The Revised Schedule VI 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. Thus for the Financial Statements prepared for the financial year (FY) 2011-12 (1st April 2011 to 31st March 2012), corresponding amounts need to be given for the financial year 2010-11. As the financial statements of FY 2010-11 would be in format as per old Schedule VI, its figures would be required to be reclassified / regrouped before being used as comparables. A note to this effect that previous year figures have been regrouped / reclassified, wherever necessary to conform to the current year presentation may be provided in the notes to the accounts. It is pertinent to mention here that the comparable figures needs to be disclosed across financial statements including notes to accounts, even in cases where current year figures are NIL.

Chapter 2
Revised Schedule VI –Content Ready Reckoner

The Structure of Revised Schedule VI 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.

For ready reference of the members, the summary of each of above contents of Revised Schedule VI is given as under:-

I) General Instructions

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

II) Part I- Form of Balance Sheet

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

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

The major highlights of form of Balance Sheet are:-

a) Under Revised Schedule VI, all the assets and liabilities are to be classified into current and non-current, accordingly line items for both current and non-current have been inserted for items like trade receivables, trade payables, investments, provisions, loan and advances etc which were not provided earlier under Old Schedule VI.

b) Only vertical format has been provided whereas earlier option of horizontal format (customary T shape format) was also allowed.

c) Current Liabilities to be shown on liability side (upper part) of balance sheet instead of deduction from current assets. Consequently the upper part named as Equity & Liabilities and later part named as Assets as against Sources of Funds and Application of Funds under Old Schedule.

d) New line items inserted on face of Balance Sheet

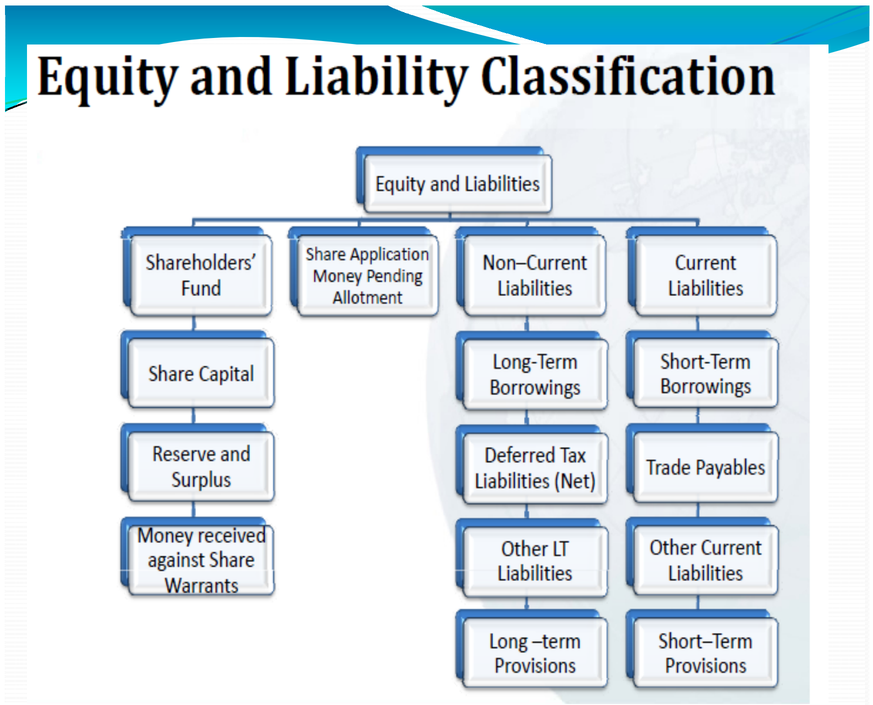
   i. Money received against share warrants under Shareholders' funds.

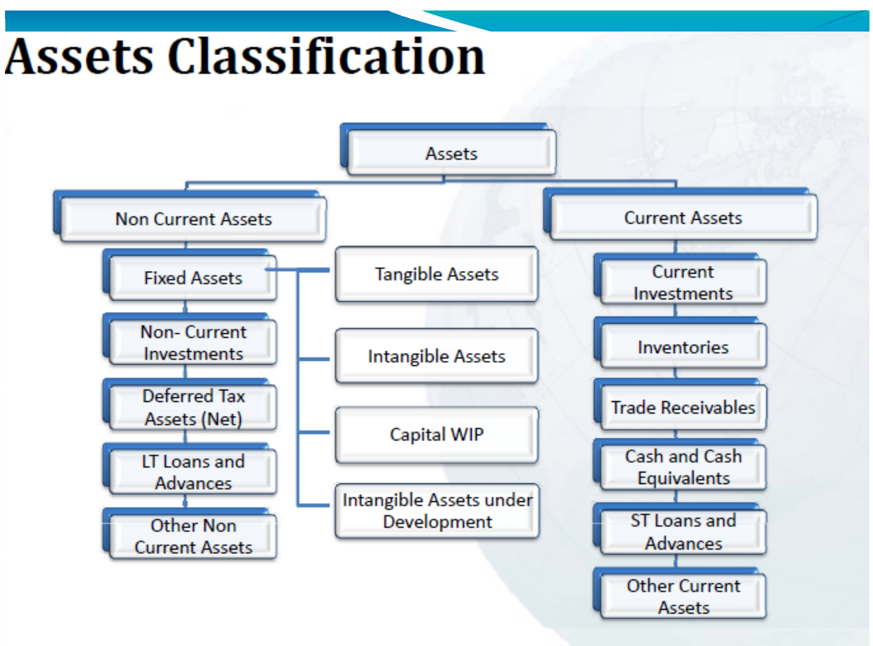
   ii. Share application money pending allotment between Shareholders' funds and Non-current liabilities.

   iii. Tangible Assets under Fixed Assets.

   iv. Intangible Assets under Fixed Assets.

   v. Intangible assets under development under Fixed Assets.


Equity and Liability Classification
Equity and Liabilities
Shareholders' Fund
Share Application Money Pending Allotment
Non–Current Liabilities
Current Liabilities
Share Capital
Reserve and Surplus
Money received against Share Warrants
Long-Term Borrowings
Deferred Tax Liabilities (Net)
Other LT Liabilities
Long –term Provisions
Short-Term Borrowings
Trade Payables
Other Current Liabilities
Short–Term Provisions


Assets Classification
Assets
Non Current Assets
Current Assets
Fixed Assets
Non- Current Investments
Deferred Tax Assets (Net)
LT Loans and Advances
Other Non Current Assets
Tangible Assets
Intangible Assets
Capital WIP
Intangible Assets under Development
Current Investments
Inventories
Trade Receivables
Cash and Cash Equivalents
ST Loans and Advances
Other Current Assets

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

III) General Instructions For Preparation Of Balance Sheet

Para No.	Particulars
1	Definition of current and non-current asset.
2	Definition of operating cycle.
3	Definition of current and non-current liability.
4	Definition of trade receivables.
5	Definition of trade payables.
6	Prescribes the disclosures required to be made in the Notes to accounts for following:
A.	Share capital
B.	Reserves and Surplus
C.	Long-term borrowings.
D.	Other Long-term liabilities.
E.	Long-term provisions.
F.	Short-term borrowing.
G.	Other current liabilities.
H.	Short-term provisions.
I.	Tangible assets.
J.	Intangible assets.
K.	Non-current investments.
L.	Other long term loans and advances.
M.	Other non-current assets.
N.	Current Investments.
O.	Inventories.
P.	Trade receivables.
Q.	Cash and cash equivalents.
R.	Short-term loans and advances.
S.	Other current assets.
T.	Contingent liabilities and commitments.
U.	Proposed dividend including arrears of fixed cumulative dividend on preference shares.
V.	Details in respect use / investment of unutilized amounts out of issue of securities made for specific purpose.

W.	Board opinion regarding carrying amount not less than realization value of current assets.

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

IV) Part II- Form of Statement of Profit and Loss

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

a) Name changed from Profit and Loss Account to Statement of Profit and Loss.

b) Under Old Schedule VI, there was no form of Statement of Profit and Loss, but same has now been provided.

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

d) The expenses are to be classified by nature earlier even function based classification was permissible.

e) Requires separate presentation of extraordinary and exceptional items.

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

Other highlights, changes with discussions of each of the item have been discussed in detail in Chapter-6.

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

Para No.	Particulars
1	Provisions also applicable to Income and Expenditure account prepared by non for profit companies.
2(A)	Disclosure requirement of revenue from operations for company other than finance company.
2 (B)	Disclosure requirement of revenue from operations for finance company.
3	Disclosure requirement of Finance Costs.
4	Disclosure requirement of Other income.

5	Additional information regarding aggregate expenditure and income on the following items to be disclosed by way of notes;-
(i) (a)	Employee Benefits Expense.
(i) (b)	Depreciation and amortization expense
(i) (c)	Any item of income or expenditure which exceeds one per cent of the revenue from operations or Rs.1,00,000, whichever is higher;
(i) (d)	Interest Income;
(i) (e)	Interest Expense;
(i) (f)	Dividend Income;
(i) (g)	Net gain/ loss on sale of investments;
(i) (h)	Adjustments to carrying amount of investments;
(i) (i)	Net gain/ loss on foreign currency translation and translation(other than considered as finance cost);
(i) (j)	Payments to the auditor.
(i) (k)	Details of items of exceptional and extraordinary nature.
(i) (l)	Prior period items;
(ii) (a)	Raw materials and goods purchased under broad heads in case of manufacturing companies.
(ii) (b)	Purchases of goods traded under broad heads in case of trading companies.
(ii) (c)	Gross income derived from services rendered or supplied under broad heads in case of service company.
(ii) (d)	Purchases, sales, consumption of raw material and gross income from services rendered under broad heads in case of companies engaged in trading, manufacturing and / or service rendering.
(ii) (e)	Gross income derived under broad heads in case of other companies.
(iii)	Work-in-progress under broad heads.
(iv) (a)	Aggregate, if material of amounts set aside or proposed to be set aside, to reserve.
(iv) (b)	Aggregate, if material of amounts withdrawn from reserve.
(v) (a)	Aggregate, if material of amounts set aside, to provisions.
(v) (b)	Aggregate, if material of amounts withdrawn from provisions, as no longer required.
(vi)	Expenditure incurred on each of the following items, separately for each item:- (a) Consumption of stores and spare parts. (b) Power and fuel.

	(c) Rent. (d) Repairs to buildings. (e) / (f) Repairs to machinery. (g) Insurance. (h) Rates and taxes, excluding, taxes on income. (i) Miscellaneous expenses
(vii)	(a) Dividends from subsidiary companies. (b) Provisions for losses of subsidiary companies.
(viii)	The profit and loss account shall also contain by way of a note the following information, namely:-
a)	Value of imports calculated on C.I.F basis by the company during the financial year for specific items.
b)	Expenditure in foreign currency during the financial year on specified items.
c)	Total value if all imported raw materials, spare parts and components consumed during the financial year and the total value of all indigenous raw materials, spare parts and components similarly consumed and the percentage of each to the total consumption;
d)	The amount remitted during the year in foreign currencies.
e)	Earnings in foreign exchange from specified items.

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

Chapter 3
Highlights and Major Changes Introduced in Revised Schedule VI

3.1 As the Revised Schedule VI has been issued as a replacement and not as an amendment to Old Schedule VI, accordingly lot of new disclosure requirements have been introduced / changed in the Revised Schedule VI. Also some disclosure requirements under Old Schedule VI have been dropped.

For ready reference of the members the highlights and major changes introduced in Revised Schedule VI are briefly explained in this chapter.

3.2 Highlights and Major Changes Introduced in Revised Schedule VI;

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

Concept of classified balance sheet has been introduced, according to which all assets and liabilities are classified into current and non-current categories applying the definitions of Current / Non-current asset / liability and operating cycle provided in the Schedule itself. The relevant definitions given in Revised Schedule VI are inspired from para 66, para 68 and para 69 of IAS 1 'Presentation of Financial Statements'. This will require lot of reclassifications i.e. asset / liability shown as Current earlier in Old Schedule VI may be required to be shown as Non-current and vice versa under Revised Schedule VI. For example current maturities (repayments) of long-term debt which were earlier included in loan funds would now be shown separately as Current Liabilities. For further discussion and practical application of classification refer to Chapter-7.

2) Overriding effect of Accounting Standards and Flexibility:

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

Even it has been stated that the format of the Balance Sheet and Statement of Profit and Loss as given in schedule sets out minimum requirements for disclosure and can be changed when such presentation is relevant to an understanding of the company's financial position or performance or to cater industry/sector-specific disclosure requirements or when required for compliance with the amendments to the Companies Act or under the Accounting Standards.

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

3) Horizontal format of Balance Sheet deleted:

Horizontal format of Balance Sheet known as conventional or customary form (T-shaped) of Balance Sheet has been deleted accordingly now onwards only vertical format is to be used. Under Old Schedule VI the Companies had an option to use either of horizontal or vertical format for presentation of Balance Sheet.

4) Part III of Schedule VI omitted.

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

5) New definitions provided:

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

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

Balance Sheet Abstract and Company's General Business Profile as provided in Part-IV of Old Schedule VI has been removed which is a welcome move as this statement was of no real purpose and meant for statistical purposes.

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

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

8) Proposed Dividend:

Part I of Old Schedule VI requires 'proposed dividends' to be shown under "Provisions" and paragraph 3 (xiv) of Part II of the same requires the "proposed dividends" to be disclosed in the Profit and Loss Account. Para 14 of the Accounting Standard 4 "Contingent and Events Occurring After the Balance Sheet Date" also requires that dividends in respect of period covered by financial statements which are proposed or declared after balance sheet date but before date of approval should be adjusted in accounts.

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

Although Revised Schedule VI does not require provision for proposed dividend, however as the Accounting Standards have an overriding effect over Revised Schedule VI, accordingly companies will have to account for the same alongwith Dividend Distribution Tax thereon, until revision to this effect is made in AS 4.

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

9) Rounding off rule (optional) revised:

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

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

10) Concept of Schedules eliminated:

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

Consequently each item on the face of the Balance Sheet and Statement of Profit and Loss shall be cross-referenced to any related information in the Notes to Accounts. Earlier such cross referencing was made to Schedules. Due to above, Column of Schedule No. on face of Balance Sheet has been changed to Note No. in Revised Schedule VI and Column of Note No. is there in newly introduced format of Statement of Profit and Loss.

11) Notes to Accounts defined:

Revised Schedule VI states that Notes to Accounts shall contain information in addition to that presented in the Financial Statements and shall provide where required (a) narrative descriptions or disaggregations of items recognized in those statements and (b) information about items that do not qualify for recognition in those statements. This definition is as per IAS 1 'Presentation of Financial Statements'.

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

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

13) Disclosure of shareholding pattern:

Two new disclosures regarding disclosures of share holding pattern for each class of share capital have been introduced in revised Schedule VI.

i) shares in the company held by its holding company or its ultimate holding company including shares held by or by subsidiaries or associates of the holding company or the ultimate holding company in aggregate.

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

14) Disclosure of reconciliation of the number of shares:

Revised Schedule VI has introduced new disclosure of reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period. It is pertinent to mention here that under IAS 1 "Presentation of Financial Statements", Statement of Changes in Equity is part of IFRS financial statements. As an inspiration disclosure of reconciliation of the number of shares in notes to accounts has been introduced.

15) Disclosure of Shares reserved :

New requirement for disclosure of Shares reserved for issue under options (e.g ESOPs) and contracts/commitments for the sale of shares/disinvestment, including the terms and amounts, has been introduced.

16) Disclosure of Reserves & Surplus:

New line items for Debenture Redemption Reserve, Revaluation Reserve, Share Option Outstanding Account have been inserted under Reserves & Surplus. Further additional requirement of specifying purpose of reserves falling under residual head of other reserves has been introduced.

17) Disclosure of Accumulated Losses.

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

18) Money received against Share Warrants:

Revised Schedule VI has inserted a new line item under Shareholders' funds towards Money received against Share Warrants after Share Capital and Reserves and Surplus.

19) Share Application Money:

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

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

20) Disclosure of Borrowing:

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

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

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

Other new disclosure requirements in respect of borrowing under Revised Schedule VI are:-

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

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

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

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

21) Disclosure of Provisions:

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

22) Disclosure of Interest accrued and due on borrowing:

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

23) Trade Receivables and Trade Payables

The terms of Debtors and Creditors have been scrapped and replaced with Trade Receivables and Trade Payables.

A receivable shall be classified as a 'trade receivable' if it is in respect of the amount due on account of goods sold or services rendered in the normal course of business.

A payable shall be classified as a 'trade payable' if it is in respect of the amount due on account of goods purchased or services received in the normal course of business.

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

Further separate disclosure of trade receivables outstanding for a period exceeding 6 months from the date they become due for payment as against the billing / accounting date is required now.

24) Fixed Assets:

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

25) Tangible Assets:

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

26) Intangible Assets:

New line items of Computer Software, mastheads and publishing rights, Mining Rights, Recipes, formulae, models, designs and prototypes, Licenses & Franchise introduced.

27) Disclosure of Capital Advances:

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

28) Cash and cash equivalents:

Name changed from cash & bank balances. The bifurcation of bank deposits amongst scheduled and non scheduled banks has been dispensed with. Bank deposits with more than 12 months maturity to be disclosed separately however in view of definition of current assets, corroborated by FAQ of ICAI (refer Chapter-8) such FDRs cannot be shown as cash and cash equivalents and would be shown as non-current assets. Further as per Guidance Note on Revised Schedule VI, instead of using the head cash and cash equivalents we may use the old head on face of balance sheet i.e. cash and bank balances which may be bifurcated between cash and cash equivalents and other bank balances. The bank balances which are cash and cash equivalents as per AS 3 "Cash Flow Statements" be included in relevant head and others should be shown as other bank balances.

29) Inventories:

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

30) Format of Statement of Profit and Loss prescribed:

The nomenclature of Profit and Loss Account has been changed to Statement of Profit and Loss under Revised Schedule VI. Further Part II of Revised Schedule VI prescribes the format of Statement of Profit and Loss which was not there in Old Schedule VI. This will facilitate standardization and comparability.

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

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

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

As per AS-9 "Revenue Recognition", the disclosure in respect of Excise Duty needs to be shown on the face of the Statement of Profit and Loss. Since Accounting Standards override Revised Schedule VI, the presentation in respect of excise duty will have to be made on the face of the Statement of Profit and Loss. As per the Guidance Note in doing so, a company may choose to present the elements of revenue from sale of products, sale of services and other operating revenues also on the face of the Statement of Profit and Loss instead of the Notes.

32) Disclosure of revenue- finance company:

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

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

34) Raising of limit for non-inclusion in miscellaneous expenditure:

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

35) Recognition of dividend income.

The Old Schedule VI required the parent company to recognize dividends declared by subsidiary companies even after the date of the Balance Sheet if they were pertaining to the period ending on or before the Balance Sheet date. Such requirement has been abolished in the 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 i.e. dividend has been approved by shareholders of investee company at the Annual general Meeting.

36) 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.

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

38) Separate disclosure of Exceptional and Extraordinary items on face of Statement of Profit and Loss.

