

REVISED SCHEDULE-VI

At **ACAE Emami Conference Hall**

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How can be effective and successful in whatever you do ?






Fully engaged in present moment

- You enjoy
- You become more effective
- Focus and concentration gives you success
- What *is* (*important*) Right Now and what is (*appreciate*) *Right Now*





Introduction

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- Effective date: Financial year commencing on or after 1st April, 2011, vide S.O. No. 447(E), dated 28th February, 2011
 - Changes to a large extent indicate move towards IAS 1
 - India did not have a local standard equivalent of IAS1
 - The revised Schedule VI fills that gap
 - The process of revision started in Nov 2008 when a Memorandum of revision of Schedule VI was put on MCA site
 - Main difference between proposed draft and the revised Schedule VI
 - In the proposed draft, there were two formats of Schedule VI, one for SMCS (so called Saral Schedule VI), and one for other companies
 - Current Schedule VI is common for all companies






Introduction

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- Companies Bill 2009 does not intend to have a schedule
 - Will lay down by way of rules
 - Revised Schedule would apply to all companies following Indian GAAP until such companies are required to follow Ind-AS.
 - Thus, a majority would continue following the presently notified Standards by the Companies Rules.
 - Per Gen Ins 1 Requirements of accounting standards and the Companies Act will override the revised Schedule, if inconsistent. *Significant change*




Overview

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- Information to be mandatorily given on the face of financial statements, - *Limited only to broad and significant items*
 - Details by way of notes and cross reference thereof
 - Part III and IV of the existing Schedule VI dispensed with
 - Format of cash flow statement not prescribed
 - - *Illustrative formats per AS 3*
 - Disclosure requirements of various accounting standards apply additionally



Overview

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- Specified nomenclature in revised Schedule VI should be followed as far as possible:




Ensure uniformity

Avoid perceived non-compliances

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- Compatibility with Clause 41 of the Listing Agreements



Overview

- Presentation
 - Horizontal or T form of balance sheet gone – vertical form laid down
 - Existing Schedule VI did not have a format for P/L account
 - Revised Schedule VI lays a multi-step format for P/L account
 - Classification of assets, liabilities and provisions is based on long-term and short-term provisions – *significant change*
 - Classification of expenses – by nature
 - Even in future, if accounting standards change, Schedule shall modify
 - Specified disclosures are minimum, additional disclosures per AS or other Acts to be included
 - *Standalone?* Per AS 21, applicable to consolidated also
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Overview

- Significant move towards IFRS though not in entirety
- Require substantial change in accounting systems and procedures for implementation

- GENERAL INSTRUCTIONS

Applicable to both Balance Sheet and Statement of Profit & Loss

Comparative for immediately preceding period in face and notes

- PART I : BALANCE SHEET

Format of Balance Sheet: Only vertical form (No horizontal form)

General instructions for preparation of Balance Sheet

- PART II : STATEMENT OF PROFIT & LOSS

Format of Statement of Profit & Loss (unlike existing Schedule VI)

General instructions for preparation of Statement of Profit & Loss




Overview

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- NO FORMAT FOR CASH FLOW STATEMENT

Follow AS-3 format(s)

- MEANINGS OF TERMS USED

Meanings as assigned in respective Accounting Standards

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- Unlike existing Schedule VI, no definitions of provision, reserve, trade, quoted, etc.


- PART IV OF EXISTING SCHEDULE VI

Balance Sheet abstract and general business profile dispensed with





General instructions

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- There were no general instructions to old schedule VI
 - General Instructions contain significant principles of disclosure
 - There are separate general instructions for B/S and P/L account
 - First Year of Application of Revised Schedule VI



