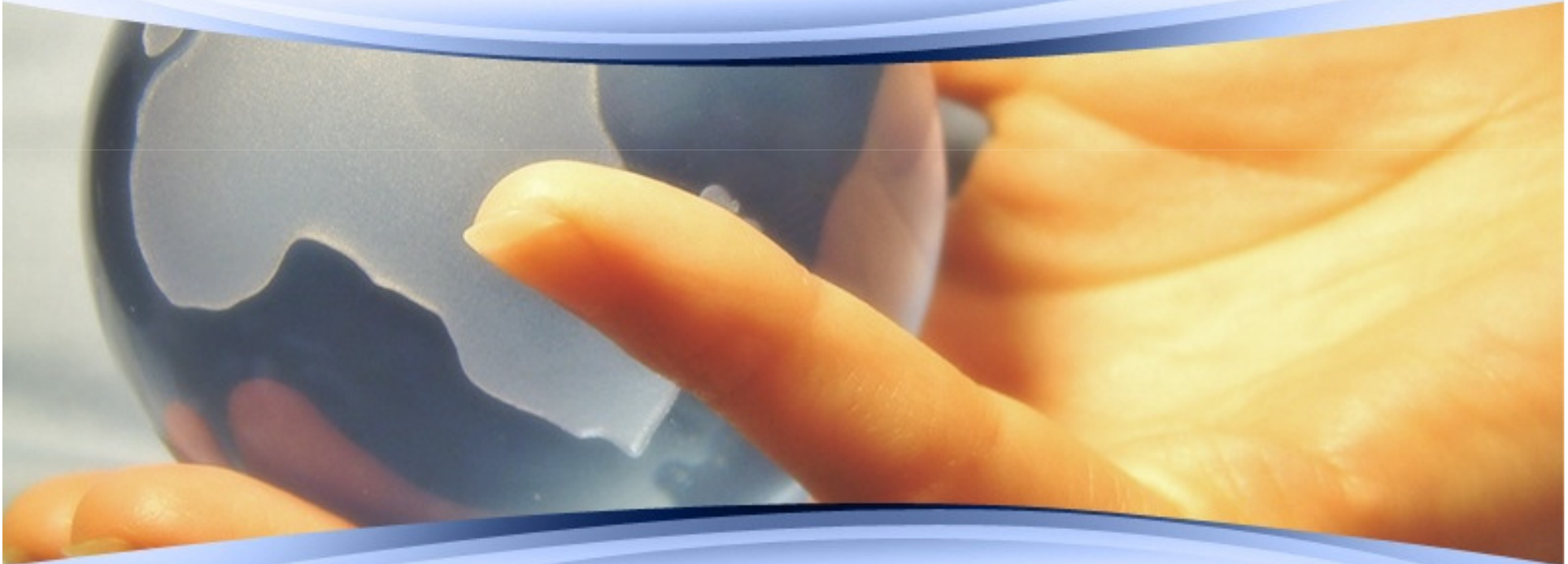


# REVISED SCHEDULE VI

**CA Kusai Goawala**  
**GKDJ & Associates**  
CHARTERED ACCOUNTANTS



# Background and Overview



- Old Schedule VI was operative from 1956.
- Outdated format for Balance Sheet replaced
- Revised Schedule VI is a step towards convergence with IFRS
- Based on IAS1 or IndAS 1
- Revised Format applicable for financial year commencing from 1<sup>st</sup> April, 2011
- Non compliance of Schedule VI affects true and fair view
- Based on total assets and liabilities concept
- Previous figures to be regrouped as per revised Schedule VI

# Components of Financial Statements :



- Balance Sheet
- Statement of Profit and Loss
- Cash Flow Statement as per AS3
- Notes to accounts (including schedules and breakups)

# Highlights




- Rigid format vs Flexible format
- Minimum Line items specified – additional can be given
- Liquidity based classification vs Security based
- Profit and Loss format also defined
- No specific format for CFS – however, advisable to use the same format.