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

40) Disclosures dispensed with;

The Revised Schedule VI has removed a number of disclosure requirements in Part II, 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.

Chapter 4
General Instructions

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

General Instructions	Analysis
1. Where **compliance** with the requirements **of the Act** including **Accounting Standards** as applicable to the companies **require any change in treatment or disclosure including addition, amendment, substitution or deletion in the head/sub-head or any changes inter se**, in the Financial Statements or statements forming part thereof, **the same shall be made** and the requirements of the Schedule VI shall **stand modified** accordingly.	This is a landmark change in the history of Financial Reporting System prevalent in India as Revised Schedule VI gives supremacy to the provisions of the Companies Act and Accounting Standards over the Revised Schedule VI, whereas earlier Old Schedule VI requirements were supreme and were overriding the Accounting Standards. Now whenever accounting standards are changed, the resultant accounting treatment, presentation and disclosures will not be in conflict with the requirements of Revised Schedule VI as same shall stand modified accordingly.
2. The disclosure requirements specified in Part I and Part II of this Schedule are in **addition to** and **not in substitution** of the disclosure requirements specified in the Accounting Standards prescribed under the Companies Act, 1956. 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	Here also importance of Accounting Standards is again reiterated as all the disclosure requirements specified in the Accounting Standards need to be complied with in the Notes to Accounts / additional statement / on the face of the Financial Statements, besides compliance with Revised Schedule VI. Also all other disclosures as required by the Companies Act shall be made in the Notes to Accounts.

<table>
<tr><td>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.</td><td>Companies need to comply with the disclosure requirements of all three i.e. Revised Schedule VI, Accounting Standards and Companies Act, 1956. However in event of any conflict between Schedule and AS or Companies Act, the later will prevail and Schedule will take a back seat.</td></tr>
<tr><td>3. Notes to Accounts shall contain information in addition to that presented in the Financial Statements and shall provide where required (a) narrative descriptions or disaggregations of items recognized in those statements and (b) information about items that do not qualify for recognition in those statements.

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.</td><td>For the first time, Notes to accounts have been defined and disaggregations (break up) which earlier were disclosed in Schedules will also be part of Notes. Consequently each item on the face of the Balance Sheet and Statement of Profit and Loss shall be cross-referenced to any related information in the Notes to Accounts (as against Schedules in old Schedule VI). Due to above, Column of Schedule No. on face of Balance Sheet has been changed to Note No. in Revised Schedule VI and similarly Column of Note No. has been specified in newly introduced format of Statement of Profit and Loss.</td></tr>
<tr><td>4. Depending upon the turnover of the company, the figures appearing in the Financial Statements MAY BE rounded off as below:

Turnover — Rounding off
<table><tr><td>Less than one hundred</td><td>To nearest Hundreds, thousands, lakhs or millions or decimal thereof.</td></tr></table></td><td>The rounding off is optional and not mandatory. However if rounding off is opted then said rule needs to be complied with.

The limit of turnover and the extent of rounding off has been revised.

For ready reference the limits provided in Old Schedule VI are given below:</td></tr>
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<tr><td>One hundred crores or more</td><td>To nearest lakhs, millions or crores, or decimal thereof.</td></tr>
</table>
Once a unit of measurement is used, it should be used uniformly in the Financial Statements.
</td>
<td>
<table>
<tr><th>Turnover</th><th>Rounding off</th></tr>
<tr><td>Less than one hundred</td><td>To nearest Hundreds, thousands or decimal thereof.</td></tr>
<tr><td>One hundred crores to five hundred crores</td><td>To nearest Hundreds, thousands, lakhs, or millions, or decimal thereof.</td></tr>
<tr><td>More than five hundred crores</td><td>To nearest Hundreds, thousands, lakhs, or millions, or crores, or decimal thereof.</td></tr>
</table>
Further new requirement of using the same unit of measurement uniformly across the financial statements has been introduced. This implies that if a company has opted to round off in millions, then it need to apply it uniformly in Balance Sheet, Statement of Profit and Loss and Notes to Accounts
</td>
</tr>
<tr>
<td>5. Except in the case of the first Financial Statements laid before the Company (after its incorporation) the corresponding amounts (comparatives) for the immediately preceding reporting period for all items shown in the Financial Statements including notes shall also be given.</td>
<td>There is no change here as under Old Schedule VI also previous years figures were required to be given. However as the Revised Schedule VI is applicable from FY 2011-12, the financial statements of FY 2010-11 will be required to be reclassified / regrouped in accordance to Revised Schedule VI, before being used as comparatives.
A note to this effect may also be given in the notes to accounts.</td>
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<tr>
<td>6. For the purpose of this Schedule, the terms used herein shall be as per the</td>
<td>This is also a new insertion and has led to deletion of Part III which existed in</td>
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</table>

applicable Accounting Standards.	Old Schedule VI. The terms used such as 'associate', 'related parties', etc. shall be as per the notified Accounting Standards. For glossary of terms refer to chapter-9.

Chapter 5
Balance Sheet

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

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

A. Note

The Note is being reproduced below alongwith analysis thereof:-

Notes	Analysis including comparison with Old Schedule VI
This part of Schedule **sets out the minimum requirements** for disclosure on the face of the Balance Sheet, and the Statement of Profit and Loss (hereinafter referred to as "Financial Statements" for the purpose of this Schedule) and Notes. Line items, sub-line items and sub-totals shall be presented as an addition or substitution on the face of the Financial Statements when such presentation is relevant to an understanding of the company's financial position or performance or to cater to industry/ sector specific disclosure requirements or when required for compliance with the amendments to the Companies Act or under the Accounting Standards.	Revised Schedule VI sets out minimum requirements for disclosure and offers presentation flexibility. This approach is a landmark change as compared to Old Schedule VI where such flexibility was not there. This change is in line with the IAS 1 "Presentation of Financial Statements". An entity should be guided by the qualitative characteristics of financial statements – 'relevance' and 'understandability' in selection of the line items. It is pertinent to mention here that this note has not been incorporated before Part II that contains form of Statement of Profit and Loss. However considering that the

	Statement of Profit and Loss has also been referred here and the spirit of the flexibility inherent in the Revised Schedule VI, same logic is applicable to Part II as well.

B. Form of Balance Sheet

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

PART I

FORM OF BALANCE SHEET

Name of Company……………

Balance Sheet as at …………

(Rupees in………..)

				Analysis including comparision with Old Schedule VI
Particulars	Note No.	Figures as at end of current reporting period	Figures as at end of previous reporting period	
1	2	3	4	
I. EQUITY & LIABILITIES				Change in name from Sources of funds to Equity & Liabilities as current liabilities will now be shown on liability side and not as deduction from Current Assets on the asset side.
(1) Shareholders' Funds (a) Share Capital				The term capital used earlier has been rightly changed to Share

(b) Reserves & Surplus (c) Money received against share warrants				capital as this term is more relevant for Companies. A new line item of Money received against Share Warrants has been inserted. Share warrants give the holder the right to acquire equity shares. However till the shares are allotted against the same, these cannot form part of Share Capital and therefore is to be shown as a separate line item.
(2) Share application money pending allotment				This is a new line item. Earlier there was no uniformity in its presentation as some companies were showing the share application money as part of share capital with separate disclosure in the schedule. Also some companies were showing it separately. Share application money not exceeding the issued capital and to the extent not refundable is to be disclosed here. Share

				application money to the extent refundable should be shown under the head "Other Current Liabilities".
(3) **Non-current Liabilities** (a) Long-term borrowings (b) Deferred tax liabilities (Net) (c) Other long term liabilities (d) Long-term provisions				As discussed earlier the borrowing need to be trifurcated and the non-current portion of borrowing need to be included as Long-term borrowings. Earlier Deferred tax Liabilities (Net) were shown separately after Loan Funds, now they are required to be shown under Non-current liabilities. Further earlier as break up of deferred tax liabilities / assets was provided in notes and not in schedules this item had no cross referencing on face of balance sheet. But now as all disaggregations are to be given in notes, this item will also be cross referenced to the related note. This classification is as per IAS 12 "Income taxes" which states that Deferred taxes assets / liabilities are

				always Non-Current. Further due to advent of current, non-current classification, the provisions need to be bifurcated into Long-term and short-term provisions, consequently new line item of Long-term provisions has been inserted. Earlier all the provisions were shown under current liabilities and provisions.
(4) **Current Liabilities** (a) Short-term borrowings (b) Trade payables (c) Other current liabilities (d) Short-term provisions				Earlier the Current liabilities were shown on Asset side (Application of funds) as reduction from the current assets. But now they need to be disclosed on the Liability side. Further earlier only total of current liability was shown on face of balance sheet, whereas now break up of same between Short-term borrowing, Trade payables and Short-term provisions is required to be disclosed. Also the name of

				provision has been changed to Short-term provisions due to presentation of classified balance sheet.
TOTAL				
II. ASSETS				Change in name from Application of funds to Assets as current liabilities will now be shown on liability side and not as deduction from Current 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				The amount of tangible, intangible assets are required to be depicted on face of balance sheet separately which was not required earlier. New line items of intangible assets under development, Long Term loans and Advances inserted. Further only the net block is required to be disclosed on face of balance sheet whereas earlier the amount of Gross Block and accumulated depreciation were also shown. Earlier Deferred tax assets (Net) were

				shown separately between Investments and Current Assets, Loans and Advances are now required to be shown under Non-current Assets. Further now cross referencing of same would be required, as discussed earlier.
(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				New Line items of Current Investments inserted and name of Sundry Debtors. Cash and bank balances and Loans & Advances changed to Trade Receivables, cash & cash equivalents and short-term loans and advances respectively.
TOTAL				

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

C. General Instructions for Preparation of Balance Sheet

Para 1 to 5 of general instructions for preparation of Balance Sheet provides definitions of terms current asset, non-current asset, operating cycle, current liability, non-current liability, trade receivables and trade payables. It is pertinent to mention here that definitions of these terms were not there in Old Schedule VI. The relevant paras 1 to 5 are reproduced below along with analysis of the same.

Definitions	Analysis
1. An asset shall be classified as current when it satisfies any of the	This newly inserted definition is inspired from IAS 1 "Presentation of Financial Statements"

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.	Due to this insertion lot of reclassifications would be required in the Balance Sheet. The detailed analysis of the definition with its practical application is given in Chapter 7.
2. An operating cycle is the time between the acquisition of assets for processing and their realization in Cash or cash equivalents. Where the normal operating cycle cannot be identified, it is assumed to have a duration of 12 months.	This newly inserted definition is important during classification of assets and liabilities in current and non -current. The definition is as per IAS 1 "Presentation of Financial Statements" The detailed analysis of the definition with its practical application is given in Chapter 7.
3. A liability shall be classified as 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;	This newly inserted definition is inspired from IAS 1 "Presentation of Financial Statements" Due to this insertion lot of reclassifications would again be required in the Balance Sheet. The detailed analysis of the definition with its practical application is given in Chapter 7.

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.	The term of debtors has been replaced with trade receivable and same has also for first time been defined. As per definition, amounts due on account of contractual obligations (except towards goods sold or services rendered in the normal course of business) can no longer be included in the trade receivables. Example; Interest on overdue amount of Trade Receivables.
5. A payable shall be classified as a 'trade payable' if it is in respect of the amount due on account of goods purchased or services received in the normal course of business.	The term of creditors has also been replaced with trade payable and same has been defined. As per definition, amounts payable on account of contractual obligations (except towards goods purchased or services received in the normal course of business) can no longer be included in the trade payables. Example: Amount due towards purchase of fixed assets.

As discussed earlier that under Revised Schedule VI the concept of Schedules has been eliminated and all the disaggregation's also are required to be made in the Notes to accounts.

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

A. Share capital:

B. Reserves and Surplus

C. Long term borrowings.

D. Other Long term liabilities.

E. Long term provisions.

F. Short-term borrowing.

G. Other current liabilities.

H. Short-term provisions.

I. Tangible assets.

J. Intangible assets.

K. Non-current investments.

L. Other long term loans and advances.

M. Other non-current assets.

N. Current investments.

O. Inventories.

P. Trade receivables.

Q. Cash and cash equivalents.

R. Short-term loans and advances.

S. Other current assets.

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

The above stated paras are reproduced below along with analysis:

A. Share capital

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

Disclosure Requirement as per Revised Schedule VI	Analysis
for each class of share capital (different classes of preference shares to be treated separately):	Preference shares is to be classified as Share capital. AS 32 "Financial Instruments: Presentation and Ind-AS 32 Financial Instruments : Presentation require to classify redeemable preference shares as a liability. However as these standards are not notified and considering Sec 85(1) of Companies Act which refers to Preference Shares as a kind of share capital these will have to be classified as share capital.
(a) the number and amount of shares authorized;	This is in line with the disclosure requirement in Old Schedule VI.
(b) the number of shares issued, subscribed and fully paid, and subscribed but not fully paid;	Same disclosure was required except that as against disclosure of only subscribed capital, the break up of same between subscribed and fully paid up and subscribed but not fully paid is now required. Though the disclosure of only number of shares is required, for better understanding, even the amount for each category should be disclosed. The gross amounts should be discussed in the capital portion first and then the calls unpaid (required to be disclosed separately as per (k) below) should be reflected as a deduction.

(c) par value per share;	Same disclosure was required in Old Schedule VI.
(d) a reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period;	This is a new disclosure requirement and is inspired from Statement of Changes of Equity required to be prepared under IAS 1 "Presentation of Financial Statements". Reconciliation of opening number of shares outstanding, shares issued, shares bought back, other movements etc during the year and closing number of outstanding shares may be given with their corresponding amounts, for better understanding. Reconciliation for the comparative previous period is also to be given. Further, the reconciliation should be disclosed separately for both Equity and Preference Shares and for each class of share capital within Equity and Preference Shares.
(e) the rights, preferences and restrictions attaching to each class of shares including restrictions on the distribution of dividends and the repayment of capital;	Not required in old Schedule VI, but required now. Rights, preferences and restrictions for Equity Shares like "with voting rights" or 'with differential voting rights' as to dividend, voting or otherwise. In respect of Preference shares, the rights include preferential right to be paid a fixed amount or at a fixed rate of dividend and a preferential right of repayment of amount of capital on winding up. Also Preference shares can be cumulative, non cumulative, redeemable, convertible, non-convertible etc.

	All such rights, preferences and restrictions attached to each class of preference shares, terms of redemption, etc. have to be disclosed separately. If a company has only one class of equity shares, it is still required to make this disclosure.
(f) shares in respect of each class in the company held by its holding company or its ultimate holding company including shares held by or by subsidiaries or associates of the holding company or the ultimate holding company in aggregate;	Same disclosure was required. Aggregation should be done for each of the above categories. For this disclosures, shares held by the entire chain of subsidiaries and associates starting from the holding company and ending right up to the ultimate holding company would have to be disclosed. Further, all the above disclosures need to be made separately for each class of shares, both within Equity and Preference Shares.
(g) shares in the company held by each shareholder holding more than 5 percent shares specifying the number of shares held;	New disclosure requirement. In the absence of any specific indication of the date of holding, the date for computing such percentage should be taken as the Balance Sheet date as per the Guidance Note of ICAI. Such percentage should be computed separately for each class of shares outstanding within Equity and Preference Shares. Herein the name of shareholder, No. of shares held and % thereof needs to be disclosed. Further the disclosure is to be

	on the basis of legal ownership, except where beneficial ownership is clearly available from the depositories. This information should also be given for the comparative previous period.
(h) shares reserved for issue under options and contracts/ commitments for the sale of shares/ disinvestment, including the terms and amounts;	Not required in old Schedule VI, but required now. Shares under options generally arise under promoters or collaboration agreements, loan agreements or debenture deeds (including convertible debentures), agreement to convert preference shares into equity shares, ESOPs or contracts for supply of capital goods, etc. The disclosure would be required for the number of shares, amounts and other terms for shares so reserved. Such options are in respect of unissued portion of share capital.
(i) For the period of five years immediately preceding the date as at which the Balance Sheet is prepared: ➢ 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.	Same disclosure was required except that old schedule VI required continued disclosure whereas Revised Schedule VI requires disclosures of the transactions upto immediately preceding 5 years from the current reporting 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. Here previous year figure also needs to be given which needs to be recomputed as now 5 years limit for disclosure is there, accordingly if in earlier year disclosure transactions for more than 5 years have been reported the same need

	to adjusted and the transactions prior to 5 years as on previous years balance sheet date, be removed for purpose of disclosure. The requirement of disclosing the source of bonus shares is omitted in the Revised Schedule VI. However additional disclosure of Aggregate number and class of shares bought back is now required.
(j) Terms of any securities convertible into equity/ preference shares issued along with the earliest date of conversion in descending order starting from the farthest such date.	Same disclosure was required. Under this Clause, disclosure is required for any security i.e. Convertible Preference Shares, Convertible Debentures / bonds, etc., when it is either convertible into equity or preference shares. In this case, terms of such securities and the earliest date of conversion are required to be disclosed. Terms of convertible securities are also required to be disclosed under this Clause.
(k) Calls unpaid (showing aggregate value of calls unpaid by directors and officers)	Under Old Schedule VI, debit balance on the allotment or call account was presented in the Balance Sheet by way of deduction from Called-up Capital. However, now calls unpaid are to be disclosed separately. A separate disclosure is required for the aggregate value of calls unpaid by directors and also officers of the company.

	The gross amounts should be discussed in the capital portion first (required to be disclosed separately as per (b) above) and then the calls unpaid should be reflected as a deduction.
(l) Forfeited shares (amount originally paid up)	Same disclosure was required. However as per Old Schedule VI "Any Capital profit on reissue of Forfeited shares should be transferred to Capital Reserve." No such direction is there in Revised Schedule VI. However since it is profit of capital nature it should still be credited to capital reserve.

B. Reserves and Surplus

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

Disclosure Requirement as per Revised Schedule VI	Analysis
(i) Reserves and Surplus shall be classified as:	
(a) Capital Reserves;	Same disclosure was required.
(b) Capital Redemption Reserve;	Same disclosure was required. As per Act, Capital Redemption Reserve is required to be created in the following two situations: a) Under the provisions of Section 80 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 'capital redemption reserve'. b) Under Section 77AA 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.
(c) Securities Premium Reserve;	Name changed from Share Premium Account to Securities Premium Reserve. However the nomenclature as per the Act is "Securities Premium Account". Accordingly, the terminology of the Act should be used as per Guidance Note. Under Old Schedule VI details of utilization in accordance to section 78 of the Companies Act was required which has now been dispensed with.
(d) Debenture Redemption Reserve;	New line item inserted. However were earlier also disclosed by companies maintaining this reserve. According to Section 117C 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.
(e) Revaluation Reserve;	New line item inserted. However were earlier also disclosed by companies maintaining this reserve. Revaluation Reserve is created out of revaluation of fixed assets both tangible and intangible. Depreciation and amortization on the

	amount added to fixed assets on revaluation is transferred (reduced) from revaluation reserve and only net depreciation on original cost is charged to statement of profit and loss.
(f) Share Options Outstanding Account;	New line item inserted. This account represents share option outstanding on account of goods or services acquired in exchange of share options like ESOP. In case of ESOP, the entity create Share Option over the vesting period debiting Employee Benefits.
(g) Other Reserves – (specify the nature and purpose of each reserve and the amount in respect thereof);	Every other reserve which is not covered above is to be reflected as `Other Reserves'. However, since the nature, purpose and the amount are to be shown, each reserve is to be shown separately. This would include reserves to be created under other statutes like Special Reserve u/s 36(1) (viii) created under the Income Tax Act, 1961.
(h) Surplus i.e. balance in Statement of Profit and Loss disclosing allocations and appropriations such as dividend, bonus shares and transfer to/from reserves etc. (Additions and deductions since last Balance Sheet to be shown under each of the specified heads)	Under Old Schedule VI, the balance in the Profit and Loss Account after providing for proposed allocation, viz. Dividend, Bonus or Reserves was required to be disclosed and accordingly the balance of surplus for year with accumulated surplus was directly taken from P&L to Reserve and Surplus. However in Revised Schedule VI the allocations and appropriations are required to be disclosed under head of Surplus and consequently in the format of Statement of Profit and Loss, appropriations are not mentioned.