Comparatives to be given

Additional effort to recast comparatives

Auditors to perform procedures



Notes to disclose fact of reclassification / regrouping

If certain comparative figures not available: disclose the fact





General instructions

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- Gen Ins no 3
 - Notes provide information that is not required to be put on the face of financial statements
 - Narrative description of items
 - Level of detailing:
 - Balance between too much aggregation and too much information
 - Consistent rounding off rules based on turnover
 - Where turnover upto Rs.100 crores – hundreds, thousands, lakhs or millions
 - Where turnover exceeding Rs.100 crores – lakhs, millions or crores
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Depiction of the liability side of balance sheet

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- Shareholders' funds
 - Share Capital
 - Reserves and surplus
 - Share warrants
 - Share application money pending allotment
 - Non current liabilities
 - Long term borrowings
 - Deferred tax liabilities (net)
 - Other Long term liabilities
 - Long term provision
 - Current liabilities
 - Short-term borrowings
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Depiction of the liability side of balance sheet

- Trade payables
- Other current liabilities
- Short-term provisions




Few Observations



- Existing vertical form purports to show aggregate of "*Sources of funds*" and "*Application of funds*":
- Current liabilities/provisions deducted from current assets
- Debit balance in Profit & Loss is shown on asset side
- No general distinction between "Current" and "Non current"



Few Observations



REVISED FORM CONCEPTUALLY MORE SOUND

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- Indicates *total assets*
 - Indicates *total equity and liability*
 - *Losses are reduced from equity*
 - Assets and liabilities are classified properly as "*Current*" and "*Non-current*"
 - No items like "*Misc expenditure to be written off*"
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Depiction of the asset side of balance sheet

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- Non-current assets
 - Fixed assets
 - Tangible assets
 - Intangible assets
 - Capital work-in-progress
 - Intangible assets under development
 - Non-current investments
 - Deferred tax assets (net)
 - Long-term loans and advances
 - Other non-current assets
 - Current assets
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Depiction of the asset side of balance sheet

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- Current investments
 - Inventories
 - Trade receivables
 - Cash and cash equivalents
 - Short-term loans and advances
 - other current assets
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Current assets

- Definition in schedule VI: An asset shall be classified as current when it satisfies any of the following criteria:
 - it is expected to be realized in, or is intended for sale or consumption in, the company's normal operating cycle;
 - it is held primarily for the purpose of being traded;
 - it is expected to be realized within 12 months after the reporting date; or
 - 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.






Current assets

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- Meaning of cash equivalent:
 - Short term highly liquid investments that are readily convertible into cash, with insignificant risk of charges in value
 - Meaning of 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 twelve months.
 - Examples
 - In case of a financial entity, loans are current assets
 - In case of a distillery/winery, wines in the process of maturing will be current assets even it takes several years to mature
 - For a builder, buildings under construction are current assets






Current liabilities

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- If it satisfies any of the following criteria
 - it is expected to be settled in the company's normal operating cycle;
 - it is held primarily for the purpose of being traded;
 - It is due to be settled within twelve months after the reporting period; or
 - 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 effect its classification.
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Current Vs Non Current Liabilities

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- Current and Non Current Liability (*12 months – Operating Cycle – Right to defer*)
 - Bank Overdraft
 - Dividend Payable
 - Employee Benefits (AS 15 – short term, post employment, term.)
 - 5 year old Loan becoming payable within 11 months
 - Due to be settled within 12 months but refinance agreement done before approving but after reporting period
 - If Company has discretion to refinance and so expects, then a loan that was due within 12 months
 - If refinance discretion not available in above case
 - Entity breaches loan covenant before reporting period
 - If entity breaches but banker grants extension of 15 months by the end of reporting period and entity can rectify the breach.



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.



Details of share capital




- Share Capital for each class of share capital (different classes of preference shares to be treated separately):
- The number and amount of shares authorised;
- The number of shares issued, subscribed and fully paid, and subscribed but not fully paid
- Par value per share;
- Not required anymore sources of issue of bonus shares

New

- A reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period;
- Shares in respect of each class in the company held by its holding company or its ultimate holding company including shares held by subsidiaries or by associates of the holding company or the ultimate holding company in aggregate (audit procedures);




Details of share capital

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- Shares in the company held by each shareholder holding more than 5 percent shares specifying the number of shares held;
 - Shares reserved for issue under options and contacts/commitments for the sale of shares/disinvestment, including the terms and amounts;
 - 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.
 - 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.