# Highlights



- Accounting Standards overrules Schedule VI in case of contrary provisions
- No schedules – Details in Notes to Accounts
- Cross Referencing of figures with Notes
- The terms in Schedule VI to be interpreted as per Accounting Standards

# Three dimensional classification :



- First Level : Liquidity based
  - Current
  - Non Current
- Second Level : Security based
  - Secured
  - Unsecured
- Third level : Relationship based
  - Related parties
  - Others



# Rounding off...



- Allowed based on turnover
  - Upto 100 crore turnover – upto Million
  - More than 100 crore turnover – upto crore
- Earlier under Old Sch VI
  - Upto 100 crore turnover – upto 1000
  - Between 100 crore – 500 cr – upto million
  - Above 500 crore – upto crore

The same rounding off should be used uniformly in the Notes also

# Current Asset



- Expected to be realized in /Intended to be sold or consumed in Company's Normal Operating Cycle
- Held for trading
- Expected to realize within 12 months from the reporting date
- Cash and Cash equivalents – except what is restricted for disbursement for at least 12 months after the reporting date.



# Current Liability



A liability shall be classified as current when it satisfies any of the following criteria:

- expected to be settled in the company's normal operating cycle;
- it is held primarily for the purpose of being traded;

# Current liability...



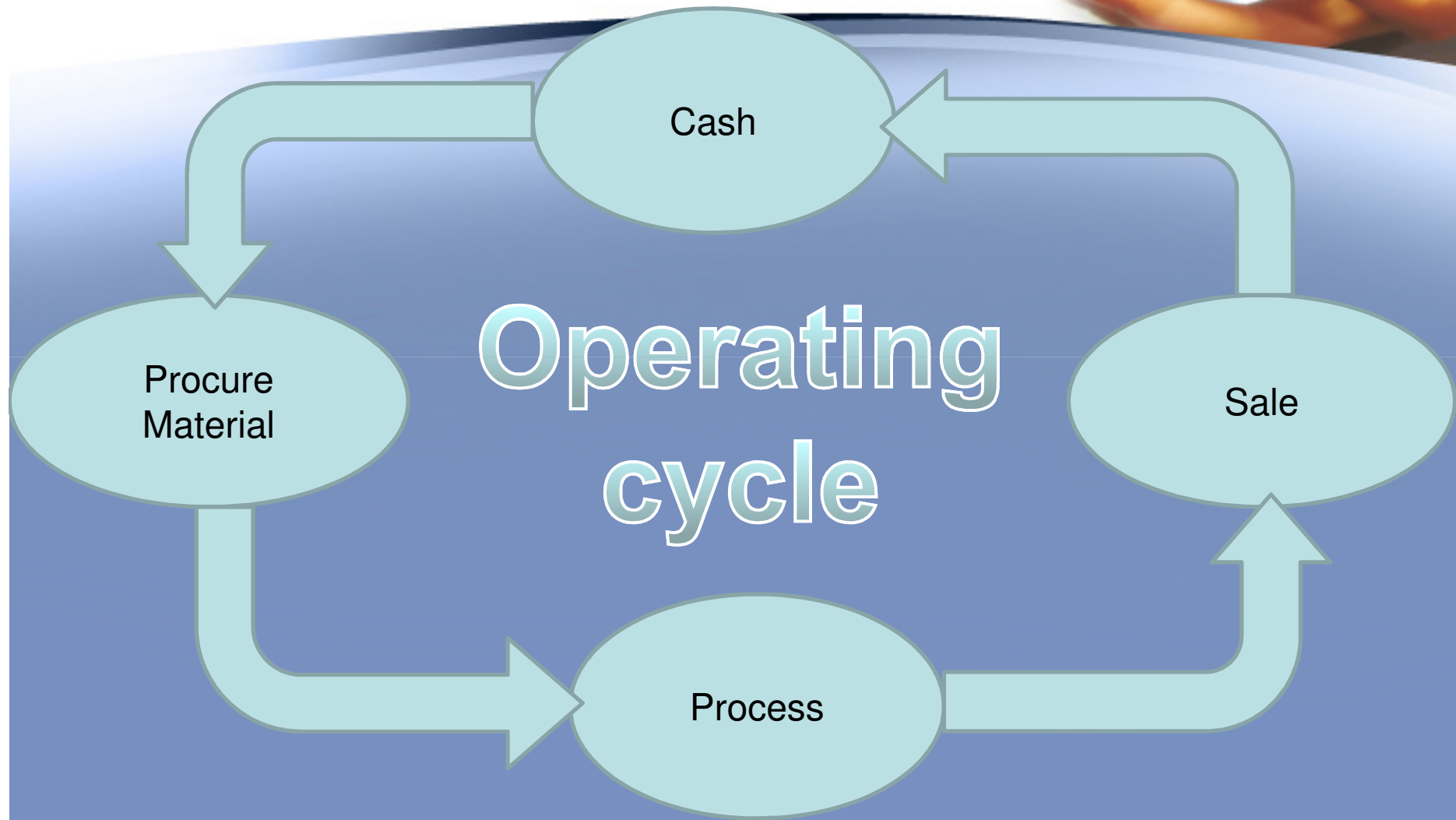
- it is due to be settled within 12 months after the reporting date; or
- the company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.
- Issue of Equity Shares for settling a liability will not be relevant to determine nature of liability.
- 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.