	Accordingly the Profit and Loss Account (Surplus) under head Reserve and Surplus would now start with balance as per last balance sheet date, profit / loss (after tax) for the year would be added / reduced from this and then appropriations would be reduced / added to arrive at closing balance of the same.
(Additions and Deductions since the last Balance Sheet to be shown under each of the specified heads)	This requires the company to disclose the movement in each of the reserves and surplus since the last Balance Sheet. Accordingly for each reserve the balance as per last balance sheet date, additions like transferred from Statement of Profit and Loss e.g. tfd to general reserve, Transferred / Write back to Statement to P&L e.g. transfer of Revaluation reserve to P&L etc and closing balance shall be shown.
(ii) A reserve specifically represented by earmarked investments shall be termed as a 'fund'.	Almost same definition was there in Old Schedule VI.
(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.	As per Old Schedule VI, debit balance in the Profit & Loss Account was shown as a deduction from the uncommitted reserves, if any. If debit balance of Profit & Loss is in excess of uncommitted reserves, the same shall be shown under "ASSETS" as Profit & Loss, whereas now the accumulated losses will always be shown on Equity and liability side even if total of Reserve and Surplus including accumulated loss turns negative.

C. Long-term borrowings

This is the first line item below the head Non-current liabilities. Earlier the entire borrowings were shown as Loan Funds. But now due to introduction of classified balance sheet, the borrowing which was shown as loan funds earlier need to be trifurcated amongst long-term borrowing (Non-current liability), short-term borrowing (current liability) and current maturities to long term debt (current liabilities).Also the finance lease obligations in books of lessee which was entirely shown as current liability earlier also needs to be bifurcated into Long term maturities of finance lease obligations which are classified as Long-term borrowing under non-current liability and Current maturities of finance lease obligations classified as other current liabilities under current liabilities.

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

Disclosure Requirement as per Revised Schedule VI	Analysis
(i) **Long-term borrowings** shall be classified as:	The phrase "long-term" has not been defined. However, the definition of 'non-current liability' in the Revised Schedule VI may be used for ascertaining long-term liability.
(a) Bonds/debentures.	The word "bonds" has been added with debentures.
(b) Term loans • From banks • From other parties	As per Guidance Note, the phrase "term loan" has not been defined in the Revised Schedule VI. Term loans are generally provided by banks and financial institutions having fixed or pre determined maturity period or a repayment schedule, for acquisition of capital assets which then become the security for the loan, i.e., end use of funds is normally fixed. Cash credit, overdraft and call money accounts/ deposit are, therefore, not covered by the expression "terms loans".
(c) Deferred payment liabilities.	These would include any liability for which payment is to be made on deferred credit terms. e.g. deferred sales tax liability, deferred payment for acquisition of fixed assets etc.
(d) Deposits.	These would include deposits accepted from public and inter corporate deposits which are in the nature of borrowings.
(e) Loans and advances from related	Advances under this head should include

parties.	those advances which are in the nature of loans. Earlier such disclosure was required to be given for loans and advances from subsidiaries, accordingly disclosure requirement has been broadened.
(f) Long term maturities of finance lease obligations	New line item inserted, to include Long term maturities of finance lease obligations in the books of the lessee. Earlier all the finance lease obligations were included under Current Liabilities.
(g) Other loans and advances (specify nature).	Nature to be specified.
(ii) Borrowings shall further be sub-classified as secured and unsecured. Nature of security shall be specified separately in each case.	Secured loan refers to a loan which is secured against a tangible asset. All other loans are unsecured. Nature of security is to be specified separately in each case, therefore blanket disclosure like 'All Term loans from banks' are secured will not suffice. However, where one security is given for multiple loans, the same may be clubbed together for disclosure purposes with adequate details or cross referencing. The type of asset given as security e.g. land and building, inventories and plant and machinery etc. should also be disclosed.
(iii) Where loans have been guaranteed by directors or others, the aggregate amount of such loans under each head shall be disclosed.	Earlier such disclosure was required in respect of loan guaranteed by directors or manager, now extended to directors or others. Further separate disclosure of loans from directors and Managers is no longer required.
(iv) Bonds/debentures (along with the rate of interest and particulars of redemption or conversion, as the case may be) shall be stated in descending order of maturity or conversion, starting from farthest redemption or conversion	Rate of interest was earlier not required to be disclosed. Further under Old Schedule VI, the disclosure was of earliest date of redemption or conversion, now the disclosure is required in descending order of maturity or conversion, starting from

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.	farthest redemption or conversion date.
(v) Particulars of any redeemed bonds/ debentures which the company has power to reissue shall be disclosed.	Same disclosure was required.
(vi) Terms of repayment of term loans and other loans shall be stated.	Disclosure of terms of repayment should be made preferably for each loan unless the repayment terms of individual loans within a category are similar, in which case, they may be aggregated. For said disclosure loan includes all categories listed under the heading 'Long-term borrowings'. Disclosure of repayment terms should include the period of maturity with respect to the Balance Sheet date, number and amount of instalments due, the applicable rate of interest and other significant relevant terms if any.
(vii) Period and amount of continuing default as on the Balance Sheet date in repayment of loans and interest, shall be specified separately in each case.	New Disclosure requirement. Details of any default in repayment of loan and interest (only) existing as on the Balance Sheet date needs to be separately disclosed. Any default that had occurred during the year and was subsequently made good before the end of the year does not need to be disclosed. However any default persisting on Balance Sheet date which has been made good afterwards before authorization of the financial statements should be disclosed. As per Guidance Note, a company need not disclose information for defaults other than in respect of repayment of loan and interest, e.g., compliance with debt

	covenants. The word "loan" has been used in a more generic sense. Hence, the disclosures relating to default should be made for all items listed under the category of borrowings and not only to items classified as "loans".

D. Other Long term Liabilities

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

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

E. Long-term provisions

It is the fourth line item under the head Non-current liabilities. Earlier all the provisions were shown as Current liabilities and Provisions in Old Schedule VI, however with advent of current non-current classification in Revised Schedule VI, a new line item of Long-term provisions has been inserted under Non-current liabilities on the face of the Balance sheet.

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

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

F. Short-term borrowings

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

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

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

G. Other current liabilities

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

Disclosure Requirement as per Revised Schedule VI	Analysis
The amounts shall be classified as:	Disaggregation's of the aggregate amount shown on face of balance sheet as other current liabilities is to be given as under:
(a) Current maturities of long-term debt;	New line item inserted, to include Current maturities of long-term debt, earlier it was included under loan funds itself.
(b) Current maturities of finance lease obligations;	New line item inserted, to include Current maturities of finance lease obligations in the books of the lessee. Earlier entire amount of finance lease obligations was disclosed as current liabilities.
(c) Interest accrued but not due on borrowings;	Earlier also was shown as current liability.
(d) Interest accrued and due on borrowings;	Earlier was shown as part of loan, now is required to be shown under other current liabilities.
(e) Income received in advance;	The current portion of Income received in advance only is to be shown here.
(f) Unpaid dividends	Earlier also was shown as current liability.
(g) Application money received for allotment of securities and due for refund and interest accrued thereon. Share application money includes advances towards allotment of share capital. The terms and conditions including the number of shares proposed to be issued, the amount of premium, if any, and the	New line item inserted. Share application money to the extent refundable should be shown under the head "Other Current Liabilities". However Share application money not exceeding the issued capital and to the extent not refundable is to be disclosed

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'	on face of balance sheet between shareholder funds and non-current liabilities.
(h) Unpaid matured deposits and interest accrued thereon	New line item inserted, however earlier also this item was shown as current liability.
(i) Unpaid matured debentures and interest accrued thereon	New line item inserted, however earlier also this item was shown as current liability.
(j) Other payables (specify nature);	Other Payables may be in the nature of statutory dues such as Withholding taxes, Service Tax, VAT, Excise Duty etc.

H. Short-term provisions

This is the fourth and last line item under head current liabilities and eventually the last line item on the Equity and Liability part of Balance Sheet. As discussed earlier provisions also are required to be bifurcated into long-term (non-current) and short-term (current) on the basis of the definitions of current / non-current liability given in Revised Schedule VI.

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

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

I. Tangible assets

Earlier only the term fixed assets was used and its total comprising of tangible as well as intangible assets was depicted on face of balance sheet, however now under head fixed assets the aggregate amount of tangible and intangible assets need to be provided separately on the face of the Balance Sheet.

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

Disclosure Requirement as per Revised Schedule VI	Analysis
(i) Classification shall be given as: (a) Land. (b) Buildings. (c) Plant and Equipment. (d) Furniture and Fixtures (e) Vehicles.	Name of Plant & Machinery changed to Plant & Equipment (inspired from IFRS), Furniture & Fitting changed to Furniture & Fixtures. Further new line item of "Office Equipment" and "others" included. Livestock, railway siding,

(f) Office equipment. (g) Others (specify nature).	development property have been deleted. However, if they exist, the same should be disclosed as a separate asset class, specifying nature thereof. Leasehold land and freehold land to be disclosed separately.
(ii) Assets under lease shall be separately specified under each class of asset.	Means assets given on operating lease in case of lessor and assets held under finance lease in case of lease. Further leasehold improvements should continue to be shown as a separate asset class.
(iii) A reconciliation of the gross and net carrying amounts of each class of assets at the beginning and end of the reporting period showing additions, disposals, acquisitions through business combinations and other adjustments and the related depreciation and impairment losses/ reversals shall be disclosed separately.	Here new requirement of disclosure of acquisitions through business combinations and other adjustments and impairment losses / reversals in the reconciliation of opening and closing gross and net carrying amounts of Tangible Assets, has been inserted. Examples of other adjustments are capitalization of exchange differences where such option has been exercised by the Company and/or adjustments on account of exchange fluctuations for fixed assets in case of non-integral operations as per AS 11 and/or borrowing costs capitalised in accordance with AS 16. Such adjustments should be disclosed separately for each class of assets. It is pertinent to mention that such disclosures are not required for capital work in progress and intangible assets under development as for these items no disclosure requirements in notes to accounts have been prescribed.
(iv) Where sums have been written off on a reduction of capital or revaluation of assets or where sums have been	Similar disclosure requirement was there in Old Schedule VI. However disclosure regarding revalued

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.	assets as required by AS 10 i.e. gross book value of revalued assets, method adopted to compute revalued amounts, nature of indices used, year of appraisal etc will have to be given as long as the asset is held by the company and not only for five years.

J. Intangible assets

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

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

Disclosure Requirement as per Revised Schedule VI		Analysis
(i)	Classification shall be given as: (a) Goodwill. (b) Brands /trademarks (c) Computer software (d) Mastheads and publishing titles. (e) Mining rights. (f) Copyrights, and patents and other intellectual property rights, services and operating rights. (g) Recipes, formulae, models, designs and prototypes. (h) Licenses and franchise. (g) Others (specify nature). (i) Others (specify nature).	New line items of Computer Software, Mast heads & publishing titles, mining rights, Recipes, Formulae, Models, Designs and Prototypes, Licenses & Franchise. Trademarks have been renamed as Brands / Trademarks and Patents renamed as Copyrights & patents and other intellectual property rights, services and operating rights.
(ii)	A reconciliation of the gross and net carrying amounts of each class of assets at the beginning and end of the reporting period	Here new requirement of disclosure of acquisitions through business combinations and other adjustments and impairment losses / reversals in the

	showing additions, disposals, acquisitions through business combinations and other adjustments and the related amortization and impairment losses/reversals shall be disclosed separately.	reconciliation of opening and closing gross and net carrying amounts, has been inserted.
(iii)	Where sums have been written off on a reduction of capital or revaluation of assets or where sums have been added on revaluation of assets, every Balance Sheet subsequent to date of such write-off, or addition shall show the reduced or increased figures as applicable and shall by way of a note also show the amount of the reduction or increase as applicable together with the date thereof for the first five years subsequent to the date of such reduction or increase.	It is pertinent to mention here that AS 26 Intangible Assets does not permit revaluation of intangible assets.

K. Non-current investments

Earlier the entire investments (current as well as non-current) were shown separately on face of balance sheet between Fixed Assets and Current assets, loans and advances. But under Revised Schedule VI the current and non-current investments are to be shown separately under relevant heads. Accordingly Non-current investments are shown under head non-current assets. As per para 6K of the General Instructions for Preparation of Balance Sheet a company shall disclose the following in respect of non-current Investments in the Notes to Accounts:

Disclosure Requirement as per Revised Schedule VI	Analysis
(i) Non-current investments shall be classified as trade investments and other investments and further classified as:-	
(a) Investment property;	Earlier term Immovable property was used. This term is taken from IFRS (IAS 40- Investment property)

(b) Investments in Equity Instruments; (c) Investments in preference shares	Earlier Investment in shares was required now the bifurcation of same into Equity and preference shares needs to be given.
(d) Investments in Government or trust securities;	Same disclosure was required.
(e) Investments in debentures or bonds;	Same disclosure was required
(f) Investments in Mutual Funds;	New line item.
(g) Investments in partnership firms	Same disclosure was required. This disclosure is to be made if the company is a partner at the date of the balance sheet.
(h) Other non-current investments (specify nature)	Nature to be specified for each other non-current investments.
Under each classification, details shall be given of names of the bodies corporate (indicating separately whether such bodies are (i) subsidiaries, (ii) associates, (iii) joint ventures, or (iv) controlled special purpose entities) in whom investments have been made and the nature and extent of the investment so made in each such body corporate (showing separately investments which are partly-paid). In regard to investments in the capital of partnership firms, the names of the firms (with the names of all their partners, total capital and the shares of each partner) shall be given.	Earlier details were required in a separate statement in respect of all investments, whether existing or not, made subsequent to end of previous financial year. Now the details are in respect of only closing balance. Further separate disclosure is now required for (i) subsidiaries, (ii) associates, (iii) joint ventures, or (iv) controlled special purpose entities, whereas earlier such disclosure was required for bodies corporate under the same management. Same disclosure was required for investment in capital of partnership firms.
(ii) Investments carried at other than at cost should be separately stated specifying the basis for valuation thereof.	As per AS 13, the long-term investments are usually carried at cost. However when there is a decline, other than temporary, in the value of a long-term investment, the carrying amount is to be reduced to recognize the decline. Accordingly the basis of valuation could either be at cost less provision for other

	than temporary diminution or lower of cost and fair value.
(iii) The following shall also be disclosed: (a) Aggregate amount of quoted investments and market value thereof; (b) Aggregate amount of unquoted investments; (c) Aggregate provision for diminution in value of investments	New requirement for disclosing aggregate provision for diminution in value of investments has been inserted. As per AS 13, the value of each long-term investment should be carried at cost less provision for other than temporary dimunition in the value thereof. Accordingly disclosure of amount after netting of provision is to be made for each long-term investment. However aggregate amount of such provision should also be separately disclosed to comply with the specific disclosure requirement.

L. Long-term loans and advances.

This is one of the line items under head Non-current assets. Earlier all the loans and advances were clubbed with current assets irrespective of their realization period. But now the same are required to be classified into Long-term (non-current) and Short-term loans and advances (current). As per para 6L of the General Instructions for Preparation of Balance Sheet a company shall disclose the following in respect of Long-term loans and advances in the Notes to Accounts:

Disclosure Requirement as per Revised Schedule VI	Analysis
(i) Long-term loans and advances shall be classified as:	Earlier there was no such line item.
(a) Capital Advances;	These are advances given for procurement of fixed assets which are non-current assets. Typically they cannot be realized in cash as it can only be converted into fixed assets, accordingly should be treated as non-current asset and disclosed here. Earlier no such head was there due to which these were normally included by companies under head Capital Work in Progress.

(b) Security Deposits;	
(c) Loans and advances to related parties (giving details thereof);	The details need to be given in accordance to AS 18, Related Party Disclosures.
(d) Other loans and advances (specify nature).	Examples: Advance Tax, prepaid expenses, not expected to be realized within next twelve months or operating cycle whichever is longer from the Balance Sheet date.
(ii) The above shall also be separately sub-classified as: (a) Secured, considered good; (b) Unsecured, considered good; (c) Doubtful.	Same as old Schedule VI.
(iii) Allowance for bad and doubtful loans and advances shall be disclosed under the relevant heads separately.	New requirement. The amount of allowance should now be disclosed separately for each category of loans and advances.
(iv) Loans and advances due by directors or other officers of the company or any of them either severally or jointly with any other persons or amounts due by firms or private companies respectively in which any director is a partner or a director or a member should be separately stated.	Same requirement was there in Old Schedule VI, however additional disclosures of loans and advances due from other companies under the same management and due by directors or other officers of the company have been dropped.

M. Other non-current assets

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

Disclosure Requirement as per Revised Schedule VI	Analysis
Other non-current assets shall be classified as:	
(i) Long Term Trade Receivables (including trade receivables on deferred credit terms);	New line item, earlier trade receivables (debtors) were always considered as current asset.

	Only non-current portion of amount due in respect of goods sold or services rendered in normal course of business is to be included here. Amount due under other contractual obligations like dues of insurance claims, sale of fixed assets, interest accrued on trade receivables etc are not shown as Trade Receivables. It is pertinent to mention here that the current portion of Trade receivables is shown on face of balance sheet under current assets, but the Long term trade receivables is not separately shown on face, but rather included in other non-current assets, however disclosure is made in the notes to accounts.
(ii) Others (specify nature)	Nature to be specified for each of other non-current asset.
(iii) Long term Trade Receivables, shall be sub-classified as:	
(i) (a) Secured, considered good; (b) Unsecured considered good; (c) Doubtful	Same as old Schedule VI.
(ii) Allowance for bad and doubtful debts shall be disclosed under the relevant heads separately.	New requirement. The amount of allowance should now be disclosed separately for each category of loans and advances.
(iii) Debts due by directors or other officers of the company or any of them either severally or jointly with any other person or debts due by firms or private companies respectively in which any director is a partner or a director or a member should be separately stated.	

