

NOTE ON REVISED SCHEDULE VI

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PREFACE

Schedule VI to Companies Act, 1956 deals with the Form of Balance sheet, Statement of Profit & Loss Account and disclosures to be made therein.

Ministry of Corporate Affairs [MCA] has issued the revised Schedule VI to companies Act, 1956 on 28th March 2011, which has been developed in the frame work of existing non-converged Indian Accounting Standards notified under the Companies (Accounting Standards) Rules 2006.

APPLICABILITY

This revised Sch.VI shall apply to ***all companies*** uniformly for the financial year commencing on or after 1st April 2011



SALIENT FEATURES OF THE REVISED SCHEDULE VI

- a) Horizontal format of balance sheet shall no more exist.
- b) *All assets and liabilities are classified into current and non-current categories.*
- c) Comparative information for the preceding accounting period shall be disclosed in Balance Sheet, Profit and Loss Account and Notes on Accounts [except for the first financial statement]
- d) *All the additional information shall be provided in Notes to Accounts i.e. Schedules are replaced by Notes to Accounts and each item on the face of Balance Sheet & Profit and Loss Account shall be cross referenced to Notes to Accounts.*
- e) Preference share capital is classified as share capital
- f) The new Schedule VI, has eliminated the option of presenting the figures in terms of hundreds or thousands in case the turnover exceeds Rs. 100 crores

g) In case of issue of shares for consideration other than cash the same can be disclosed only upto 5 financial years and unlike old Schedule VI the same need not be disclosed every year.

h) Share holding more than 5% shares with the number of shares held needs to be disclosed and also the share holding of holding/subsidiary/associates of holding company to be disclosed except the Joint venture.

i) Presenting Debit Balance of P & L account in the Assets side exists no more and the same should be presented in the Reserves & Surplus within brackets as a negative figure.

j) Money received against share warrants to be shown as new line item in equity and in case of share application money pending allotment same shall be classified in between equity and liabilities.

k) Long Term Borrowings:

This should represent only the portion of borrowings which is not due within 12 months after Balance sheet date and any instalment of the long term borrowing that are scheduled to fall due within 12 months after the Balance sheet date is classified as other current liabilities .

l) Long term & current Provisions:

Provisions for which claim is to be settled beyond 12 months after BS date shall be classified as Non current provision otherwise it shall be classified as Current liability

m) Short Term Borrowings:

Any borrowing [loans, advances, deposits] repayable within 12 months

n) Other current liabilities:

Any long term borrowing having remaining maturity of 12 months or less or portion of such long term borrowing falling due for payment within 12 months after Balance sheet date is classified as other current liabilities. It also includes unpaid dividend, interest accrued but not due on borrowings, interest accrued and due on borrowings, income received in advance etc.,

o) Introduction of Trade receivables/Payable:

Any amount due on account of goods sold or services rendered are classified as Trade receivables. Any amount due on account of goods purchased or services received in normal are classified as Trade payable.

p) Separate line item has been provided with respect to defer payment liabilities and advance income

Advances from customers are classified as trade payables and classified into current and non current. Such non-current portion is classified as other current liabilities (except defer payment liability)

q) The tangible and intangible assets needs to be segregated and tangible assets under construction and intangible assets under development are separate line items. Brand needs to be shown as Intangible assets

r) Investment Property under the head non-current investments.

s) Cash:

In case of repatriation restriction of foreign currency then the cash and bank balance (depending upon restriction) shall be shown as current or non current financial assets

t) *There is no line item for "Miscellaneous Expenses" therefore accounting for deferred expenses like share issue expenses debenture discount or debenture issue expenses etc., and presentation thereof under the existing Indian GAAP creates confusion.*

u) Expenses for issue of equity shares shall be adjusted with the issue proceeds (viz., Premium)

Apart from the above:

- *The **Provision 1 of General instruction** makes it is very clear that where compliance with the requirement of the Act including Accounting Standards as applicable to companies require any change in treatment or disclosure the same shall be made and the requirement of Schedule VI shall stand modified accordingly.*
- *The disclosure requirements 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*
- Notes to Accounts shall contain all supplementary information which requires Narrative descriptions or disaggregation of items recognized and information about items that do not qualify for recognition in those statements.

Profit & Loss Account:

In the revised Schedule VI, Part II format for the statement of Profit & Loss has been prescribed. This requires separate presentation of extraordinary items and exceptional items. There needs to be a separate presentation of P & L accounts that arise out of discontinuing operation.

Any income / expenditure shall attract separate disclosure in case it exceeds either Rs.1.00 lac or 1% of the revenue from operations whichever is higher.

DISCLOSURES DISPENSED IN THE REVISED SCHEDULE VI

List of items that have been eliminated from disclosure in the Revised Schedule VI

- Information regarding licensed capacity, installed capacity, actual production.
- Disclosure of quantitative details of raw material consumed by Manufacture Company
- Item wise quantitative details or value of opening stock and closing stock of goods purchased by Manufacture Company and trading companies. *(Accordingly opening and closing stock value can be presented in aggregate)*
- Disclosure of status of WIP
- Disclosure of Brokerage and commission on sales including commission paid to selling agents.
- Disclosure of special reserve for repayment of capital and loans.
- Disclosure requirement regarding managerial remuneration thereby covered under Corporate Governance report.