Details of reserves and surplus




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- Reserves and surplus shall be classified as:
 - Capital Reserves;
 - Capital Redemption Reserves;
 - Securities Premium Reserve;
 - Debenture Redemption Reserve;
 - Revaluation Reserve;
 - Share Options outstanding Account (new) (within Reserve);
 - Other Reserves – (specify the nature and purpose of each reserve and the amount in respect thereof);
 - 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)



- A reserve specifically represented by earmarked investments shall be termed as a 'fund' (New)
- 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. (New)
- MONEY RECEIVED AGAINST SHARE WARRANTS (New)
To be shown as a part of shareholders' funds
No specific requirement under existing Schedule VI





Share application money gets increased focus

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- Separate Line Item in face of the Balance Sheet
 - Share application money includes advances towards allotment of share capital .
 - The meaning of ‘advances towards allotment’ is not clear
 - 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 refundable – Other Current Liabilities





Details of Long term borrowings (Face)

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- Long term borrowings shall be classified as:
 - Bonds/debentures (with interest rate / terms in decr. order of maturity)
 - Term loans
 - From banks
 - From other parties.
 - Deferred payment liabilities
 - Deposits
 - Loans and advances from related parties
 - Long term maturities of finance lease obligations
 - Other loans and advances (specify nature)
 - Borrowings shall further be sub-classified as secured and unsecured. Nature of security shall be specified separately in each case
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Details of Long term borrowings

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- Where loans have been guaranteed by directors or others, the aggregate amount of such loans under each head shall be disclosed. (*presently directors or managers*)
 - Particulars of any redeemed bonds/debentures which the company has power to reissue shall be disclosed.
 - 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 (not required under old schedule VI).






Deferred Tax (net) Other long term liabilities and provisions (Face)

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- Deferred Tax - Net
 - Other long term liabilities
 - Other long term liabilities shall be classified as:
 - Others
 - Long term provisions: The amounts shall be classified as:
 - Provision for employee benefits (*post employment – defined, long term benefit, termination benefit > 12m*)
 - Others (specify nature).
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Current Liabilities (Face)

- SHORT-TERM BORROWINGS
 - TRADE PAYABLES
 - OTHER CURRENT LIABILITIES
 - SHORT-TERM PROVISIONS
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Short term borrowings


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- Short term borrowings shall be classified as (Further sub-classification) (New):
 - Loans repayable on demand from bank or from other parties
 - Loans and advances from related parties
 - Deposits
 - Other Loans and advances (specify nature).
 - Borrowings shall further be sub-classified as secured and unsecured. Nature of security shall be specified separately in each case.
 - Where loans have been guaranteed by directors or others, the aggregate amount of such loans under each head shall be disclosed. (New)
 - 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)



Other current liabilities



Further sub classification, Disclosure of current portion, Share application money due for refund (new)

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- Current maturities of long-term debt;
 - Current maturities of finance lease obligations;
 - Interest accrued but not due on borrowings;
 - Interest accrued and due on borrowings;
 - Income received in advance;
 - Unpaid dividends
 - Application money received for allotment of securities and due for refund and interest accrued thereon:






-Note the distinction between application money going as a part of shareholders' funds, and that coming as liability