N. Current Investments

This is the first line item in the head current assets. Earlier the entire investments (current as well as non-current) were shown separately on face of balance sheet between Fixed Assets and Current assets, loans and advances. But under Revised Schedule VI the current and non-current investments are to be shown separately under relevant heads. Accordingly Current investments are shown under head current assets. As per para 6N of the General Instructions for Preparation of Balance Sheet a company shall disclose the following in respect of Current Investments in the Notes to Accounts:

Disclosure Requirement as per Revised Schedule VI	Analysis
(i) Current investments shall be classified as:	No requirement of classification between trade and non-trade as was under Non-current investments.
(a) Investments in Equity Instruments;	
(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	Same disclosure was required. This disclosure is to be made if the company is a partner at the date of the balance sheet.
(g) Other investments (specify nature).	Nature to be specified for each of the other investments.

Under each classification, details shall be given of names of the bodies corporate (indicating separately whether such bodies are (i) subsidiaries, (ii) associates, (iii) joint ventures, or (iv) controlled special purpose entities) in whom investments have been made and the nature and extent of the investment so made in each such body corporate (showing separately 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.	Earlier details were required in a separate statement in respect of all investments, whether existing or not, made subsequent to end of previous financial year. Now the details are in respect of only closing balance. Further separate disclosure is now required for (i) subsidiaries, (ii) associates, (iii) joint ventures, or (iv) controlled special purpose entities, whereas earlier such disclosure was required for bodies corporate under the same management. Same disclosure was required for investment in capital of partnership firms.
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.	As per AS 13 Accounting for Investments, the carrying amount for current investments is the lower of cost and fair value. If an active market exists as regards an item of current investments, the market value generally provides the best evidence of fair value.

O. Inventories

As per Revised Schedule VI Inventories are always current asset and accordingly no line item of inventories exists under non-current assets. As per para 6O of the General Instructions for Preparation of Balance Sheet a company shall disclose the following in respect of inventories in the Notes to Accounts:

Disclosure Requirement as per Revised Schedule VI	Analysis
(i) Inventories shall be classified as:	Under Revised Schedule VI, there is no specific requirement for disclosure of

	inventory as non-current / current and its line item is provided only under current assets, accordingly Inventories should always be disclosed as current.
(a) Raw materials;	Same disclosure was required.
(b) Work-in-progress;	Same disclosure was required.
(c) Finished goods;	New line item, to be used by manufacturing entities for disclosing the stock of finished goods.
(d) Stock-in-trade (in respect of goods acquired for trading);	Same disclosure was required except that it is now to be used for depicting amount of stock of goods acquired for trading only as separate line item of finished goods provided for disclosure of stock of finished goods by manufacturing companies.
(e) Stores and spares;	Same disclosure was required.
(f) Loose tools;	Same disclosure was required.
(g) Others (specify nature).	New line item. Nature to be specified for each of the item of inventories included here.
(ii) Goods-in-transit shall be disclosed under the relevant sub-head of inventories.	New disclosure requirement. Required to be disclosed for each of relevant sub-head i.e. Raw material, stock-in trade etc.
(iii) Mode of valuation shall be stated.	Same disclosure was required. As per AS 2, valuation of Inventories, Inventories should be valued at lower of cost or net realizable value.

P. Trade Receivables

As discussed earlier not only the name has been changed from Sundry Debtors to Trade Receivable, but its classification amongst current / non-current is required. Further the term Trade receivables has been defined. The current portion of amount due covered as per definition of trade receivables are required to be disclosed as current assets on face of balance sheet and further as per para 6P of the General Instructions for Preparation of Balance Sheet a company shall disclose the following in respect of such trade recievables in the Notes to Accounts:

Disclosure Requirement as per Revised Schedule VI	Analysis
(i) Aggregate amount of Trade Receivables outstanding for a period exceeding six months from the date they are due for payment should be separately stated.	Earlier debts outstanding (from billing date) for period exceeding six months was to be disclosed separately, now Trade Receivables outstanding for a period exceeding six months from the date they are due for payment (i.e. billing date + credit period) should be separately stated.
(ii) Trade receivables shall be sub-classified as: (a) Secured, considered good; (b) Unsecured considered good; (c) Doubtful.	Similar sub-classification was required earlier also.
(iii) Allowance for bad and doubtful debts shall be disclosed under the relevant heads separately	New requirement. The amount of allowance should now be disclosed separately for each category of Trade Receivables i.e. Secured, considered good etc.
(iv) Debts due by directors or other officers of the company or any of them either severally or jointly with any other person or debts due by firms or private companies respectively in which any director is a partner or a director or a member should be separately stated.	Same requirement was there in Old Schedule VI, however additional disclosures of debts due from other companies under the same management and due by directors or other officers of the company have been dropped.

Q. Cash and cash equivalents

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

Disclosure Requirement as per Revised Schedule VI	Analysis
(i) Cash and cash equivalents shall be classified as:	Terminology changed from cash and bank balances to cash and cash equivalents, which is the term used in AS 3 Cash Flow Statements.

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

	treated as non-current asset, which view has also been taken in FAQs of ICAI (refer chapter 8) and accordingly cannot be shown as other bank balances also. It may be shown as other non-current assets.

R. Short-term loans and advances

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

Disclosure Requirement as per Revised Schedule VI	Analysis
(i) Short-term loans and advances shall be classified as:	
(a) Loans and advances to related parties (giving details thereof);	The details need to be given in accordance to AS 18, Related Party Disclosures.
(b) Others (specify nature).	Examples : Advance Tax, prepaid expenses, Cenvat Credit etc expected to be realized within next twelve months or operating cycle whichever is longer from the Balance Sheet date.
(ii) The above shall also be sub-classified as: (a) Secured, considered good; (b) Unsecured, considered good; (c) Doubtful.	Same as old Schedule VI.
(iii) Allowance for bad and doubtful loans and advances shall be disclosed under the relevant heads separately.	New requirement. The amount of allowance should now be disclosed separately for each category of loans and advances.
(iv) Loans and advances due by directors or other officers of the company or any of them either severally or jointly with any other person or amounts due by firms or private companies respectively in which	Same requirement was there in Old Schedule VI, however additional disclosures of loans and advances due from other companies under the same management and due by directors or

any director is a partner or a director or a member shall be separately stated.	other officers of the company have been dropped.

S. Other current assets (specify nature).

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

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

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

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

Disclosure Requirement as per Revised Schedule VI	Analysis
(i) Contingent liabilities shall be classified as:	For definition of Contingent liabilities refer to Chapter-9.
(a) Claims against the company not acknowledged as debt;	Same disclosure was required.
(b)Guarantees;	New disclosure requirement.
(c)Other money for which the company is contingently liable	Same disclosure was required.
(ii) Commitments shall be classified as: (a) Estimated amount of contracts remaining to be executed on capital account and not provided for;	Same disclosure was required.
(b) Uncalled liability on shares and other investments partly paid	Same disclosure was required.

(c) Other commitments (specify nature).	New disclosure requirement and as per Guidance Note on Revised Schedule VI of ICAI, would include non-cancellable revenue expenditure contractual commitments (i.e cancellation of which will result in penalty disproportionate to the befits involved) based on professional judgment of the management which are material and relevant in understanding the financial statements of the company and impact the decision making of the users of the financial statements.

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

Disclosure Requirement as per Revised Schedule VI	Analysis
U. The amount of dividends proposed to be distributed to equity and preference shareholders for the period and the related amount per share shall be disclosed separately. Arrears of fixed cumulative dividends on preference shares shall also be disclosed separately.	Para 14 of the Accounting Standard 4 "Contingent and Events Occurring After the Balance Sheet Date" requires that dividends in respect of period covered by financial statements which are proposed or declared after balance sheet date but before date of approval should be adjusted in accounts. Although Revised Schedule VI does not require provision for proposed dividend, however as the Accounting Standards have an overriding effect over Revised Schedule VI, accordingly companies will have to account for the same alongwith Dividend Distribution tax thereon, until revision to this effect is made in AS 4. Till revision of AS 4,the appropriation amount towards the proposed dividend along with tax on same would be shown

	as appropriation under sub-head "Surplus" under head "Reserves and Surplus" in the notes to accounts and provisions towards these items would be shown under head 'Short Term Provisions' under Current liabilities.
V. Where in respect of an issue of securities made for a specific purpose, the whole or part of the amount has not been used for the specific purpose at the Balance Sheet date, there shall be indicated by way of note how such unutilized amounts have been used or invested.	New disclosure requirement.
W. If, in the opinion of the Board, any of the assets other than fixed assets and non-current investments do not have a value on realization in the ordinary course of business at least equal to the amount at which they are stated, the fact that the Board is of that opinion, shall be stated	Same disclosure was required.

Other Issues

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

Further as per AS 16 Borrowing Costs ancillary borrowing costs and discount or premium relating to borrowings could be amortized over the loan period. Further, share issue expenses, discount on shares, ancillary costs-discount premium on borrowing, etc., being special nature items are excluded from the scope of AS 26 Intangible Assets (Para 5). Keeping this in view, certain companies have taken a view that it is an acceptable practice to amortize these expenses over the period of benefit, i.e., normally 3 to 5 years. The Revised Schedule VI does not deal with any accounting treatment and the same continues to be governed by the respective Accounting Standards/practices. Further, the Revised Schedule VI is clear that additional line items can be added on the face or in the notes. Keeping this in view as per Guidance Note on Revised Schedule VI an entity can disclose the unamortized portion of such expenses as "Unamortized expenses", under the head "other current/ non-current assets", depending on whether the amount will be amortized in the next 12 months or thereafter.

Chapter 6
Statement of Profit and Loss

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

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

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

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

PART II

FORM OF STATEMENT OF PROFIT AND LOSS

Name of the Company…………………….

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

(Rupees in………..)

Particulars	Note No.	Figures as at end of current reporting period	Figures as at end of previous reporting period	Analysis
1	2	3	4	
I. Revenue from operations				Here revenue on account of company's main operating activity are shown. Separate disclosure of break up the revenue need to be provided in the notes to accounts as per para 2(A) of the general instructions for preparation of Statement of Profit and Loss for a company other than finance company and as per para 2 (B) for a finance company. The relevant para with analysis thereof has been discussed later.
II. Other income				Here other revenue not arising out of company's main operating activity are shown. Details

				regarding classification of other income has been provided in para 4 of General Instructions, such details need to be provided in the Notes to accounts. The relevant para with analysis thereof has been discussed later.
III. Total Revenue (I + II)				
IV. Expenses:				
Cost of materials consumed				This disclosure is required to be made by manufacturing companies and same would consist of consumption of raw material, packing material (where classified by company as raw materials) and other materials such as purchased intermediates and components which are consumed in the manufacturing activities of the company. It would also include semi finished goods purchased for processing and subsequent sale. Further disclosure of raw materials and goods purchased under broad heads is also

				required in Notes to accounts as per para 5 (ii) (a) (1) and (2) of general instructions for preparation of statement of profit and loss. The relevant paras with analysis thereof has been discussed later.
Purchases of Stock-in-Trade				This is applicable for trading companies and would comprise of goods purchased normally with the intention to resell or trade in, without any processing / manufacture at their end. Further disclosure of purchases in respect of goods traded in by the company under broad heads is also required in Notes to accounts as per para 5 (ii) (b) of general instructions for preparation of statement of profit and loss. The relevant para with analysis thereof has been discussed later.
Changes in inventories of finished goods work-in progress and Stock-in-Trade				This represents the difference between opening and closing inventories of finished goods, work-in-

				progress and stock-in-trade. Such differences would be shown separately for finished goods, work-in-progress and stock-in-trade. No further disclosure requirement in the notes to accounts for this item is there in the general instructions for preparation of statement of profit and loss.
Employee benefits expense				The aggregate amount is shown here, however the break up of same is required to be disclosed in the notes to accounts as per para 5 (i) (a) of the general instructions for preparation of statement of profit and loss. The relevant para with analysis thereof has been discussed later.
Finance costs				The aggregate amount is shown here, however the break up of same is required to be disclosed in the notes to accounts as per para 3 of the general instructions for preparation of statement of profit and loss. The relevant para with analysis thereof has been discussed

				later.
Depreciation and amortization expense				The term amortization has been added with the term depreciation. The term amortization refers to systematic allocation of the depreciable amount of an intangible asset over its useful life. Further additional information is required to be disclosed in the notes to accounts as per para 5 A (b) of general instructions for preparation of statement of profit and loss. The relevant para with analysis thereof has been discussed later.
Other expenses				Expenses not covered above are required to be aggregated here. Examples of other expenses are consumption of stores and spare parts, power and fuel rent, repairs, insurance etc. Para 5 (vi) of general instructions provides expenditure incurred on certain items to be shown separately by way of notes.
Total expenses				
V. Profit before				

exceptional and extraordinary items and tax (III-IV)				
VI. Exceptional items				Here total impact of the exceptional items like gain / loss on disposals of long-term investments, legislative changes having retrospective application, litigation settlements disposals of items of fixed assets and other reversals of provisions etc are to be shown.
VII. Profit before extraordinary items and tax (V - VI)				
VIII. Extraordinary Items				Here total impact of the extraordinary items like expense related to previous periods, arising out of long term settlement with the employees, loss due to fire etc are to be shown.
IX. Profit before tax (VII- VIII)				
X Tax expense: (1) Current tax (2) Deferred tax				Disclosure of deferred tax was not specified in Old Schedule VI. AS 22 "Accounting for Taxes on Income" to be followed.
XI. Profit (Loss) for the period from continuing operations (VII-VIII)				

XII Profit/(loss) from discontinuing operations				Earlier not required to be disclosed separately. This insertion is in accordance to Para 32(a) of AS-24 "Discontinuing Operations"
XIII. Tax expense of discontinuing operations				
XIV. Profit/(loss) from Discontinuing operations (after tax) (XII-XIII)				
XV. Profit (Loss) for the period (XI + XIV)				This represents the profit after tax. As discussed earlier the appropriations are not depicted on face of statement of profit and loss and they need to be shown under Reserves and Surplus in balance sheet.
XVI. Earnings per equity share: (1) Basic (2) Diluted				No such requirement was there in Old Schedule VI, however same was being disclosed as per AS 20 "Earning per share". Now this requirement has been inserted in Revised Schedule VI.
See accompanying notes to the financial statements				

GENERAL INSTRUCTIONS FOR PREPARATION OF STATEMENT OF PROFIT AND LOSS

Disclosure Requirement as per Revised Schedule VI	Analysis
1. The provisions of this Part shall apply to the income and expenditure account referred to in sub-section (2) of Section 210 of the Act, in like manner as they apply to a statement of profit and loss.	The companies not carrying on the business for profit, shall be preparing income and expenditure account as per Part II, wherein the references to statement of profit and loss, profit and loss shall be construed as income and expenditure account, the excess of income over expenditure and excess of expenditure over income. There was same requirement under old Schedule VI.
2. (A) In respect of a company other than a finance company revenue from operations shall disclose separately in the notes revenue from (a) sale of products; (b) sale of services; (c) other operating revenues; Less: (d) Excise duty.	No such specific disclosure requirement was there under Old Schedule VI. As per AS-9 "Revenue Recognition", the disclosure of Excise Duty needs to be shown on the face of the Statement of Profit and Loss. As Accounting Standards override the Revised Schedule VI, accordingly Excise Duty needs disclosure on face of Statement of P&L, instead of in notes. Further amount of VAT should not be included in Revenue. Also other indirect taxes like service tax, purchase tax etc shall also not be included in revenue where the entity is acting as an agent. Other operating revenues are revenues arising out of the company's main operating activity e.g. sale of manufacturing scrap.
(B) In respect of a finance company, revenue from operations shall include revenue from	No such specific disclosure requirement was there under Old Schedule VI.

(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.	Finance Companies are companies carrying on activities which are in nature of "business of non-banking financial institution" as defined under section 45I(f) of the Reserve Bank of India Act, 1935. Interest is a charge on loan. Other financial services includes incomes like processing charges, appraisal fee, guarantee fees, lead FI fees and other revenues of a finance company earned in normal course of business other than interest.
3. Finance Costs Finance costs shall be classified as: (a) Interest expense; (b Other borrowing costs; (c) Applicable net gain/loss on foreign currency transactions and translation.	No such classification was earlier required. This is in consonance with AS 16 "Borrowing Costs" requirements. Other borrowing costs includes amortization of issue expenses and discount as per AS 16. The net gain/loss on foreign currency transactions and translation to the extent that they are regarded as an adjustment to interest Costs as per AS 16 need to be separately quantified and disclosed in the notes to accounts and cannot be included in interest or other borrowing costs.
4. Other income Other income shall be classified as:	These includes such incomes which are arising from activities other than company's main operating activity. The disaggregation's of the other income as appearing on face of statement of profit and loss needs to provided here.
(a) Interest Income (in case of a company other than a finance company);	Interest income of a finance company is covered under revenue from operations, and therefore only interest income of companies other than

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

(d) Other non-operating income (net of expenses directly attributable to such income).	The expenses netted off to be separately disclosed. While disclosing this item para 5 (i) (c) is to be considered which states that any item of income which exceeds one percent of revenue from operations or Rs 1,00,000/- whichever is higher should be disclosed by way of notes.
5. Additional Information A Company shall disclose by way of notes additional information regarding aggregate expenditure and income on the following items:-	
(i) (a) Employee Benefits Expense [showing separately (i) salaries and wages, (ii) contribution to provident and other funds, (iii) Expense on Employee Stock Option Scheme (ESOP) and Employee Stock Purchase Plan (ESPP), (iv) staff welfare expenses].	New disclosure requirement for disclosure of expense on Employee Stock Option Scheme (ESOP) and Employee Stock Purchase Plan (ESPP) introduced. These expenses should be determined for in accordance with the Guidance Note on Accounting for Employee Share based Payments and / or the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as applicable. All disclosures under said Guidance Notes also needs to be made.
(b) Depreciation and amortization expense;	As aggregate amount is shown on face of Statement of Profit and Loss the breakup of same between depreciation and amortization is required to be disclosed here by way of notes. Normally these details are already there in the notes regarding fixed assets (tangible and intangible assets) and accordingly on the face of Statement of Profit and Loss against this item, the relevant note number of fixed assets may be indicated.