COMPARITIVE ANALYSIS OF NEW SCHEDULE VI WITH OLD SCHEDULE VI

I. EQUITIES AND LIABILITIES

COMPARATIVE DISCLOSURE REQUIREMENTS REGARDING SHARE CAPITAL

ISSUES	EXISTING SCHEDULE VI	REVISED SCHEDULE VI
A reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period.	Reconciliation not required	Reconciliation required
For the period of five years immediately preceding the date as at which the Balance sheet is prepared: <ul style="list-style-type: none"> - 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 	Requires continued disclosures	Requires disclosures of the transactions up to immediately preceding 5 years from the current reporting date.

ISSUES	EXISTING SCHEDULE VI	REVISED SCHEDULE VI
Shares in the company held by each shareholder holding more than 5% specifying the number of shares held.	Disclosure not required	Disclosure required
Other issues: Treatment of capital profit arising on reissue of forfeited shares	Transfer to capital reserve	No specific direction. Same treatment will continue. Since there is no specific treatment it may be transferred to securities premium account.
Share suspense account for pending share issues against consideration received	Presently shown as share suspense account	To continue as share suspense account by creating additional sub-line item
Share application money pending allotment of shares	To be presented between share capital & Reserves and Surplus	To be presented between shareholder's fund and Long term Borrowings
Share warrant money received	No separate sub- line item	To be presented as separate sub-line item

COMPARATIVE DISCLOSURE REQUIREMENTS REGARDING RESERVES AND SURPLUS

DETAILS OF RESERVES AND SURPLUS	EXISTING SCHEDULE VI	REVISED SCHEDULE VI
Share Premium Account (now termed as Securities Premium Reserve)	To include the details of utilization in accordance with section 78 of the Companies Act, 1956	No specific direction to present utilization
Debenture Redemption reserve	Earlier there was no requirement separate account head has been created in accordance with the requirement of section 117C of the Companies Act, 1956	Specific account head required
Revaluation Reserve	No requirement	Specific Account head required
Share option outstanding Account	No requirement	Separate accounts and presentation required

COMPARATIVE DISCLOSURE REQUIREMENTS REGARDING NON- CURRENT AND CURRENT LIABILITIES

DETAILS OF CURRENT AND NON- CURRENT LIABILITIES	EXISTING SCHEDULE VI	REVISED SCHEDULE VI
Disclosure of Loan Funds/ long term borrowings	Shown under the head sources of funds	Shown as Non- Current liabilities under the head Equities and Liabilities
Long term and short term borrowings	short-term as well as long-term borrowings are grouped together under the head Loan funds with sub-headings as secured and unsecured	<p>Long term borrowings are to be showed under non-current liabilities and short-term borrowings are to be shown under current liabilities with separate disclosures to secured/ unsecured loans.</p> <p>>12 months classified as non- current liabilities (long term Borrowings)</p> <p><12 months classified as current Liabilities (short term borrowings)</p>

DETAILS OF CURRENT AND NON- CURRENT LIABILITIES	EXISTING SCHEDULE VI	REVISED SCHEDULE VI
Deferred Tax Liabilities/ Assets (Net)	To be disclosed as a separate head	No specific disclosures required but break up of deferred tax assets and tax liabilities to be disclosed in notes to accounts as per AS 22 and shall be included under the head non- current assets and liabilities as the case may be.
Lease obligations	Included under the head current liabilities	Included under the head Non- current assets
Default in repayment of loans	Disclosure not required	Defaults in case of borrowings, in regard to repayment of loan or payment of interest are required to be disclosed.
Details of default in payment of loans	Disclosure not required	Period and amount of default in repayment of dues, providing break-up of principal and interest shall be specified separately in each case of default

DETAILS OF CURRENT AND NON- CURRENT LIABILITIES	EXISTING SCHEDULE VI	REVISED SCHEDULE VI
Disclosure of current liabilities	Current liabilities and provisions are reduced from current assets, Loans and advances	Disclosure of current liabilities shown under the head Equities and Liabilities
Interest accrued and due thereon	Interest accrued and due shown under the head secured or unsecured loans	Interest accrued and due to shown under the head other current liability
Provisions	Provisions include Provision for taxation, proposed dividends, provisions for contingencies, for provident fund schemes, for insurance and staff benefit schemes.	Provisions are classified as current and non- current provisions depending upon their maturity period.
Proposed dividend	Shown under current liabilities and provisions	<i>Not treated as provision and not to be disclosed in the Balance sheet but to be disclosed in the notes in contingent liabilities and commitments. However AS have an overriding effect over revised schedule VI and accordingly companies have to disclose for the same until the revision of AS 4.</i>

DETAILS OF CURRENT AND NON- CURRENT LIABILITIES	EXISTING SCHEDULE VI	REVISED SCHEDULE VI
<i>Profit and loss account (debit balance)</i>	Shown under the head Miscellaneous expenditure and losses	To be shown as a <i>negative figure under the head surplus.</i>
Sundry Creditors/ Trade Payables	To be bifurcated as dues of Micro and small enterprises and other than micro and small enterprises.	Sundry creditors renamed as trade payables under the head Current liabilities. Bifurcation for dues of micro and small enterprises not required.