# Operating Cycle



An operating cycle is the time between the acquisition of assets for processing and their realization in cash or cash equivalents.

# Operating Cycle



# Operating Cycle



- Where the normal operating cycle cannot be identified, assume 12 months.
- 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.

# Case Study

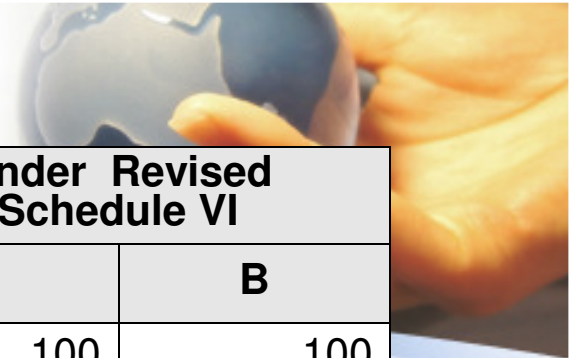


- Company A finances its working capital by way of Cash Credit from Bank / Supplier Credit
- Company B finances its working capital by way of supplier credit for 90 days





Statement of Affairs	Under old Schedule VI	
	A	B
Equity Capital	100	100
Long Term Loans	100	100
Cash Credit	100	-
	100	-
	<b>300</b>	<b>200</b>
Current Assets	400	400
Less : Trade Payables	100	200
	<b>300</b>	<b>200</b>



Statement of Affairs	Under old Schedule VI		Under Revised Schedule VI	
	A	B	A	B
Equity Capital	100	100	100	100
Long Term Loans	100	100	100	100
Trade Payables	-	-	100	200
Cash Credit	100	-	100	-
Total Current Liabilities	100	-	200	200
	<b>300</b>	<b>200</b>	<b>400</b>	<b>400</b>
Current Assets	400	400	400	400
Less : Trade Payables	(100)	(200)	-	-
	<b>300</b>	<b>200</b>	<b>400</b>	<b>400</b>

# Case Study



- A specialized Construction Company takes 14 months to complete an item for sale and takes 7 months to realize the sale proceeds
- Inventory, Receivables, Advances from Customers - Whether current or Non current ?

# Debtors : Current vs Non Current




- Debtors with a credit period of 60 days outstanding for more than 2 years on the Balance Sheet date.
- Current or Non Current ?

# Investments : Current vs Non Current



- As per AS 13 : Current if held for sale within 12 months from date of acquisition
- As per Sch VI : Current if held for sale within 12 months from date of balance sheet
- Classification as per Schedule VI whereas valuation as per AS13

# Investment Property - Current vs Non Current

A hand holding a globe, symbolizing investment or global business.

Investment Property acquired for sale within 12 months -

- Non current as per AS13 although intention to sell within 12 months.
- Current as per Sch VI
- Classification as per Schedule VI whereas valuation as per AS13



# Controlled SPV - IAS 27



- SPV where control through
  - financial commitments
  - Sale & buy back
  - No recourse but to yield to the Parent's requirements
  - Contractual companies solely depending on the contractee

# Business Combinations - IFRS 3



- Presently, not applicable under Indian GAAP
- Relates to amalgamations / takeover of business
- Fixed Assets acquisitions through Business Combinations to be separately disclosed
- However, in case of mergers/amalgamations show the assets acquired separately

# Deferred Tax : Current vs Non Current




- Deferred tax asset/liability is always non current asset/liability
- Even if certain deferred tax adjustments are reversed within a year
- For eg. - 43B or set off of losses.