(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;	Earlier the requirement for separate disclosure was required for an item of expense exceeding 1% of total revenue or Rs 5000, whichever is higher. Now the limit has been enhanced to Rs 1,00,000/- and same has also been extended to incomes as well.
(d) Interest Income;	The aggregate of interest income is to be classified as other income and disclosed as notes. Here additional information regarding aggregate income is required to be disclosed by way of notes.
(e) Interest Expense;	The aggregate of interest expense is to be classified as finance costs and disclosed as notes. Here additional information regarding aggregate interest expense is required to be disclosed by way of notes.
(f) Dividend Income;	The aggregate of dividend income is to be classified as other income and disclosed as notes. Here additional information regarding aggregate dividend Income is required to be disclosed by way of notes.
(g) Net gain/ loss on sale of investments;	The aggregate of Net gain/ loss on sale of investments is to be classified as other income and disclosed as notes. Here additional information regarding its aggregate amount is required to be disclosed by way of notes.
(h) Adjustments to the carrying amount of investments;	As per AS 13 "Accounting for Investments" The carrying amount for current investments is the lower of cost and fair value. Further Long-term investments are usually carried at cost. However, when there is a decline,

	other than temporary, in their value, the carrying amount is reduced to recognise the decline. Although no guidance has been provided in the Schedule regarding the head wherein such loss would be included but same may be shown separately in the notes as part of head "other expenses".
(i) Net gain or loss on foreign currency transaction and translation (other than considered as finance cost);	Net gain or loss on foreign currency transaction and translation (other than considered as finance cost) to the extent charged to profit and loss account and arrived at as per AS 16 "The Effects of Changes in Foreign Exchange Rates" are to be disclosed here. Although no guidance has been provided in the Schedule regarding the head wherein such gain / loss would be included but generally such gains are to be shown separately in the notes as part of sub-head "other non-operating income" under main other income. The losses would be included under head "other expenses".
(j) Payments to the auditor as (a) auditor,(b) for taxation matters, (c) for company law matters, (d) for management services, (e) for other services, (f) for reimbursement of expenses;	The said disclosure was required earlier also, however separate line item of reimbursement of expenses has been added. Although no guidance has been provided in the Schedule regarding the head wherein such payments would be included but same may be shown separately in the notes as part of head "other expenses".
(k) Details of items of exceptional and extraordinary nature;	The aggregate of exceptional and extraordinary items are shown on the face of Statement of Profit and Loss.

	The additional information regarding this aggregate amount also needs to be disclosed by way of notes.
(l) Prior period items;	No such requirement was there in Old Schedule VI. As per para 15 of AS 5 "Net Profit or Loss for the period, Prior Period and Extraordinary Items and Changes in Accounting Policies". The nature and amount of prior period items should be separately disclosed in the statement of profit and loss in a manner that their impact on the current profit or loss can be perceived. Under Revised Schedule VI information regarding aggregate expenditure and income on the prior period items is not required to be disclosed on the face of Statement of P&L but same needs to be disclosed by way of notes. Currently the companies were showing the prior period items as a separate head on face of Statement of Profit and Loss, which can be continued for better presentation instead of disclosure in notes.
(ii) (a) In the case of manufacturing companies,- (1) Raw materials under broad heads. (2) Goods purchased under broad heads.	Earlier quantitative information was specifically desired. However as per Guidance Note on Revised Schedule VI, a 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 intermediaries / components / packing material). ii) Goods purchased for trading (if any). iii) It is suggested to disclose major
(b) In the case of trading companies, purchases in respect of goods traded in by the company under broad heads.	
(c) In the case of companies rendering or supplying services, gross income derived from services rendered or supplied under broad heads.	
(d) In the case of a company, which falls	

under more than one of the categories mentioned in (a), (b) and (c) above, it shall be sufficient compliance with the requirements herein if purchases, sales and consumption of raw material and the gross income from services rendered is shown under broad heads.	items of opening and closing stock. (Not mandatory). iv) Considering the requirement to disclose gross income in case of a service company and sales in case of a company falling in more than one category, disclosure of sales of finished goods should also be made under broad heads. Normally 10% of total value of sales / services, purchase of trading goods and consumption of raw material is considered as an acceptable threshold for determination of broad heads. The suggested disclosure in tabular format has also been provided at page no 75-77 of the Guidance Note on Revised Schedule VI.
(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.	Same requirement prevailed under Old Schedule VI. However as per format of Statement of Profit and Loss the reserves created / withdrawn are not to be reflected on the face of Statement of Profit and Loss and they should be disclosed under sub head Surplus of main head Reserve and Surplus. The provisions made for meeting specific liabilities, contingencies or commitments need to be included in the relevant head to which it pertains like creation of employee related provisions is to be included under head employee benefit expense.
(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.	Same disclosure was required under old Schedule VI except that new line item of Rates and Taxes, excluding taxes on income has been inserted.

(c) Rent. (d) Repairs to buildings. (e) Repairs to machinery. (g) Insurance. (h) Rates and taxes, excluding, taxes on income. (i) Miscellaneous expenses,	All these expenses are to be disclosed under head 'other expenses'.
(vii) (a) Dividends from subsidiary companies.	The dividend from subsidiaries would be included under subhead 'Dividend Income' under main head 'Other Income'. Old Schedule VI specifically required parent (holding) companies to recognize dividend declared by subsidiary companies even if declared after the Balance Sheet date if they relate to the period covered by the financial statements. The Revised Schedule VI does not have such requirement, accordingly such dividends should be recognized in accordance to AS 9 "Revenue Recognition" when right to receive has been established on or before the balance sheet date. Normally, the such right is established on approval of dividend by the shareholders at the AGM of the investee company. As per Guidance Note the above change constitutes a change in accounting policy and should be recognized prospectively, however previous year figures should not be restated. Also the dividend recognized earlier should not be recognized again in first Revised Schedule VI financial statements.
vii (b) Provisions for losses of subsidiary companies.	As per AS 13 "Accounting for Investments" a provision in respect of

	losses made by subsidiary companies is made only when the same results in an other than temporary diminution in the value of investments in the subsidiary.
(Viii) The profit and loss account shall also contain by way of a note the following information, namely:-	
a) Value of imports calculated on C.I.F basis by the company during the financial year in respect of – I. Raw materials; II. Components and spare parts; III. Capital goods;	Same disclosure was required under old Schedule VI. The said disclosure is required to be made in Indian Rupees on accrual basis irrespective of payment. Further it is not linked with the consumption of the material or utilization of capital goods. Imports wherein entire payment has been structured in Indian Rupees, without involvement of foreign currency also needs to be disclosed. The value of imports (only direct imports) are calculated on CIF basis i.e. inclusive of cost, insurance, freight.
b) Expenditure in foreign currency during the financial year on account of royalty, know-how, professional and consultation fees, interest, and other matters;	Same disclosure was required under old Schedule VI. The said disclosure is required to be made in Indian Rupees on accrual basis irrespective of payment. The gross expenditure (including TDS) may be disclosed here.
c) Total value if all imported raw materials, spare parts and components consumed during the financial year and the total value of all indigenous raw materials, spare parts and components similarly consumed and the percentage of each to the total consumption;	Same disclosure was required under old Schedule VI. This value should match with the total consumption shown in the Statement of Profit and Loss inclusive of figure of consumption charged to other heads of account.
d) The amount remitted during the year in foreign currencies on account of dividends	Same disclosure was required under old Schedule VI.

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;	Here the disclosure is on cash basis instead of accrual basis.
e) Earnings in foreign exchange classified under the following heads, namely:- I. Export of goods calculated on F.O.B. basis; II. Royalty, know-how, professional and consultation fees; III. Interest and dividend; IV. Other income, indicating the nature thereof	Same disclosure was required under old Schedule VI. The said disclosure is required to be made in Indian Rupees on accrual basis irrespective of receipt. The gross income (including TDS) may be disclosed here.
Note:-Broad heads shall be decided taking into account the concept of materiality and presentation of true and fair view of Financial Statements".	No such note existed in Old Schedule VI, and this note is further corroborating the inherent character of flexibility provided under Revised Schedule VI.

Chapter-7

Current, Non-Current Classification– Practical Application

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

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

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

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

For being able to classify an asset or liability correctly amongst current / non-current, it is of utmost importance that we understand the related definitions of these terms provided in Revised Schedule VI.

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

An ASSET shall be classified as CURRENT when it satisfies ANY OF (i.e. any one of) the following criteria:

(a) it is expected to be realized in, or is intended for sale or consumption in, the company's normal operating cycle;

(b) it is held primarily for the purpose of being traded;

(c) it is expected to be realized within twelve months after the reporting date; or

(d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets shall be classified as NON CURRENT.

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

An OPERATING CYCLE is the time between the acquisition of assets for processing and their realization in cash or cash equivalents. Where the normal operating cycle cannot be identified, it is assumed to have a duration of 12 months.

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

A LIABILITY shall be classified as CURRENT when it satisfies ANY OF (i.e. any one of) the following criteria:

(a) it is expected to be settled in the company's normal operating cycle;

(b) it is held primarily for the purpose of being traded;

(c) it is due to be settled within twelve months after the reporting date; or

(d) the company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other LIABILITIES shall be classified as NON-CURRENT.

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

From above it appears that under Revised Schedule VI effort has been made to further ease the understanding of the definition however the practical results of both the definitions would be the same.

Analysis of Definition - Assets

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

Operating Cycle Criterion

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

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

Trading Criterion

As per this criterion as asset shall be current if it is held primarily for the purpose of being traded. This criterion is generally applicable for Inventories, derivative financial assets, equity debt instruments etc. It may be noted that there is no limit of time period for realization under this criterion. Accordingly if an asset is held for trading the same will always be current, irrespective of expected time taken to realize the same. As per the FAQ on Revised Schedule VI of ICAI (refer Chapter -8) the term 'for the purpose of being traded' should be considered as related to the normal operating business activity of the entity.

Realisability Criterion

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

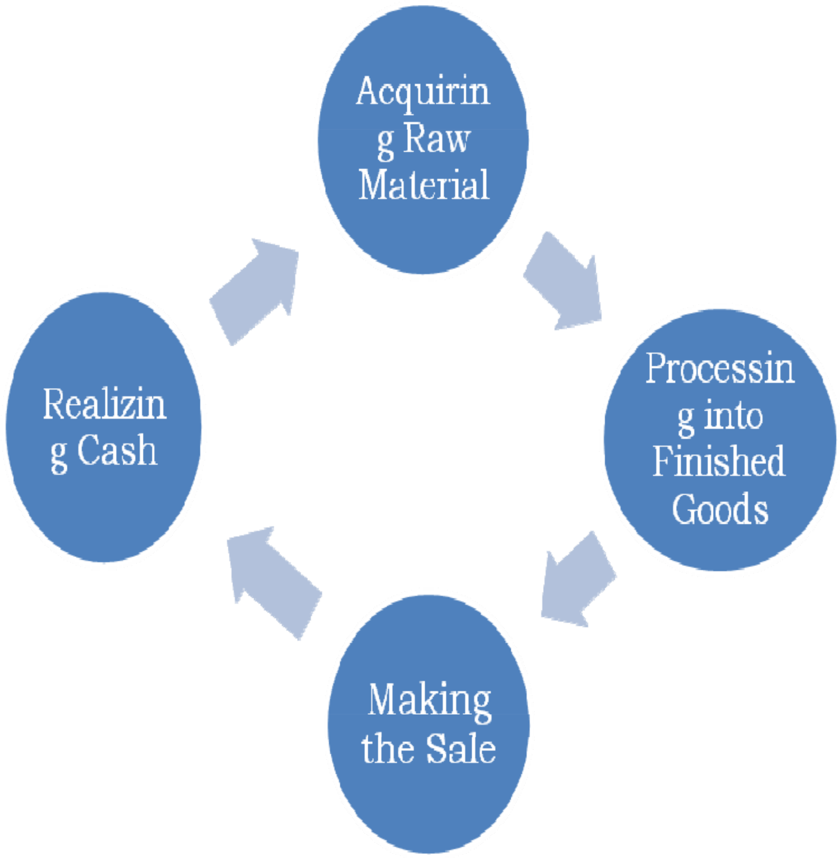
An asset (other than cash & cash equivalents) is to be classified as CURRENT if satisfies ANY ONE of three criterion.

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

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

Analysis of Definition – Operating Cycle

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



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

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

Analysis of Definition - Liabilities

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

Operating Cycle Criterion

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

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

Trading Criterion

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

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

Settlement Criterion

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

Unconditional right to defer criterion

This is applicable for all liabilities. Where an entity has unconditional right to defer settlement of liability beyond 12 months from reporting date, such liability shall be classified as non-current. However if no such right vests with the entity then such liability would be shown as current liability.

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

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

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

Practical Application

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

The practical application of above is explained in following examples:

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

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

2) Operating cycle of entity is 6 months. It has trade receivables of Rs 50 lacs towards sale of goods on 01.08.2011. Normal credit period is 3 months. The company expects to realise it by 31.03.2013. In Balance Sheet as on 31.03.2012, these trade receivables are whether current or non-current ?

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

3) Whether any change in classification if in above example the expected date of realization was 30.06.2013.?

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

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

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

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

5) As of March 31, 2012, a property developer has completed inventories of residential units which it expects to sell in 3 years. Historically similar residential units have been sold in 3 years. As of March 31, 2012, should the inventories of residential units be classified as current or non current assets?

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

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

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

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

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

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

8) As of March 31, 2012, Company X has breached a covenant and as per the terms of the agreement the bank loan became immediately payable. On April 5, 2011, the bank agreed to waive the covenant. As of March 31, 2012, should the loan be classified as current or non-current liability?.

As the borrower does not have an unconditional right to defer the settlement as on the reporting date in the instant case, accordingly entire loan is to be shown as current. The waiver by bank on 5th April, 2012, is a non-adjusting event as per AS 4, Contingencies and Events Occurring after the Balance Sheet Date.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

16) How should deferred tax asset and liability be classified ?

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

17) How the employee related provisions are to be classified?

As per Guidance Note on Revised Schedule VI of ICAI, Liability toward bonus, etc., payable within one year from the Balance Sheet date is classified as "current". In case of accumulated leave outstanding as on the reporting date, the employees have already earned the right to avail the leave and they are normally entitled to avail 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.

Regarding funded post-employment benefit obligations, amount due for payment to the fund created for this purpose within twelve months is treated as "current" liability. Regarding the unfunded post employment benefit obligations, a company will have settlement obligation at the Balance Sheet date or within twelve months for employees such as those who have already resigned or are expected to resign (which is factored for actuarial valuation) or are due for retirement within the next twelve months from the Balance Sheet date. Thus, the amount of obligation attributable to these employees is a "current" liability. The remaining amount attributable to other employees, who are likely to continue in the services for more than a year, is classified as "non-current" liability. Normally the actuary should determine the amount of current & non-current liability for unfunded post-employment benefit obligation based on the definition of Current and Non-current assets and liabilities in the Revised Schedule VI.

For further issues and their solutions refer to chapter-8 wherein the FAQs on Revised Schedule VI of ICAI, which have been uploaded on ICAI website on 22-05-2012, are reproduced.

Head Wise Classification Concepts – At A Glance

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

1. Shareholders' funds:

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

2. Share Application Money:

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

3. Borrowings

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

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

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

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

4. Deferred Tax Assets / Liabilities

Deferred Tax Assets / Liabilities are always Non-current.

5. Trade payables

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

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

6. Provisions

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

7. Fixed Assets

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

8. Investments

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

9. All Inventories are always current.

10. Trade Receivables

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

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

11. Cash and Cash Equivalents

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

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

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

Chapter 8

Frequently Asked Questions (FAQS) on Revised Schedule VI Issued By ICAI

For benefit of members the FAQs on Revised Schedule VI, which was uploaded in the Institute's website www.icai.org on 22.05.2012 are reproduced below:

General

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

Para 4.1.1 of the Revised Schedule VI necessitates that if compliance with the requirements of the Act and/or accounting standards requires a change in the treatment or disclosure in the financial statements, the requirements of the Act and/or accounting standards will prevail over the Schedule VI.

As per the general instruction for preparation of the balance sheet, the regulatory authority requirements that override Schedule VI and Schedule VI shall automatically stand modified to that extent.

2. A company is preparing its financial statements in accordance with the Revised Schedule VI for the first time. For certain information required to be disclosed in the notes, the current year amounts are nil. For example, let us assume that there is no default in repayment of loan and interest existing as at the end of current year. Is the company required to present previous year figures for such notes? Alternatively, can it omit the previous year information since no disclosure is required in the current year?

Revised Schedule VI requires that "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."

The objective of presenting comparative information is to help users of financial statements in understanding the trends and key changes vis -à-vis the previous period financial statements. The inter-period comparability of information assists users in taking their economic decisions. Hence, a company needs to present comparative information for disclosures required under Revised Schedule VI even if their current period amount is nil.

3. Can a company prepare abridged financial statements (AFS) in accordance with the Revised Schedule VI?

Companies, where they are permitted / allowed to publish abridged financial statements, are not precluded from doing so using the format recently prescribed for this purpose.

4. A company having a December year-end will prepare its first Revised Schedule VI financial statements for statutory purposes for the period 1 January to 31 December 2012. Should such a company prepare its tax financial statements for the period from 1 April 2011 to 31 March 2012 in accordance with Revised Schedule VI or pre-Revised Schedule VI?

It is only proper that accounts for tax filing purposes are also prepared in the Revised Schedule VI format for the year ended 31 March 2012.

5. According to the MCA circular, presentation of financial statements for the limited purpose of IPO / FPO during the financial year 2011–12 may be made in the pre-Revised Schedule VI format.

However, for periods beyond 31 March 2012, they need to present financial statements only in the Revised Schedule VI format. This gives rise to the following questions:

(a) A company having 31 March year-end is going for IPO/FPO in May 2012. In the offer document, it will include restated financial information for the period ending 31 January 2012. Can it prepare the said financial information using pre-Revised Schedule VI format?

(b) A company having 31 December year-end is going for IPO/FPO in September 2012 and its IPO process is expected to close by 30 November 2012. In the offer document, it will include restated financial information for the stub-period ending 30 June 2012. Can it prepare the said financial information using the pre-Revised Schedule VI format?

(c) Also, for inclusion in Qualified Institutional Placement (QIP) document, is a company required to prepare its financial statements in accordance with Revised Schedule VI?

As explained in the Circular dated 5 September 2011, the one-time exemption is available only if the IPO / FPO gets closed before 31 March 2012. For any IPO/ FPO, which will get closed after 31 March 2012, the company will prepare its restated financial information in accordance with Revised Schedule VI, irrespective of the period for which the information is being included in the offer document.

6. Revised Schedule VI requires a balance to be maintained between excessive detail and too much aggregation. Can a company use this principle to avoid giving disclosures specifically required by Revised Schedule VI / Guidance Note on the Revised Schedule VI, say, security details for each loan?

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

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

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

Classification

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

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

9. In accordance with Guidance Note on the Revised Schedule VI, a payable is classified as "trade payable" if it pertains to amount due

towards goods purchased or services received in the normal course of business. Based on this principle, can a company include in trade payables the liability towards employees, leases or other contractual liabilities? What is the treatment for amounts due towards capital goods purchased?

Paragraph 8.4.1 of Guidance Note on the Revised Schedule VI provides the following information with regard to identification of trade payables:

"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 and only commercial dues can be included under trade payables.

Amounts due towards purchase of capital goods should also not be included in trade payables. They must be disclosed under other current liabilities with a suitable description.

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

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

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

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

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

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

12. What is the definition of "Related Party"? Would the definition from the Accounting Standard prevail as the Companies Act does not have any definition of "Related Party" and has only "Relatives" defined u/s 6?

As per para 4.1.1 of Guidance Note on the Revised Schedule VI, Accounting Standards will override Schedule VI and hence, related party shall be as defined in the Accounting Standard.