What is refundable is a liability, what is due for allotment is quasi capital



Other current liabilities & Short Term Provisions

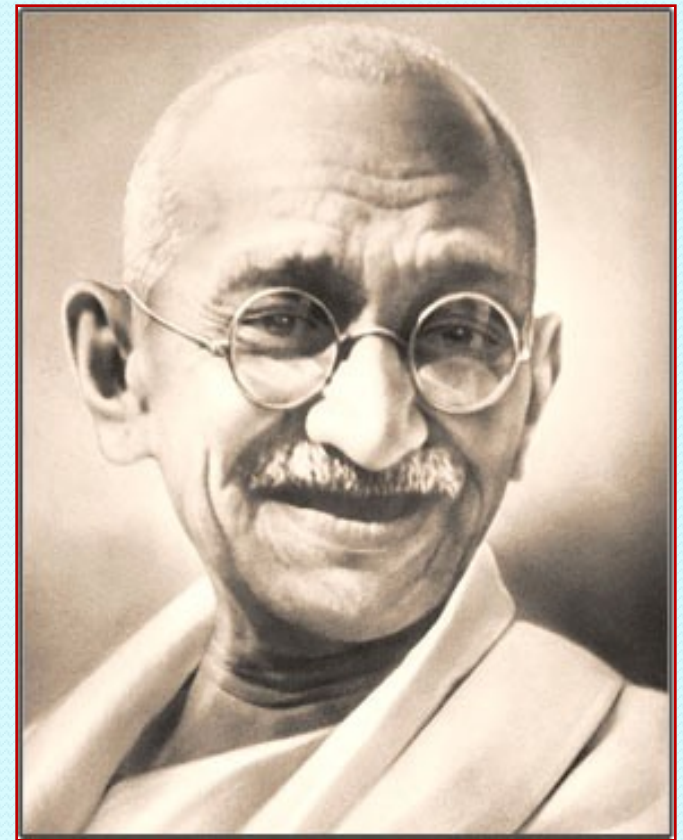
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- Unpaid matured deposits and interest accrued thereon
 - Unpaid matured debentures and interest accrued thereon
 - Other payables (specify nature).
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- **SHORT-TERM PROVISIONS**
 - Classify "provision for employee benefits" and "others" (to specify nature)
 - No specific disclosure as to proposed dividend
 - However, presently AS-4 requires provision for proposed dividend, and thus would override Schedule VI
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What is the formula for Happiness?






Happiness is when
what you think,
what you say, and
what you do
are in harmony








Non Current Assets (Face)

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- FIXED ASSETS (ALONGWITH SUB-CLASSIFICATION)
 - (i) Tangible assets (ii) Intangible assets
 - (iii) Capital work-in-progress (iv) Intangible assets under development
 - NON-CURRENT INVESTMENTS
 - DEFERRED TAX ASSETS (NET)
 - LONG-TERM LOANS AND ADVANCES
 - OTHER NON-CURRENT ASSETS
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Tangible assets

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- Tangible and Non Tangible classification (New)
 - Classification shall be given as:
 - Land
 - Buildings
 - Plant and Equipments
 - Furniture and Fixtures
 - Vehicles
 - Office equipments (New)
 - Others (specify nature).
 - Assets under lease shall be separately specified under each class of asset. (New)
 - 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 depreciation and impairment losses/reversals shall be disclosed separately.



Intangible assets (changes similar to Tangible Assets)

- Assets to be classified as
 - Goodwill
 - Brands /trademarks
 - Computer software
 - Mastheads and publishing titles.
 - Mining rights
 - Copyrights and patents and other intellectual property rights, services and operating rights
 - Recipes, formulae, models, designs and prototypes
 - Licenses and franchise
 - Others (specify nature)






- 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.
- Where sums have been written off on a reduction of capital or revaluation of assets, 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 (same).



Non-current investments (AS 13 to prevail for classification) (omitted trade and other investments)

Readily realizable and /or not intended to be held >12 m – acquisition)

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- Non-current investments shall be classified as trade investments and other investment and further classified as:
 - Investment property (AS13 and Ind AS 40);
 - Investments in Equity Instruments;
 - Investments in Preference shares;
 - Investments in government or trust securities;
 - Investments in debentures or bonds;
 - Investments in Mutual funds;
 - Investments in partnership firms;
 - Other non-current investments (specify nature)
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More on non-current investments


- Under each classification, details shall be given
 - of names of the bodies corporate in whom investments have been made
 - and the nature and extent of the investment co made in each such body corporate
 - showing separately investments which are partly-paid
 - indicating separately whether such bodies are
 - (i) subsidiaries (control),
 - (ii) associates (significant influence) AS 23,
 - (iii) joint ventures (joint control) AS 27,
 - (iv) controlled special purpose entities (not defined in AS 21 but in Ind AS 27)



More on non-current investments



-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.