COMPARATIVE DISCLOSURE REQUIREMENTS REGARDING NON- CURRENT AND CURRENT ASSETS

II. ASSETS – Assets bifurcated under two heads - Non-Current and Current assets

DETAILS OF ASSETS	EXISTING SCHEDULE VI	REVISED SCHEDULE VI
Bifurcation of fixed assets	Bifurcation not required	Bifurcation required. Fixed assets sub- divided as: Tangible assets Intangible Assets Capital Work in progress Intangible assets under development
Bifurcation of Investments	Bifurcation not required	Bifurcation required as current and non- current investments
Statement of investment	Statement of investment to be attached	Not required
Investments at other than cost	Not required	Investments carried at other than cost should be separately stated specifying the basis for valuation
Sundry Debtors/ Trade Receivables	In the Balance sheet known as Sundry Debtors	Sundry Debtors renamed as Trade Receivables and classified into long term and short term.

DETAILS OF ASSETS	EXISTING SCHEDULE VI	REVISED SCHEDULE VI
Loans and advances	Shown along with Current assets	Bifurcated into short term and long term loans and advances under the heads current and non-current assets respectively.
Cash and Bank Balances	Bank Balances divided into two categories Scheduled Banks and others	<p>Cash Equivalents include Cheques on hand and Bank Balances</p> <p>Restriction on repatriation of funds with respect to cash and Bank Balances to be provided</p> <p>Bank deposits with more than 12 months to be disclosed separately</p> <p>Unpaid dividend, margin money, security against borrowings, guarantees and commitments to be disclosed separately</p>
Disclosure of Miscellaneous expenditure (to the extent not written off or adjusted)	Disclosure required	No corresponding disclosure

COMPARATIVE DISCLOSURE REQUIREMENTS FOR PROFIT AND LOSS ACCOUNT

DETAILS OF INCOME/ EXPENDITURE	EXISTING SCHEDULE VI	REVISED SCHEDULE VI
Separate line item/ Expenditure criteria	Any item of income or expenditure which exceeds 1(one) % of the total revenue or Rs. 5,000/-, whichever is higher was required to be distinctly disclosed and not clubbed	Any item of income or expenditure which exceeds 1 % of the total revenue or Rs. 100,000/- , whichever is higher is required to be distinctly disclosed and not clubbed
Disclosure regarding dividends from subsidiaries	Dividends declared by subsidiary companies after the date of the balance sheet should not be included unless they are in respect of the period which closed on or before the date of the balance sheet	Treatment of dividend from subsidiary to be in accordance with the applicable Accounting Standards.
Depreciation	If no provision is made for depreciation, the fact and the quantum of arrears is required to be disclosed	No such requirement in respect of depreciation
Gain/ Loss in Foreign Exchange fluctuation	The net gain/loss on foreign currency transaction were to be shown under the head Finance cost	Net/gain or loss in Foreign currency transaction shall be included under the head finance cost and other expenses.

DISCLOSURES IN NOTES TO ACCOUNTS

Notes to Accounts shall disclose the Details of the following:

- i. Share capital
- ii. Reserves and surplus
- iii. Long term Borrowings
- iv. Other long term liabilities
- v. Long term provisions
- vi. Short term borrowings
- vii. Other current liabilities
- viii. Short term provisions
- ix. Tangible assets
- x. Intangible assets
- xi. Non- current investments
- xii. Other long term loans and advances
- xiii. Other non- current assets
- xiv. Current investments
- xv. Inventories
- xvi. Trade receivables
- xvii. Cash and cash equivalents
- xviii. Short term loans and advances
- xix. Other current assets
- xx. Contingent liabilities and commitments



CONCLUSION

- ✓ The very main purpose and object of preparation & presentation of financial statement is to provide information about the financial performance & financial position of an entity which shall be utilized by various stakeholders and share holders for exercising their financial decisions.
- ✓ By this revised Schedule VI, the objective of providing the exact information on assets, liabilities, income & expenses (viz., current/non-current) to the investors, share holders, public, banks, lenders, Government and its agencies, suppliers be met with. Further the Balance sheet shall give true and fair view of the statement of affairs of the company
- ✓ By bifurcating as Current & Non Current (Assets/Liabilities) the users of such financial information shall be able to take informed decision and can never be misled as there is no room for interpreting the financials at the user end. Moreover it highlights assets that are expected to be realized within the current operating cycle and liabilities that are due for settlement within the same period.
- ✓ Let's welcome the revised Schedule VI that pave way to best corporate financial reporting.