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

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

In case of a manufacturing company, normally, interest income is not material and business is not done with an aim of earning interest. Practically, it is generally difficult to enforce the interest clause even though it is normally contained in all cases. Based on materiality and provisions in AS 17, the interest income on overdue outstanding is not an operating income. However, if a company, on the facts of its own case, determines that it would be appropriate to treat is as an operating income, it would have to disclose it as an accounting policy, if material.

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

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

Current Vs Non-Current Classification

15. A company has classified the loan as non-current liability in the previous year. The loan becomes a current liability in the current year's financial statements. Is the company required to reclassify the loan as current liability in previous year also to match the current year classification ?

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

16. A company is preparing its financial statements in accordance with Revised Schedule VI for the first time. When identifying current / non-current assets / liabilities at the end of previous year, can a company apply hindsight based on the development that happened in the current year?

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

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

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

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

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

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

19. Revised Schedule VI requires that a company present trade receivables in the following format:

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

A company needs to disclose trade receivables under "current" and "non-current" assets depending on the Revised Schedule VI criteria. Should the company divide the "provision for bad and doubtful debts" also on the same basis?

Yes.

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

Inventory should always be categorised as a current asset.

21. There is a breach of a major debt covenant as on the balance sheet date related to long-term borrowing. This allows the lender to demand immediate repayment of loan. However, the lender has not

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

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

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

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

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

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

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

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

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

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

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

They will be classified as non-current.

26. In case there is lien over FDs, thereby making it impossible to convert them into cash before the agreed period, how will the FDs be presented in the balance sheet? Moreover, will the interest accrued over such FDs be also classified as current and non-current?

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

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

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

Treating them as non-current may be appropriate and may have to be considered accordingly.

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

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

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

29. For funded defined benefit plans, Guidance Note on the Revised Schedule VI requires that amount due for payment to the fund within next 12 months be treated as current liability. Since a company will also recognise service cost in the next year, how should it determine the component of net deficit in the fund to be classified as current liability? For example, deficit is 500 and the LIC is expected to demand a payout of 300 in the next year. The expected cost for the next year is 200.

Current / non-current classification will depend on the relevant provisions of the Contract Act and Arrangement with LIC. If the LIC demand is known, then that portion will be reflected as a current liability. If the actuarial valuation is higher, then the difference between the actuarial valuation and the LIC demand will be treated as a long-term provision.

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

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

31. Guidance Note on the Revised Schedule VI requires deferred tax assets / liabilities to be classified as non-current. Does it imply that the provision for tax (net of advance tax) / advance tax (net of provision) also be classified as noncurrent?

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

32. The Reserve Bank of India (RBI), vide its notification No. DNBS.223/CGM (US)-2011 dated 17 January 2011, has issued directions to all NBFCs to make a provision of 0.25% on standard assets. The RBI requires this provision to be shown as a liability and not netted from loan balance. Will the NBFC have to split the provision into "current" and "non-current" portions?

An NBFC creates provision on the standard assets at the rate prescribed by RBI. In accordance with the Revised Schedule VI, it will classify these standard assets into current and non-current portions. Since the provision is closely linked to the underlying asset, we believe that an NBFC should split the standard asset provision also into current and non-current portions by using the same criterion.

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

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

Operating Cycle

34. Should an operating cycle be disclosed?

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

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

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

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

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

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

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

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

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

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

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

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

Cash Flow Statement

40. How will the Revised Schedule VI impact presentation of the cash flow statement?

The following key issues need to be specifically considered for this:

(i) Revised Schedule VI requires presentation of lines items, either on face or in the notes, which are different vis-à-vis those required under pre-Revised Schedule VI. For example, Revised Schedule VI requires presentation of trade receivables as against sundry debtors required by pre-Revised Schedule VI. Is it mandatory for a company to present revised line items in the cash flow statement also?

(ii) As part of working capital movement, is it mandatory to present a separate movement for current and non -current components? For example, a company has segregated trade receivables into current and non-current components based on the Revised Schedule VI criteria. Is it mandatory for the company to disclose movement in current and non-current trade receivables separately?

(iii) As part of investing and financing activities, is a company required to present cash inflows and outflows separately for current and non–current items? For example, a company has taken a loan of 10,00,000. Out of this, 8,00,000 is classified as non-current liability and 2,00,000 is current liability. Is it mandatory for the company to disclose inflow from the current and non-current component of loan separately?

The line items / headings used in cash flow statement should be in sync with those used in other parts of the financial statements. In accordance with Guidance Note on the Revised Schedule VI, the terms "trade receivables" and "sundry debtors" can have different meanings. Hence, a company cannot present trade receivables in the balance sheet and show movement in "sundry debtors" in cash flow statement. The cash flow statement should also refer to them as trade receivables.

With respect to the issues (ii) and (iii), AS 3 Cash Flow Statements does not mandate such presentation. Nor is such presentation required in Revised Schedule VI or Guidance Note on the Revised Schedule VI. Hence, it is not mandatory for a company to present separate movement / inflows and outflows from current and noncurrent components of various line items separately.

Other Disclosures

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

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

42. Revised Schedule VI requires disclosures of rights, preferences and restrictions attached to each class of shares. Is a company required to make this disclosure separately for the ADR / GDR issued?

In case of ADR / GDR, a company typically issues its shares to a bank in a foreign country.

Against such shares, the foreign bank issues depository receipts to investors in the foreign country. Hence, from the perspective of the company, it has issued shares for which disclosure of rights, preferences, restrictions and so on are already disclosed. If there are any additional rights / restrictions attached to ADR / GDR, those rights and restrictions need to be disclosed. If there are no additional rights / restrictions attached to ADR / GDR, it will not be required to make a separate disclosure for rights, preferences and restrictions attached to the ADR / GDR. In any case, it will disclose the fact of ADR / GDR issued by way of an appropriate note.

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

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

44. Revised Schedule VI requires that a company disclose for a period of five years immediately preceding the balance sheet date information such as, aggregate number and class of shares (a) Allotted as fully paid up pursuant to contract(s) without payment being received in cash, (b) Allotted as fully paid up by way of bonus shares, and (c) Bought back. In accordance with Guidance Note on the Revised

Schedule VI, a company is not required to give year-wise break-up of the shares allotted or bought back. Rather, the aggregate number for the last five financial years needs to be disclosed. Is a company required to give comparative information for this disclosure? If yes, how will the comparative information be presented?

Revised Schedule VI is clear that except for the first financial statements laid before a company (after its incorporation), it will disclose the corresponding (comparative) amounts for the immediately preceding reporting period for all items shown in the financial statements, including notes. The application of this principle requires the company to disclose corresponding figures for information related to shares allotted / bought back during the period of five years.

Typically, the comparative information disclosed in the current period financial statements is the figure disclosed in the previous period financial statements. Hence, the same information will be disclosed as the comparative number in the current period. Thus, the current year figure will be for the current year and previous four years while the previous year figure will be for the previous five financial years.

45. Should calls unpaid be shown as a reduction in new Schedule VI?

As per Revised Schedule VI of para 6.A.b of General Instructions, details of shares subscribed and fully paid up and details of shares subscribed, but not fully paid up, should be shown separately. The shares subscribed but not fully paid up should indicate the amount not paid up. Further, as per General Instructions 6.A.k, calls unpaid (showing aggregate value of calls unpaid by directors and officials) should be given by way of note under share capital. In view of this, the gross amounts should be discussed in the capital portion first and then the calls unpaid should be reflected as a deduction.

46. In accordance with the Revised Schedule VI read with Guidance Note on the Revised Schedule VI, a company needs to disclose repayment terms of loan liabilities. These terms, among other matters, include period of maturity with respect to the balance sheet date, number and amount of instalments due, applicable interest rate and other significant relevant terms. Can a company make these disclosures under appropriate buckets / range? For example, can it state that all ECB loans carry interest rate in the range of LIBOR + 1% to LIBOR + 3%"?

With regard to repayment terms, paragraph 8.3.1.17 of Guidance Note on the Revised Schedule VI states: "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."

From this, it is clear that aggregation is permissible for similar items (similar need not be exactly matching – it could be broadly within a range of closeness, which is reasonable for the given case and circumstance). Also, the intent is not to have all the interest terms explicitly stated because there could be operational sensitivities for companies to explicitly disclose such items. It is adequate in such cases to provide a range or an average as may be suitably appropriate in each case and circumstance.

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

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

48. Where investment in LLP should be disclosed?

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

49. Will arrear depreciation require separate disclosure?

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

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

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

Chapter 9

Glossary of Terms

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

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

S.no	Term	Meaning	Source
1.	Share Capital	'Share Capital' is the "aggregate amount of money paid or credited as paid on the shares and/or stocks of a corporate enterprise."	Guidance Note on Terms Used in Financial Statements
2.	Authorised Share capital.	Authorised Share Capital means "the number and par value, of each class of shares that an enterprise may issue in accordance with its instrument of incorporation. This is sometimes referred to as nominal share capital."	Guidance Note on Terms Used in Financial Statements
3.	Subscribed share capital.	'Subscribed Share Capital' is "that portion of the issued share capital which has actually been subscribed and allotted. This includes any bonus shares issued to the shareholders."	Guidance Note on Terms Used in Financial Statements
4.	Paid up share capital	'Paid-up Share Capital' is "that part of the subscribed share capital for which consideration in cash or otherwise has been received. This includes bonus shares allotted by the corporate enterprise."	Guidance Note on Terms Used in Financial Statements

S.no	Term	Meaning	Source
5.	Preference share capital	Preference Share Capital means "that part of the share capital of a corporate enterprise which enjoys preferential rights in respect of payments of fixed dividend and repayment of capital. Preference shares may also have full or partial participating rights in surplus profits or surplus capital."	Guidance Note on Terms Used in Financial Statements
6.	Authorised Share capital.	Authorised Share Capital means "the number and par value, of each class of shares that an enterprise may issue in accordance with its instrument of incorporation. This is sometimes referred to as nominal share capital."	Guidance Note on Terms Used in Financial Statements
7.	Subscribed share capital.	'Subscribed Share Capital' is "that portion of the issued share capital which has actually been subscribed and allotted. This includes any bonus shares issued to the shareholders."	Guidance Note on Terms Used in Financial Statements
8.	Subsidiary	A subsidiary is an enterprise that is controlled by another enterprise(known as the parent). Control has been defined as (a) the ownership, directly or indirectly through subsidiary(ies), of more than one-half of the voting power of an enterprise; or (b) control of the composition of the board of directors in the case of a company or of the composition of the corresponding governing body in case of any other enterprise so as to obtain	AS-21 "Consolidated Financial Statements"

S.no	Term	Meaning	Source
		economic benefits from its activities.	
9.	Parent (Holding company)	A parent is an enterprise that has one or more subsidiaries.	AS-21 "Consolidated Financial Statements"
10.	Associate	An Associate is an enterprise in which an investing reporting party has significant influence and which is neither a subsidiary nor a joint venture of that party. Significant influence is participation in the financial and/or operating policy decisions of an enterprise, but not control of those policies.	AS 18 "Related Party Disclosures."
11.	Bonus shares	Bonus shares are defined as shares allotted by capitalisation of the reserves or surplus of a corporate enterprise.	Guidance Note on Terms Used in Financial Statements
12.	Director	Director includes any person occupying the position of director, by whatever name called.	Section 2(13) of the Companies Act, 1956.
13.	Officer	Officer includes any director, manager or secretary or any person in accordance with whose directions or instructions the Board of directors or any one or more of the directors is or are accustomed to act.	Section 2(30) of the Companies Act, 1956.
14.	Reserve	'Reserve' is "the portion of earnings, receipts or other surplus of an enterprise (whether capital or revenue) appropriated by the management for a general or a specific purpose other than a provision for depreciation or diminution in the	Guidance Note on Terms Used in Financial Statements

S.no	Term	Meaning	Source
		value of assets or for a known liability."	
15.	Capital Reserve.	'Capital reserve' is defined as "a reserve of a corporate enterprise which is not available for distribution as dividend".	Guidance Note on Terms Used in Financial Statements
16.	Share Premium (Securities Premium)	It is the excess of the issue price of shares over their face value.	Guidance Note on Terms Used in Financial Statements
17.	Revaluation Reserve.	Revaluation reserve is 'a reserve created on the revaluation of assets or net assets of an enterprise represented by the surplus of the estimated replacement cost or estimated market values over the book values thereof.'	Guidance Note of Terms Used in Financial Statements
18.	Revenue Reserve	A revenue reserve is a reserve which is available for distribution through the Statement of Profit and Loss.	Guidance Note of Terms Used in Financial Statements
19.	Share Warrants	'Share warrants' are "financial instruments which give the holder the right to acquire equity shares".	AS 20 "Earning Per Share".
20.	Current and Non-current liabilities.	A liability shall be classified as current when it satisfies any of the following criteria: (a) it is expected to be settled in the company's normal operating cycle; (b) it is held primarily for the purpose of being traded; (c) it is due to be settled within twelve months after the reporting date; or	General Instructions for preparation of Balance Sheet in Revised Schedule VI.

S.no	Term	Meaning	Source
		(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.	
21.	Operating cycle.	An operating cycle is the time between the acquisition of assets for processing and their realization in Cash or cash equivalents. Where the normal operating cycle cannot be identified, it is assumed to have a duration of 12 months.	General Instructions for preparation of Balance Sheet in Revised Schedule VI.
22.	Liability	Liability is a present obligation of the enterprise arising from past events, the settlement of which is expected to result in an outflow from the enterprise of resources embodying economic benefits. An obligation is a present obligation if, based on the evidence available, its existence at the Balance Sheet date is considered probable, i.e., more likely than not."	AS-29 Provisions, Contingent Liabilities and Contingent Assets.
23.	Long-term	The phrase 'long-term' has not been defined. However, the definition of 'non-current' liability in the Revised Schedule VI may be used as long-term liability for	Guidance Note on Revised Schedule VI.

S.no	Term	Meaning	Source
		disclosures.	
24.	Term Loans	Term Loans normally have a fixed or pre-determined maturity period or a repayment schedule. Cash credit, overdraft and call money accounts / deposits are not included. Term Loans are generally provided by banks and financial institutions for acquisition of capital assets which then become the security for the loan i.e. end use of funds is normally fixed.	Guidance Note on Revised Schedule VI.
25.	Secured Loan	It refers to a loan which is secured against a tangible asset. Where the value of the security falls below the amount of loan, it should be classified as secured only to the extent of the market value of the security.	Statement of Auditing Practices.
26.	Related parties.	Parties are considered to be related if at any time during the reporting period one party has the ability to **control** the other party or exercise **significant influence** over the other party in making financial and/or operating decisions. Control – (a) ownership, directly or indirectly, of more than one half of the voting power of an enterprise, or (b) control of the composition of the board of directors in the case of a company or of the composition of the corresponding governing body in case of any other enterprise, or	AS 18 "Related Party Disclosures".

S.no	Term	Meaning	Source
		(c) a substantial interest in voting power and the power to direct, by statute or agreement, the financial and/or operating policies of the enterprise. Significant influence - participation in the financial and/or operating policy decisions of an enterprise, but not control of those policies.	
27.	Finance lease	A finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset. A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.	AS 19 "Leases"
28.	Trade payables	A payable shall be classified as a 'trade payable' if it is in respect of the amount due on account of goods purchased or services received in the normal course of business.	General Instructions for preparation of Balance Sheet in Revised Schedule VI.
29.	Provisions	Provision is a liability which can be measured only by using a substantial degree of estimation. The term liability has been stated earlier.	AS-29 "Provisions, Contingent Liabilities and Contingent Assets."
30.	Employee benefits.	Employee benefits are all forms of consideration given by an enterprise in exchange for service rendered by employees.	AS 15 "Employee Benefits".
31.	Asset	An asset is a resource: (a) controlled by an enterprise as	AS 26 "Intangible Assets".

S.no	Term	Meaning	Source
		a result of past events; and (b) from which future economic benefits are expected to flow to the enterprise.	
32.	Current & Non-current Asset	1. An asset shall be classified as current when it satisfies any of the following criteria: (a) it is expected to be realized in, or is intended for sale or consumption in, the company's normal operating cycle; (b) it is held primarily for the purpose of being traded; (c) it is expected to be realized within twelve months after the reporting date; or (d) it is Cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date. 2. All other assets shall be classified as non-current.	General Instructions for preparation of Balance Sheet in Revised Schedule VI.
33.	Fixed asset	Fixed asset is an asset held with the intention of being used for the purpose of producing or providing goods or services and is not held for sale in the normal course of business.	AS 10 "Accounting for Fixed Assets".
34.	Intangible Assets.	An intangible asset is an identifiable non-monetary asset, without physical substance, held for use in the production or supply of goods or services, for	AS 26 "Intangible Assets".

S.no	Term	Meaning	Source
		rental to others, or for administrative purposes.	
35.	Investment.	Investments are assets held by an enterprise for earning income by way of dividends, interest, and rentals, for capital appreciation, or for other benefits to the investing enterprise. Assets held as stock-in-trade are not 'investments'.	AS 13 "Accounting for Investments"
36.	Current Investment.	A 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.	AS 13 "Accounting for Investments"
37.	Investment property	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.	AS 13 "Accounting for Investments"
38.	Long-term Investment.(Non-current Investment).	A long term investment is an investment other than a current investment.	AS 13 "Accounting for Investments"
39.	Inventories.	Inventories are assets: (a) held for sale in the ordinary course of business; (b) in the process of production for such sale; or (c) in the form of materials or supplies to be consumed in the production process or in the rendering of services.	AS 2 "Valuation of Inventories".

S.no	Term	Meaning	Source
40.	Trade Receivables	A receivable shall be classified as a 'trade receivable' if it is in respect of the amount due on account of goods sold or services rendered in the normal course of business.	General Instructions for preparation of Balance Sheet of Revised Schedule VI.
41.	Cash and cash equivalents.	Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent, it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. Therefore, an investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition.	AS 3 "Cash flow Statements"
42.	Contingent liabilities.	A contingent liability is: (a) a possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more	AS 29 "Provisions, Contingent liabilities and Contingent assets."

S.no	Term	Meaning	Source
		uncertain future events not wholly within the control of the enterprise; or (b) a present obligation that arises from past events but is not recognised because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or (ii) a reliable estimate of the amount of the obligation cannot be made. Present obligation - an obligation is a present obligation if, based on the evidence available, its existence at the balance sheet date is considered probable, i.e., more likely than not. Possible obligation - an obligation is a possible obligation if, based on the evidence available, its existence at the balance sheet date is considered not probable.	
43.	Capital Commitment	'Capital Commitment' as future liability for capital expenditure in respect of which contracts have been made.	Guidance Note on Terms Used in Financial Statements
44.	Profit and Loss Statement	Profit and Loss statement is defined as "the Financial Statement which presents the revenues and expenses of an enterprise for an accounting period and shows the excess of revenues over expenses (or vice	Guidance Note 'Terms Used in Financial Statements'

S.no	Term	Meaning	Source
		versa) It is also known as profit and loss account."	
45.	Income	Income is increase in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity, other than those relating to contributions from equity participants.	Framework for the Preparation and Presentation of Financial Statements, Income and expenses.
46.	Expenses	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.	Framework for the Preparation and Presentation of Financial Statements, Income and expenses.
47.	Other operating revenue	This would include Revenue arising from a company's operating activities, i.e., either its principal or ancillary revenue-generating activities, but which is not revenue arising from the sale of products or rendering of services.	Guidance Note on Revised Schedule VI.
48.	Finance Company.	The term finance company is not defined under the Companies Act, 1956, or Revised Schedule VI. Hence, the same should be taken to include all companies carrying on activities which are in the nature of "business of non-banking financial institution" as defined under section 45I(f) of the Reserve Bank of India Act, 1935.	Guidance Note on Revised Schedule VI.