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- As the word used is “body corporate”, it includes LLPs too.
 - Investments carried at other than at cost should be separately stated specifying the basis for valuation thereof.
 - The following shall also be disclosed
 - Aggregate amount of quoted investments and market value thereof;
 - Aggregate amount of unquoted investments;
 - Aggregate provision for diminution in value of investments



Long-term loans and advances

- Long-term loans and advances shall be classified as:
 - Capital Advances;
What is capital Advance?
 - Security Deposits;
 - Loans and advances to related parties (giving details thereof);
 - Other loans and advances (specify nature).
- The above shall also be separately sub-classified as:
 - Secured, considered good;
 - unsecured, considered good;
 - Doubtful







- Allowances / not provision(new) for bad and doubtful loans and advances shall be disclosed under the relevant heads separately.
- 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.
- New: No requirement to disclose maximum loans and advances during the year. No requirement to disclose loans and advances to companies under same management 370(1B)





Other non-current assets

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- Other non-current assets shall be classified as:
 - Long term Trade Receivables (including trade Receivables on deferred credit terms);(new)
 - Others (specify nature)
 - Long term Trade Receivables shall be sub-classified as:
 - Secured, considered good;
 - unsecured, considered good;
 - Doubtful
 - Allowances for bad and doubtful loans and advances shall be disclosed under the relevant heads separately.
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Current Assets (Face)

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- CURRENT INVESTMENTS
 - INVENTORIES
 - TRADE RECEIVABLES
 - CASH AND CASH EQUIVALENTS
 - SHORT-TERM LOANS AND ADVANCES
 - OTHER CURRENT ASSETS
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Current investments (similar to non current investments)

- Current investments shall be classified as:
 - Investments in Equity Instruments;
 - Investments in Preference shares;
 - Investments in government or trust securities;
 - Investments in debentures or bonds;
 - Investments in Mutual funds;
 - Investments in partnership firms;
 - Other non-current investments (specify nature)
- *Investment in property is conspicuously absent- as if property investments cannot be current investments*



More on current investments

- Under each classification, details shall be given
 - of names of the bodies corporate in whom investments have been made
 - and the nature and extent of the investment co made in each such body corporate
 - showing separately investments which are partly-paid
 - indicating separately whether such bodies are
 - (i) subsidiaries,
 - (ii) associates,
 - (iii) joint ventures,
 - (iv) controlled special purpose entities



-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.

- The following shall also be disclosed

-Basis of valuation of individual investments

- Problem– it cannot be taken to mean that the basis of valuation of each investments shall be disclosed separately

- Note there are variety of approaches to valuation of investments under AS 30

-Aggregate amount of quoted investments and market value thereof;

- Aggregate amount of unquoted investments;

- Aggregate provision for diminution in value of investments






Inventories (mostly same except for clear categorization)

- To be classified as
 - Raw materials;
 - Work-in progress;
 - Finished goods;
 - Stock-in-trade (in respect of goods acquired for trading);
 - Stores and spares;
 - Loose tools;
 - Others (specify nature)
- Goods-in-transit shall be disclosed under the relevant sub-head of Inventories.
- Mode of valuation shall be stated.
- Cenvat Credit Receivable – where? Not in inventory






Trade Receivables

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- Aggregate amount of Trade Receivables outstanding for a period exceeding six months from the date they are due for payment should be separately stated.
 - Trade Receivables shall be sub-classified as:
 - Secured, considered good;
 - unsecured, considered good;
 - Doubtful
 - Allowances for bad and doubtful loans and advances shall be disclosed under the relevant heads separately.
 - 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.

Maximum amount due not required






Cash and cash equivalents

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- Cash and cash equivalents shall be classified as:
 - Balances with banks;
 - Cheques, drafts on hand; (New)
 - Cash in hand;
 - Others (specify nature)
 - Earmarked balances with banks (for example, for unpaid dividends) shall be separately stated (New)
 - Balances with banks to the extent held as margin money or security against the borrowings, guarantees, other commitments shall be disclosed separately.(New)
 - Repatriation restrictions, if any, in respect of cash and bank balances shall be separately stated.(New)
 - Bank deposits with more than 12 months maturity shall be disclosed separately.(New)



Short-term loans and advances

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- Short-term loans and advances shall be classified as:
 - Loans and advances to related parties (giving details thereof);
 - Others (specify nature) (e.g.cenvat credit receivable).
 - The above shall also be separately sub-classified as:
 - Secured, considered good;
 - unsecured, considered good;
 - Doubtful
 - Allowances for bad and doubtful loans and advances shall be disclosed under the relevant heads separately.
 - 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.



Other current assets

- This is an- inclusive heading, which incorporates current assets that do not fit into any other asset category.
- Board's opinion regarding value of realization of current assets



Contingent liabilities and commitments (AS 29, Ind AS 37)

- Contingent liabilities and commitments (to the extent not provided for) (a distinction made)
- Contingent liabilities shall be classified as:
 - Claims against the company not acknowledged as debt;
 - Guarantees;
 - Other money for which the company is contingently liable
- Commitments shall be classified as:
 - Estimated amount of contracts remaining to be executed on capital account and not provided for;
 - Uncalled liability on shares and other investments partly paid
 - Others commitments (specify nature). (New)





Other disclosures

- 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. (New) *AS 4 (provide) and Ind AS 10 (disclose)*
- Where in respect of an issue of securities made for a specific purpose (new), 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.
- If, in the opinion of the board, any of the assets other than fixed assets and non-current investment 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. (New)
- MSME Act disclosure to continue






Profit And Loss Statement

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- Prescribes a form of statement of profit and loss with specific line items on the face of Statement of P&L
 - Classification by Nature
 - Continuation of present practice
 - Simpler to apply unlike functional classification
 - Comprehensive Income - not introduced
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Profit and Loss Statement

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- Meaning of exceptional and extra ordinary item
 - Extra ordinary items are those that arise other than from ordinary activity of the company (*Earthquake. Claims from insurance policy?*)
 - Exceptional items arise from ordinary activity, but are not expected to be recurring (*disposal of fixed asset, restructuring*)
-Note that IAS 1, para 87 prohibits presentation of extra ordinary items in comprehensive income.
 - Meaning of discontinuing operations:
(per AS 24. Per Ind AS 105 – discontinued operations)
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Additional disclosures

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- In respect of a company other than a finance company revenue from operations shall disclose separately an the notes revenue from
 - sale of products;
 - sale of services;
 - other operating revenues; Less:
 - Excise duty
 - 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 head shall be disclose separately by way of notes to accounts to the extent applicable.
 - Financial costs shall be classified as:



- Financial costs shall be classified as (New):
 - Interest expense;
 - Other borrowing costs;
 - Applicable net gain/loss on foreign currency transactions and translation;
- Other income to be classified as
 - Interest income (in case of a company other than a finance company);
 - Dividend Income (no relaxation for subsidiaries per AS9 and Ind AS 18 - New)
 - Net gain/loss on sale of investments
 - Other non-operating income (net of expenses directly attributable to such income). (New)



Additional information in case of all companies




- A company shall disclose by way of notes additional information regarding aggregate expenditure and income on the following items:-
 - (a) in case of all companies
 - Employee Benefit Expense [showing separately]
 - (i) salary and wages,
 - (ii) contribution to provident and other funds.
 - (iii) expense on employee stock option scheme (ESOP) employee stock purchase plan (ESPP)
 - (iv) staff welfare expenses
 - (b) Depreciation and amortization expense; (earlier not required if not charged) (New)
 - (c) Any item of income or expenditure which exceeds one per cent of the revenue from operations or Rs.100000 whichever is higher; (New)