S.no	Term	Meaning	Source
		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	

S.no	Term	Meaning	Source
		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	

S.no	Term	Meaning	Source
		company" means– (i) a financial institution which is a company; (ii) a non-banking institution which is a company and which has as its principal business the receiving of deposits, under any scheme or arrangement or in any other manner, or lending in any manner; (iii) such other non-banking institution or class of such institutions, as the bank may, with the previous approval of the Central Government and by notification in the Official Gazette, specify; Accordingly, applying the aforesaid definition, the term "finance company" would cover all NBFCs - Asset Finance companies, Investment companies, Leasing and Hire Purchase companies, Loan companies, Infra Finance companies, Core Investment companies, Micro-finance companies, etc. Further, Housing Finance Companies regulated by National Housing Bank should also be considered as a finance company.	
49.	Depreciation	Depreciation is a measure of the wearing out, consumption or other loss of value of a depreciable asset arising from use, effluxion of time or	AS 6 "Depreciation Accounting"

S.no	Term	Meaning	Source
		obsolescence through technology and market changes. Depreciation is allocated so as to charge a fair proportion of the depreciable amount in each accounting period during the expected useful life of the asset. Depreciation includes amortisation of assets whose useful life is predetermined.	
50.	Amortization	Amortisation is the systematic allocation of the depreciable amount of an intangible asset over its useful life.	AS 26 "Intangible Assets"
51.	Exceptional items	The term 'Exceptional items' is not defined in Revised Schedule VI. However, AS-5 has a reference to such items in Paras 12, 13 and 14. "Para 12: When items of income and expense within profit or loss from ordinary activities are of such size, nature or incidence that their disclosure is relevant to explain the performance of the enterprise for the period, the nature and amount of such items should be disclosed separately. Para 13: Although the items of income and expense described in paragraph 12 are not extraordinary items, the nature and amount of such items may be relevant to users of Financial Statements in understanding the financial position and performance of an enterprise and in making projections about	AS-5 "Net Profit or Loss for the period, Prior period items and changes in Accounting Policies"

S.no	Term	Meaning	Source
		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;" Examples:- • disposals of items of fixed assets; • disposals of long-term investments; • legislative changes having retrospective application; • litigation settlements; and • other reversals of provisions.	
52.	Extraordinary items	Extraordinary items are income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the enterprise and, therefore, are not expected to recur frequently or regularly.	AS 5 "Net Profit or Loss for the period, Prior period items and changes in Accounting Policies"
53.	Current tax	Current tax is the amount of income tax determined to be payable (recoverable) in respect of the taxable income (tax loss)	AS 22 "Accounting for Taxes on Income".

S.no	Term	Meaning	Source
		for a period.	
54.	Deferred Tax	Deferred tax is the tax effect of timing differences. Timing differences are the differences between taxable income and accounting income for a period that originate in one period and are capable of reversal in one or more subsequent periods.	AS 22 "Accounting for Taxes on Income".
55.	Discontinuing operations.	A discontinuing operation is a component of an enterprise: (a) that the enterprise, pursuant to a single plan, is: (i) disposing of substantially in its entirety, such as by selling the component in a single transaction or by demerger or spin-off of ownership of the component to the enterprise's shareholders; or (ii) disposing of piecemeal, such as by selling off the component's assets and settling its liabilities individually; or (iii) terminating through abandonment; and (b) that represents a separate major line of business or geographical area of operations; and (c) that can be distinguished operationally and for financial reporting	AS 24 "Discontinuing Operations".

S.no	Term	Meaning	Source
		purposes.	
56.	Basic Earnings Per Share.	Basic earnings per share should be calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.	AS 20 "Earnings Per Share".
57.	Diluted Earnings Per Share	For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period should be adjusted for the effects of all dilutive potential equity shares. A potential equity share is a financial instrument or other contract that entitles, or may entitle, its holder to equity shares.	AS 20 "Earnings Per Share".

Chapter 10

Check List of Audit of Financial Statements Prepared as Per Revised Schedule VI

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

S.NO	Particulars	Yes	No	N/A	W.P Ref No
1.	Whether all the items appearing on the face of Balance sheet and statement of Profit and Loss are as per Part I and II of Revised Schedule VI.				
2.	If any changes in line items etc are noticed ensure whether such presentation:- ✓ is relevant to an understanding of the company's financial position or performance or ✓ to cater to industry/ sector specific disclosure requirements or ✓ when required for compliance with the amendments to the Companies Act or under the Accounting Standards				
3.	Whether the disaggregation's (break up) of the items recognized in the financial statements have been disclosed in the notes to accounts and not in Schedules as was done earlier.				
4.	Whether each item on the face of the Balance Sheet and Statement of Profit				

S.NO	Particulars	Yes	No	N/A	W.P Ref No
	and Loss is cross-referenced to related information in the notes to accounts.				
5.	Please check whether rounding off of the figures of the financial statements has been made. If made then ensure compliance with the rounding off rule as provided in para 4 of the General Instructions.				
6.	In case rounding off has been made, ensure that a uniform unit of measurement i.e. (crores / lacs etc) is used across financial statements including notes to accounts.				
7.	Check whether in case of first revised Schedule VI financial statements for FY 2011-12, the financial statements for FY 2010-11 to be used as comparatives have been reclassified as per Revised Schedule VI and a note to this effect has been given.				
8.	Whether the corresponding amounts (comparatives) for the immediately preceding reporting period for all items shown in the financial statements including notes have been given even if the current amount is nil.				
9.	Whether all the disclosure requirements in respect of Balance Sheet provided in General Instructions for preparation of Balance Sheet have been complied with.				
10.	Whether in case of deviations in compliance(s) with General Instructions for preparation of Balance Sheet the reasons and impact thereof has been analyzed.				
11.	Whether all the disclosure requirements in respect of Statement of Profit and Loss				

S.NO	Particulars	Yes	No	N/A	W.P Ref No
	provided in General Instructions for preparation of Statement of Profit and Loss have been complied with.				
12.	Whether in case of deviations in compliance(s) with General Instructions for preparation of Statement of Profit and Loss the reasons and impact thereof has been analyzed.				
13.	Whether all disclosure requirements as mandated in the notified Accounting Standards and Companies Act, 1956 have been complied with even if requirements of Revised Schedule VI are conflicting.				
14.	In case of deviations in compliance(s) with notified Accounting Standards, whether the deviation, reason for deviation and financial impact thereof have been disclosed in the financial statements.				
15.	Whether all the assets and liabilities have been classified as current and non-current strictly based on definition provided in Para 1 of General Instructions of preparations of Balance Sheet.				
16.	Whether the classifications of assets and liabilities amongst current and non-current is based on the position existing on the balance sheet date and any non-adjusting event as per AS 4 has not been considered.				
17.	Whether events occurring after the balance sheet date, in respect of adjusting events i.e. events of which conditions existed on the balance sheet date, as per AS 4, has been considered for classification.				
18.	Whether suggestions of the Guidance Note on revised Schedule VI of ICAI have				

S.NO	Particulars	Yes	No	N/A	W.P Ref No
	been complied with. If not complied with, whether keeping in view of circumstances of case, a disclosure in report is necessary.				
19.	Whether provision for bad and doubtful debts has been bifurcated between current and non-current Trade Receivables.				
20.	Whether the FDRs having balance maturity period of > three months to = twelve months from balance sheet date has not been included in cash and cash equivalents and has been included in other bank balances under the head cash and bank balances. Also check whether FDRs having balance maturity period of > 12 months has been shown under other non-current assets.				
21.	Whether balances with banks to the extent held as margin money or security against the borrowings, guarantees being not readily realizable have also been shown as other bank balances.				
22.	Whether all Inventories has been classified as current.				
23.	Whether operating cycle if exceeding 12 months, has been checked in light of para 2 of general Instructions for preparation of Balance Sheet.				
24.	Whether operating cycle has been worked out for each business line (not customer wise or company as a whole) as per definition provided in para 2 of general instruction for preparation of balance sheet.				
25.	In event of operating cycle exceeding 12 months whether its computation has been checked and the same has been				

S.NO	Particulars	Yes	No	N/A	W.P Ref No
	disclosed in notes to accounts.				
26.	Whether amount due on account of other contractual obligations have not been included in Trade Receivables / Trade payables.				
27.	Whether revenue from operations includes only the revenues from company's main operating activity.				
28.	Identify the exceptional and extraordinary items and check whether they have been disclosed separately on the face of the Statement of Profit and Loss.				
29.	Identify any discontinued operations of the company as per AS 24 and check whether the Profit (loss) from discontinuing operations has been shown separately on the face of the Statement of Profit and Loss.				
30.	Check whether the disclosure of raw materials, finished goods, stock in trade, work-in-progress, services rendered in broad heads has been disclosed in format suggested by the Guidance Note on Revised Schedule VI issued by ICAI. (Para 10.8, page 75- 77).				
31.	Whether any item of income or expenditure which exceeds one per cent of the revenue from operations or Rs.1,00,000, whichever is higher has been disclosed separately in the notes to accounts.				
32.	Check whether the Net gain or loss on foreign currency translation related to finance cost is aggregated to finance cost and amount shown separately in notes to accounts. Further check whether other Net gain or loss on foreign currency				

S.NO	Particulars	Yes	No	N/A	W.P Ref No
	translation have been disclosed separately as other income or other expense.				
33.	Whether the expense on Employee Stock Option Scheme (ESOP) and Employee Stock Purchase Plan (ESPP) has been disclosed separately under Employee benefits expense in the notes to accounts.				
34.	Check whether line items / heading used in cash flow statement are in sync with those used in other part of financial statements like term Sundry Debtors, Turnover, Depreciation and interest and finance charges have been substituted by words Trade Receivables, Revenue from operations, Finance Costs and Depreciation and amortization expense in the Cash Flow Statement ?				
35.	Check whether separate movements / inflows and outflows from current and non-current movements of various line items have not been given, as AS 3 does not mandate the same.				

It may be noted that above checklist covers principal requirements and some major issues and is not exhaustive. During audit the complete text and analysis as discussed in earlier chapter of this book, Accounting Standards and Guidance Note on Revised Schedule VI issued by ICAI may be referred to.

Appendix-A
Notification on Revised Schedule VI

Ministry of Corporate Affairs

Notification

New Delhi, the 28th February, 2011

S.O. 447(E). Whereas the Central Government in consultation with the National Advisory Committee on Accounting Standards framed the Companies (Accounting Standards), Rules, 2006 vide G.S.R. No. 739(E) dated the 7th December 2006 and was subsequently amended vide notification numbering (i) G.S.R. 212(E), dated the 27th March, 2008 (ii) G.S.R. 225(E), dated the 31st March 2009, in exercise of the powers conferred by clause(a) of sub-section(1) of section 642 read with sub-section(1) of section 210 A and sub-section 3C) of section 211 of Companies Act, 1956, (1 of 1956).

Now, therefore, in exercise of the powers conferred by sub-section (1) of section 641 of the Companies Act, 1956 (1 of 1956), the Central Government hereby replace the existing Schedule VI to the said Act by the following Schedule VI, namely:

"SCHEDULE VI

(See section 211)

GENERAL INSTURCTIONS FOR PREPARATION OF BALANCE SHEET AND STATEMENT OF PROFIT AND LOSS OF A COMPANY IN ADDITION TO THE NOTES INCORPORATED ABOVE THE HEADING OF BALANCE SHEET UNDER

GENERAL INSTRUCTIONS

1. Where compliance with the requirements of the Act including Accounting Standards as applicable to the companies require any change in treatment or disclosure including addition, amendment, substitution or deletion in the head/sub-head or any changes interse, in the financial statements or statements forming part thereof, the same shall be made and the requirements of the Schedule VI shall stand modified accordingly.

2. The disclosure requirements specified in Part I and Part II of this Schedule are in addition to and not in substitution of the disclosure requirements specified in the Accounting Standards prescribed under the Companies Act, 1956. 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. Notes to accounts shall contain information in addition to that presented in the Financial Statements and shall provide where required (a) narrative descriptions or disaggregations of items recognized in those statements and (b) information about items that do not qualify for recognition in those statements.

   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. Depending upon the turnover of the company, the figures appearing in the Financial Statements may be rounded off as 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.

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.

Notes

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	Figures as at the end of the previous reporting period
	1	2	3	4
I.	**EQUITY AND LIABILITIES**			
(1)	**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)			
	(c) Other Long term liabilities			
	(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**			
	Non-current assets			
(1)	(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 & 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 'Óther 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

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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 No.**		**Figures for the current reporting period**		**Figures for the previous reporting period**
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 work-in-progress and Stock-in-Trade			 xxx xxx xxx		 xxx xxx xxx

	Employee benefits expense Finance costs Depreciation and amortization expense Other expenses					
	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 (2) Deferred tax		 xxx xxx		 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) for the period (XI + XIV)			xxx		xxx
XVI	Earnings per equity share: (1) Basic (2) Diluted			 xxx xxx		 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-section (2) of Section 210 of the Act, 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 (a0 auditor,(b0 for taxation matters, (c) for company law matters, (d) for management services, (e) for other services, (f) for reimbursement of expenses;

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

(l) 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.
(g) Insurance .
(h) Rates and taxes, excluding, taxes on income.
(i) 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,".

2. This notification shall come into force from the date of publication in the official Gazette.

[F. No. 2/6/2008-CL.-V]

RENUKA KUMAR, Jt. Secy.

Note: - The principal notification was published in the Gazette of India, Extraordinary, vide G.S.R. No.414, dated the 21st March, 1961 last amended vide G.S.R No. 226(E), dated the 31st March, 2009.

Printed by the Manager, Government of India Press, Ring Road, Mayapuri, New Delhi-110064 and Published by the Controller of Publications, Delhi-110054.

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II, SECTION3, SUB-SECTION (ii)]

GOVERNMENT OF INDIA
Ministry of Corporate Affairs
NOTIFICATION

New Delhi, dated the 2011

G.S.R (E)- In exercise of the powers conferred by clause(a) of sub-section(1) of section 642 read with sub-section(1) of section 210A and sub-section (3C) of section 211 of the Companies Act,1956, (1 of 1956), the Central Government hereby makes the following amendment to paragraph 2 of the notification No.447(E) dated the 28th February,2011.:-

"The notification shall come into force for the Balance Sheet and Profit and Loss Account to be prepared for the financial year commencing on or after 1.4.2011".

[F. No. 2/6/2008-C.L-V]

Avinash K. Srivastava
Joint Secretary

Note: - The principal notification was published in the Gazette of India, Extraordinary, vide G.S.R. No.414, dated the 21st March, 1961 last amended vide S.O. No.447 (E) dated the 28th February, 2011.

Appendix-B
Notification on Abridged Financial Statements

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART – II, SECTION 3, SUB-SECTION (i)]

GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS
NOTIFICATION

New Delhi, dated the 31st May, 2012.

G.S.R. ______ (E). – In exercise of the powers conferred by sub-section (1) of section 642 of the Companies Act, 1956 (1 of 1956), the Central Government hereby makes the following rules further to amend the Companies (Central Government's) General Rules and Forms, 1956, namely:–

1. (1) These rules may be called the Companies (Central Government's) General Rules and Forms (Amendment) Rules, 2012.

   (2) They shall come into force on the date of their publication in the Official Gazette.

2. In the Companies (Central Government's) General Rules and Forms, 1956, in Annexure 'A', for Form 23AB, the following Form shall be substituted, namely:-

"FORM NO. 23AB

[See Rule 7A]

Statement containing salient features of Balance Sheet and Profit and Loss Account as per section 219(1) (b) (iv)

Form of Abridged Financial Statements

Name of the Company_______________

Abridged Balance Sheet as at………………… (Rupees in...)

Sr No.	Particulars	Figures as the end of	
		Current reporting Period (DD/MM/YY)	Previous Reporting period (DD/MM/YY)
I	EQUITY AND LIABILITIES		
(1)	Shareholders' funds		
(a)	Paid-up Share Capital (i) Equity (ii) Preference		
(b)	Reserves and surplus (i) Capital Reserves (including Revaluation Reserve, if any) (ii) Revenue Reserves; (iii) 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) (c) Other Long-term liabilities (d) Long-term provisions		
(4)	Current liabilities (a) Short-term borrowings (b) Trade Payable (c) Other Current Liabilities (d) Short-term provisions		
	Total of (1) to (4)		
II	ASSETS		
(5)	Non-current assets		
(a)	Fixed assets		
	(i) Tangible Assets (Original cost less depreciation) (ii) Intangible Assets (Original cost less depreciation/amortization) (iiii) Capital work-in-progress		

	(iv) Intangible assets under development		
(b)	Non-current investments		
(c)	Deferred tax assets (net)		
(d)	Long-term loan and advances		
(e)	Other Non-Current Assets		
(6)	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 of (5) to (6)		

Note: Complete Balance Sheet, Statement of Profit and Loss, other statements and notes thereto prepared as per the requirements of Schedule VI to the Companies Act, 1956 are available at the Company's website at link ____________________

Abridged Profit and Loss Account for the year ended on

(Rupees in….)

S.No.	Particulars	Figures for the Current reporting Period (DD/MM/YY)	Figures for the Previous Reporting period (DD/MM/YY)
I	INCOME		
	Revenue from Operations (Details to be given as per*)		
	Less: Excise duty		
	Net Revenue from Operations		
II	Other Income (See Note 5)		
III	Total Income (I + II)		
IV	Expenditure		
(a)	Cost of materials consumed		
(b)	Purchase of stock-in-trade		
(c)	Changes in inventories of finished goods, work-in-progress and stock-in-trade		
(d)	Employee benefits expense		
(e)	Finance costs		
(f)	Depreciation and amortization expense		
(g)	Other expenses (See Note 5)		
	Total of (a to g)		

V	Profit before exceptional and extraordinary items and tax (III-IV)		
VI	Exceptional items		
VII	Profit before extraordinary items and tax (V±VI)		
VIII	Extraordinary items		
IX	Profit/ (loss) before tax (VII±VIII)		
X	1. Tax expense 2. Deferred tax		
XI	Profit/(loss) after tax for the year from continuing operations (IX-X)		
XII	Profit/(loss) from discontinued operations		
XIII	Tax expenses of discontinued operations		
XIV	Profit/(loss) from discontinued operations (after tax) (XII-XIII)		
XV	Profit/(loss) for the year (XI-XIV)		
XVI	Earnings per equity share: (a) Basic (b) Diluted		

* Details of Revenue from Operations:

(a) In respect of a company other than a finance company revenue from operations shall be disclosed as under:

(Rupees in….)