- Interest Income; (*no requirement to distinguish –trade and others*)
- Interest Expense; (*debenture, loan MD- not required*)
- Dividend Income;
- Net gain/loss on sale of investments;
- Adjustments to the carrying amount of investments;
- Net gain/loss on foreign currency transactions and translation (other than considered as financial cost);
- Payment 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
- Details of items of exceptional and extra ordinary nature;
- Prior period items; (*presently in face now in notes*)



Additional information in case of specific types of companies

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- In case of manufacturing companies (*omits requirement of quantitative disclosure*)
 - Raw material under broad heads.
 - goods purchased under broad heads.
 - Note that the comprehensive information required about raw materials, components etc by existing Schedule VI has been dropped
 - On the contrary , revised Schedule VI states – it shall be sufficient compliance if the items are shown under “broad heads”
 - In case of trading companies, purchases in respect of goods traded in by the company under broad heads.
 - In case of companies rendering or supplying services, gross income derived from services rendered or supplied under broad heads.
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Further additional information in case of all companies

- In case of all concerns having works in progress , works in progress under broad heads.
- Information about reserves (same)
 - The aggregate, if material, of any amounts set aside or proposed to be set aside, to reserve, but not including provisions made to meet any specific liability, contingency or commitment known to exist at the date as to which the balance-sheet is made up.
 - The aggregate, if material, of any amounts withdrawn from such reserves.
- Information about provisions (same)
 - The aggregate, if material, of any amounts set aside to provisions made for meeting specific liabilities, contingencies or commitments



- The aggregate, if material, of any amounts withdrawn from such provision, as no longer required
- Expenditure incurred on each of the following items, separately for each item:
 - Consumption of stores and spare parts
 - Power and fuel
 - Rent
 - Repairs to buildings
 - Repairs to machinery
 - Insurance
 - Rates and taxes, excluding, taxes on income
 - Miscellaneous expenses,
- Subsidiary companies:
 - Dividends from subsidiary companies
 - Provision for losses of subsidiary companies.



Profit and loss account also to show by way of notes

- Value of imports calculated on C.I.F basis by the company during the financial year in respect of
 - Raw materials;
 - Components and spare parts;
 - Capital goods;
- Expenditure in foreign currency during the financial year on account of royalty, know-how, professional and consultation fees, interest, and other matters;
- Total value of all imported raw materials, spare parts and components consumed during the financial year and the total value of all indigenous raw materials, spare parts and components similarly consumed and the percentage of each to the total consumption;




-This is the same as in existing Schedule VI

-It appears that the significance of this disclosure is to give comparison between indigenous and imported raw materials, spare parts and components

- 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 share held by them on which the dividends were due and the year to which the dividends related;
- Earnings in foreign exchange classified under the following heads, namely;
 - Export of goods calculated on F.O.B. basis;
 - Royalty, know-how, professional and consultation fees
 - Interest and dividend;
 - Other income, indicating the nature thereof



Additional disclosures required by other laws

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- Cash flow statement required in case of listed entities
 - Micro, Small and Medium Enterprises law – dues to MSMEs
 - Additional disclosures required in case of NBFCs under RBI directions.








Conspicuously absent

- Details of managerial remuneration and computation of profits under sec 349, 350
- Licensed Capacity, installed capacity and actual production
-For an analyst, this was quite a useful information to project the growth of the company
- Balance sheet abstracts – completely goes away



Few Implementation Issues

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- Aligning accounting system and chart of accounts
 - More than 5% shareholding
 - Employee – current and non current
 - Broad Heads
 - Breach of loan covenant
 - Interim Financial Statement
 - Parent / Subsidiary different accounting year



GROWING STRONGER, TOGETHER

CKA