S.No.	Particulars	Figures for the current financial reporting period (DD/MM/YY)	Figures for the previous financial reporting period (DD/MM/YY)
I	Sale of products manufactured		
II.	Sale of good traded		
III	Revenue from services provided		
IV	Other Operational Revenue		

(b) In respect of a finance company, revenue from operations shall be disclosed as under:

(i) Revenue from interest; and

(ii) Revenue from Other financial services

NOTES TO THE ABRIDGED BALANCE SHEET AND THE ABRIDGED PROFIT AND LOSS ACCOUNT

1. The amounts to be shown here should be the same as shown in the corresponding aggregated heads in the financial statements as per Schedule VI or as near thereto as possible.
2. The total amount of contingent liabilities and that of commitments should be shown separately.
3. All notes forming part of the financial statements as per Schedule VI to which specific attention has been drawn by the auditors or which form a subject matter of qualification by the auditor should be reproduced.
4. If fixed assets are revalued, the amount of revaluation to be shown separately for the first five years subsequent to the date of revaluation.
5. Any item which constitutes 20% or more of the total income or expenditure (including provisions) should be shown separately.
6. Amount, if material, by which any item shown in the profit and loss Account are affected by any change in the accounting policy, should be disclosed separately.
7. Notes shall include the notes, if any, contained in the complete financial statements pertaining to the following:
   (a) Period and amount of defaults on the balance sheet date in repayment of loans and interest.
   (b) Amalgamations, acquisitions, restructurings and demergers during the reporting period.
   (c) Material events affecting the going concern assumption.
   (d) Investigation and inspection conducted or ordered under the provisions of Companies Act, 1956.
   (e) Non-compliance with any law during the reporting period.
   (f) Any other note considered significant by the management.
8. Book Value and Market value of Quoted Investments (both for current year as also previous year) be mentioned.
9. Notes in the abridged balance sheet should be given the same number as in the main balance sheet.
10. Disclosure of Related Party Transaction shall be made in terms of the requirements of Accounting Standard (AS) 18, *Related Party Disclosures,* notified under Companies (Accounting Standards) Rules, 2006.

11. Details of Cash and Cash Equivalents shall be disclosed as follows:

    (a) Balances with banks;

    (b) Cheques, drafts on hand;

    (c) Cash in hand;

    (d) Others (specify nature)

12. In terms of Accounting Standard (AS) 3, Cash Flow Statement, wherever required, as notified under Companies (Accounting Standards) Rules 2006, the following abridged Cash Flow Statement shall be included:

Abridged Cash Flow Statement

		Figures for the current reporting period	Figures for the previous reporting period
1.	Cash flows from operating activities		
2.	Cash flows from investing activites		
3.	Cash flows from financing activities		
4.	Net increase/(decrease) in cash and cash equivalents		
5.	Cash and cash equivalents at beginning of period		
6.	Cash and cash equivalents at end of period		

13. Segment revenue, segment capital employed (segment assets minus segment liabilities) and segment result for business segments or geographical segments, whichever is the enterprise's primary basis of segment reporting (disclosure of segment information shall be presented) only if the company is required, in terms of Accounting Standards (AS) 17, Segment Reporting, as notified under Companies (Accounting Standards) Rules 2006 to disclose segment information in its annual financial statements;

14. Level of rounding off should be the same as in the main balance sheet and the profit and loss account.

15. 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/subhead or any changes *inter* se, in the financial statements or statements forming part thereof, the same shall be made.

The above stated salient features of the Balance Sheet and the Profit and Loss Account should be authenticated in the same manner as the Main financial statements.

AUDITOR'S REPORT

- Auditor's Report shall be submitted by the statutory auditors in accordance with the Standard on Auditing (SA) 810, Engagements to Report on Summary Financial Statements, issued by the Institute of Chartered Accountants of India. Auditor's report on unabridged financial statements shall also be given.

DIRECTORS' REPORT

- Salient features of Director's Report shall be disclosed.

Subsidiary Company / companies: Every holding company shall attach a statement relating to its subsidiary company / companies to be furnished in pursuance of clauses (e), (f) and (g) of sub-section (1) of section 212.

(Signed by Directors/Secretary)
in the manner prescribed in section 215(1).".

[F No 17/51/2012- CL V]

Renuka Kumar,

Joint Secretary

Note:- The principal notification was published in the Gazette of India, Part II, Section 3, Sub-section (i) vide number G.S.R. 432(E) dated the 18th January, 1956 and subsequently amended vide the following notifications:-

Serial Number	Notification Number	Notification Date
1.	SRO 2535	1.11.1956
2.	SRO 3135	21.12.1956

3.	SRO 237	19.1.1957
4.	SRO 2105	29.1.1957
5.	SRO 3038	28.9.1957
6.	SRO 3867	7.12.1957
7.	GSR 48	22.2.1958
8.	GSR 723	23.8.1958
9.	GSR 750	30.8.1958
10.	GSR 1026	1.11.1958
11.	GSR 14	3.1.1959
12.	GSR 548	9.5.1959
13.	GSR 1140	17.10.1959
14.	GSR 1224	7.11.1959
15.	GSR 1364	12.12.1959
16.	GSR 220	27.2.1960
17.	GSR 595	28.5.1960
18.	GSR 195	18.2.1961
19.	GSR 814	24.6.1961
20.	GSR 1105	09.09.1961
21.	GSR 1408	25.11.1961
22.	GSR 653	12.05.1962
23.	GSR 344	02.03.1963
24.	GSR 628	13.4.1963
25.	GSR 97	16.1.1965
26.	GSR 822	12.6.1965
27.	GSR 1570	30.10.1965
28.	GSR 368	19.3.1966
29.	GSR 421	18.3.1966
30.	GSR 499	9.4.1966
31.	GSR 743	21.5.1966
32.	GSR 847	4.6.1966
33.	GSR 1266	13.8.1966
34.	GSR 130	20.1.1968
35.	GSR 667	30.6.1973
36.	GSR 327(E)	10.6.1975
37.	GSR 414(E)	16.7.1975
38.	GSR 2596	1.11.1975
39.	GSR 2828	13.12.1975
40.	GSR 154	31.1.1976

41.	GSR 248(E)	24.3.1976
42.	GSR 627	14.5.1977
43.	GSR 24(E)	9.1.1979
44.	GSR 1256	6.10.1979
45.	GSR 555(E)	4.9.1982
46.	GSR 479(E)	22.4.1988
47.	GSR 694(E)	10.6.1988
48.	GSR 782(E)	13.7.1988
49.	GSR 908(E)	7.9.1988
50.	GSR 1032(E)	26.10.1988
51.	GSR 449 (E)	17.4.1989
52.	GSR 510(E)	24.5.1990
53.	GSR 795(E)	18.9.1990
54.	GSR 289(E)	31.5.1991
55.	GSR 614(E)	3.10.1991
56.	GSR 754(E)	26.12.1991
57.	GSR 312(E)	6.3.1992
58.	GSR 353(E)	26.3.1992
59.	GSR 484(E)	11.5.1992
60.	GSR 581 (E)	27.8.1993
61.	GSR 621 (E)	24.9.1993
62.	GSR 286(E)	1.3.1994
63.	GSR 598(E)	28.7.1994
64.	GSR 697(E)	20.9.1994
65.	GSR 283(E)	21.3.1995
66.	GSR 424(E)	26.5.1995
67.	GSR 251(E)	21.6.1996
68.	GSR 97(E)	28.2.1997
69.	GSR 126(E)	1.3.1997
70.	GSR 16(E)	6.1.1999
71.	GSR 23(E)	12.1.1999
72.	GSR 130(E)	23.2.1999
73.	GSR 788(E)	29.11.1999
74.	GSR 58(E)	17.1.2000
75.	GSR 363 (E)	27.4.2000
76.	GSR 638(E)	26.7.2000
77.	GSR 836(E)	24.10.2000
78.	GSR 24(E)	15.01.2001

79.	GSR 35(E)	24.01.2001
80.	GSR 51(E)	31.01.2001
81.	GSR 96(E)	14.02.2001
82.	GSR 330(E)	07.05.2002
83.	GSR 5(E)	03.01.2003
84.	GSR 479(E)	12.06.2003
85.	GSR 580(E)	24.07.2003
86.	GSR 56(E)	10-02-2006
87.	GSR 555(E)	14-09-2006
88.	GSR 399 (E)	30-05-2007
89.	GSR 500 (E)	24-07-2007
90.	GSR 720(E)	16-11-2007
91.	GSR 655(E)	12-09-2008
92.	GSR 788(E)	114-11-2008
93.	GSR 824(E)	28-11-2008
94.	GSR 835(E)	04-12-2008
95.	GSR 868(E)	22-12-2008
96.	GSR 872(E)	23-12-2008
97.	GSR 876(E)	24-12-2008
98.	GSR 183(E)	20-03-2009
99.	GSR 257(E)	17-04-2009
100.	GSR 284(E)	24-04-2009
101.	GSR 643(E)	07-09-2010
102.	GSR 649(E)	08-09-2010
103.	GSR 78 (E)	10-02-2011
104.	GSR 259(E)	26-03-2011
105.	GSR 351(E)	29-04-2011
106.	GSR 407(E)	26-05-2011
107.	GSR 408(E)	26-05-2011
108.	GSR 514(E)	07-07-2011
109.	GSR 533(E)	14-07-2011
110.	GSR 618(E)	10-08-2011
111.	GSR 716(E)	23-09-2011
112.	GSR 749(E)	05-10-2011
113.	GSR 313(E)	24-04-2012

Appendix-C
SEBI Circular for amendment to Equity listing Agreement Formats for disclosure of Financial Reports

भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

CIRCULAR

CIR/CFD/DIL/4/2012 April 16, 2012

To

All Stock Exchanges

Dear Sir/Madam,

Sub: Amendments to the Equity Listing Agreement – Formats for Disclosure of Financial Results

1. Ministry of Corporate Affairs vide Notification dated February 28, 2011 has revised the format for disclosure of Balance Sheet under Schedule VI of the Companies Act, 1956.
2. Pursuant to the same, it has been decided to carry out consequential amendments to Clause 41 of the Listing Agreement regarding interim disclosure of financial results by listed entities to the stock exchanges, which has been drawn from the format under Schedule VI of the Companies Act, 1956. Accordingly, the format for the said disclosure has been given in Annexure.
3. The above shall be applicable for financial year ended on March 31, 2012 for all filings made after the date of this circular.
4. The above listing conditions are specified in exercise of the powers conferred under Section 11 read with Section 11A of the Securities and Exchange Board of India Act, 1992. The said listing conditions should form part of the existing Listing Agreement of the stock exchange.
5. All stock exchanges are advised to ensure compliance with this circular and carry out the amendments in their Listing Agreement as per the Annexure to this circular.
6. This circular is available on SEBI website at www.sebi.gov.in under the categories “Legal Framework” and “Issues and Listing”.

Yours faithfully,

Sunil Kadam
General Manager
+91-22-26449630
sunilk@sebi.gov.in

Enclosures:
Annexure-1: Amendments

भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

Annexure-1

Amendment to the Listing Agreement

1. Annexure-I of Clause 41 shall be substituted with the following, viz.,

Format for submission of Unaudited / Audited financial results by companies other than Banks

PART I							(₹ in Lakhs)
Statement of Standalone / Consolidated Unaudited / Audited Results for the Quarter and _____ Months Ended dd/mm/yyyy OR for the Year Ended dd/mm/yyyy							
	Particulars	**3 months ended (dd/mm/yyyy)**	**Preceding 3 months ended (dd/mm/yyyy)**	**Corresponding 3 months ended (dd/mm/yyyy) in the previous year**	**Year to date figures for current period ended (dd/mm/yyyy)**	**Year to date figures for the previous year ended (dd/mm/yyyy)**	**Previous year ended (dd/mm/yyyy)**
	(Refer Notes Below)	**(Unaudited) / (Audited)**	**(Unaudited) / (Audited)**	**(Unaudited) / (Audited)**	**(Unaudited) / (Audited)**	**(Unaudited) / (Audited)**	**(Audited)**
1	**Income from operations** (a) Net sales/income from operations (Net of excise duty) (b) Other operating income **Total income from operations (net)**						
2	**Expenses** (a) Cost of materials consumed (b) Purchases of stock-in-trade (c) Changes in inventories of finished goods, work-in-progress and stock-in-trade (d) Employee benefits expense (e) Depreciation and amortisation expense (f) Other expenses(Any item exceeding 10% of the total expenses relating to continuing operations to be shown separately) **Total expenses**						
3	**Profit / (Loss) from operations before other income, finance costs and exceptional items (1-2)**						

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PART I							(₹ in Lakhs)
Statement of Standalone / Consolidated Unaudited / Audited Results for the Quarter and _____ Months Ended dd/mm/yyyy OR for the Year Ended dd/mm/yyyy							
	Particulars	**3 months ended (dd/mm/yyyy)**	**Preceding 3 months ended (dd/mm/yyyy)**	**Corresponding 3 months ended (dd/mm/yyyy) in the previous year**	**Year to date figures for current period ended (dd/mm/yyyy)**	**Year to date figures for the previous year ended (dd/mm/yyyy)**	**Previous year ended (dd/mm/yyyy)**
	(Refer Notes Below)	**(Unaudited) / (Audited)**	**(Unaudited) / (Audited)**	**(Unaudited) / (Audited)**	**(Unaudited) / (Audited)**	**(Unaudited) / (Audited)**	**(Audited)**
4	Other income						
5	**Profit / (Loss) from ordinary activities before finance costs and exceptional items (3 ± 4)**						
6	Finance costs						
7	**Profit / (Loss) from ordinary activities after finance costs but before exceptional items (5 ± 6)**						
8	Exceptional items						
9	**Profit / (Loss) from ordinary activities before tax (7 ± 8)**						
10	Tax expense						
11	**Net Profit / (Loss) from ordinary activities after tax (9 ± 10)**						
12	Extraordinary items (net of tax expense ₹ ____ Lakhs)						
13	**Net Profit / (Loss) for the period (11 ± 12)**						

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PART I (₹ in Lakhs)

Statement of Standalone / Consolidated Unaudited / Audited Results for the Quarter and _____ Months Ended dd/mm/yyyy OR for the Year Ended dd/mm/yyyy

	Particulars	3 months ended (dd/mm/yyyy)	Preceding 3 months ended (dd/mm/yyyy)	Corresponding 3 months ended (dd/mm/yyyy) in the previous year	Year to date figures for current period ended (dd/mm/yyyy)	Year to date figures for the previous year ended (dd/mm/yyyy)	Previous year ended (dd/mm/yyyy)
	(Refer Notes Below)	**(Unaudited) / (Audited)**	**(Unaudited) / (Audited)**	**(Unaudited) / (Audited)**	**(Unaudited) / (Audited)**	**(Unaudited) / (Audited)**	**(Audited)**
14	Share of profit / (loss) of associates*						
15	Minority interest *						
16	**Net Profit / (Loss) after taxes, minority interest and share of profit / (loss) of associates (13 ± 14 ± 15) ***						
17	Paid-up equity share capital (Face Value of the Share shall be indicated)						
18	Reserve excluding Revaluation Reserves as per balance sheet of previous accounting year						
19.i	**Earnings per share (before extraordinary items)** **(of ₹ ___/- each) (not annualised):** (a) Basic (b) Diluted						
19.ii	**Earnings per share (after extraordinary items)** **(of ₹ ___/- each) (not annualised):** (a) Basic (b) Diluted						

See accompanying note to the financial results

* Applicable in the case of consolidated results.

Note: The classification / disclosure of items in the financial results shall be in accordance with the Revised Schedule VI of the Companies Act, 1956. Further to the above, profit/loss from discontinuing operations, if any, included in the above shall be disclosed with details thereof.

भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

PART II

Select Information for the Quarter and _____ Months Ended dd/mm/yyyy

	Particulars	3 months ended (dd/mm/yyyy)	Preceding 3 months ended (dd/mm/yyyy)	Corresponding 3 months ended (dd/mm/yyyy) in the previous year	Year to date figures for current period ended (dd/mm/yyyy)	Year to date figures for the previous year ended (dd/mm/yyyy)	Previous year ended (dd/mm/yyyy)
A	**PARTICULARS OF SHAREHOLDING**						
1	Public shareholding - Number of shares - Percentage of shareholding						
2	Promoters and Promoter Group Shareholding ** a) Pledged / Encumbered - Number of shares - Percentage of shares (as a % of the total shareholding of promoter and promoter group) - Percentage of shares (as a % of the total share capital of the company) b) Non - encumbered - Number of shares - Percentage of shares (as a % of the total shareholding of the Promoter and Promoter group) - Percentage of shares (as a % of the total share capital of the company)						

	Particulars	3 months ended (dd/mm/yyyy)
B	**INVESTOR COMPLAINTS** Pending at the beginning of the quarter Received during the quarter Disposed of during the quarter Remaining unresolved at the end of the quarter	

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Securities and Exchange Board of India

2. Annexure-IX of Clause 41 shall be substituted with the following, viz.,

Clause 41 of the Listing Agreement For Companies (Other than Banks)

Standalone / Consolidated Statement of Assets and Liabilities Particulars		As at (current half year end / year end) (dd/mm/yyyy)	As at (previous year end) (dd/mm/yyyy)
A	EQUITY AND LIABILITIES		
1	Shareholders' funds		
	(a) Share capital		
	(b) Reserves and surplus		
	(c) Money received against share warrants		
	Sub-total - Shareholders' funds		
2	Share application money pending allotment		
3	Minority interest *		
4	Non-current liabilities		
	(a) Long-term borrowings		
	(b) Deferred tax liabilities (net)		
	(c) Other long-term liabilities		
	(d) Long-term provisions		
	Sub-total - Non-current liabilities		
5	Current liabilities		
	(a) Short-term borrowings		
	(b) Trade payables		
	(c) Other current liabilities		
	(d) Short-term provisions		
	Sub-total - Current liabilities		
	TOTAL - EQUITY AND LIABILITIES		
B	ASSETS		
1	Non-current assets		
	(a) Fixed assets		
	(b) Goodwill on consolidation *		
	(c) Non-current investments		
	(d) Deferred tax assets (net)		
	(e) Long-term loans and advances		
	(f) Other non-current assets		
	Sub-total - 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		
	Sub-total - Current assets		
	TOTAL - ASSETS		

* Applicable in the case of consolidated statement of assets and liabilities.

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Feedback Page

This is the first edition of the Guide by the Committee, and, obviously, therefore there is scope for improvement. We intend to make it as useful as possible in its present format. The Committee, therefore, hopes to keep updating this Guide on a regular basis in order to make it more functional.

We solicit comments and suggestions from practitioners and others to improve the usefulness of the Guide. In particular, we will welcome the views of the practitioners on enhancement of their knowledgebase.

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

We are thankful to CA. Mohd. Salim for preparing the draft of this book on Revised Schedule VI: A Practitioner's Guide.

Dr. Sambit Kumar Mishra
Secretary
Committee for Capacity Building of CA Firms and Small & Medium Practitioners, (CCBCAF & SMP)
The Institute of Chartered Accountants of India
Indraprastha Marg,
New Delhi-110002