# IndAS(IFRS) vs Schedule VI



- Proposed Dividend to be provided as per Schedule VI
- Under IFRS (IndAS-10), not an adjusting event and hence no provision required
- However presently Schedule VI prevails if IndAS not applicable
- AS 4 permits if required statutorily

# AS 9 vs Revised Schedule VI



- AS 9 requires sales and excise duty adjustment to be on face of P&L
- Revised Schedule VI requires such adjustment in Notes.
- AS 9 prevails

# Classification of previous years figures



- If an asset or liability was Current in previous year and Non current in current year
- Do you reclassify previous year figures from Current to Non Current ?




# AS 11 vs Schedule VI



- What happens to the controversy over adjustment of Forex difference on borrowed amount for purchase of FA ?? Old Schedule VI vs AS 11
- Option given from 31/03/2009

# Micro Small and Medium Enterprises (MSME)

A hand holding a globe, symbolizing global business or international trade.

- Not required to be disclosed under Revised Schedule VI
- However under MSMED Act disclosure is mandatory.

# Clause 41 Listed Companies



- Half yearly Balance Sheet reporting
- Old Schedule VI format used for September half year ending
- SEBI has amended format under Clause 41 in April 2012
- However for March 2012, Revised Schedule VI format to be used

# What is removed :



- a) Utilisation of Share Premium Account – Section 78 of the Act
- b) Particulars of Company's Debentures held by a trustee
- c) Part IV of Old Schedule VI i.e. General Business Profile
- d) Debts/Loans due from companies under the same management – not required to be disclosed.

Cont..

# What is removed :



- e) Balances with Non-Scheduled Banks not required to be disclosed separately.
- f) Quantitative Information regarding turnover, purchases, production, license/installed capacity for each class of goods as well as raw material consumed. The Opening and Closing Stock of goods produced or traded.
- g) Interest expense break up – Fixed Loans and Other loans cont..

# What is removed :



- h) TDS on Interest income
- i) Breakup of Managerial Remuneration
- j) Computation of Managerial Remuneration u/s 349
- k) Amount of Investment Income – Trade and Other
- l) Interest Income – nature of income
- m) Profit / Loss on sale of investments – long term & other





# Head wise



# Share Capital



- Reconciliation between opening and closing numbers of shares
- Details of shareholders holding 5% or more
- Number of shares during last five years preceding current year :
  - Issued as bonus (source not required)
  - Bought back
  - Issued for consideration other than cash

Contd..



- Nature of each type of shares –
  - Rights
  - Preferences
  - Restrictions
    - Capital
    - Dividend
    - Others
- Refer Shareholders Agreement or Board Resolutions.
- Shares held by Associate of Holding/Ultimate Holding Company



- Terms of convertible securities
- Calls unpaid from
  - Director
  - Officer
  - Others
- Forfeited shares
  - Numbers
  - Amount paid up



# Reserves & Surplus

- Nature & Purpose of each Reserve
- Earmarked reserves to be called fund
- Debit balance in P&L deduct from Reserves

## Share Warrants

Money received against Share Warrants –  
Mandatory line item under Equity



<b>Statement of Affairs</b>	<b>Under Old Schedule VI</b>
Share Capital	1,00,000
Reserve & Surplus	-
<b>Total Share Holders Fund</b>	<b>1,00,000</b>
Loans	10,00,000
	<b>11,00,000</b>
Current Assets	1,00,000
Debit Balance in P & L	10,00,000
	<b>11,00,000</b>





<b>Statement of Affairs</b>	<b>Under Old Schedule VI</b>	<b>Under Revised Schedule VI</b>
Share Capital	1,00,000	1,00,000
Reserve & Surplus	-	(10,00,000)
<b>Share Holders Fund</b>	<b>1,00,000</b>	<b>(9,00,000)</b>
Loans	10,00,000	10,00,000
	<b>11,00,000</b>	<b>1,00,000</b>
Current Assets	1,00,000	1,00,000
Debit Balance in P & L	10,00,000	-
	<b>11,00,000</b>	<b>1,00,000</b>

# Share Application Money Pending Allotment



- New head in Balance Sheet
- Amount due for allotment under this head
- Amount due for refund - disclose under Other Current Liabilities



## ● Further disclosures

- a) Terms and conditions
- b) No of shares proposed to be allotted
- c) Amount of premium
- d) Proposed date of allotment of shares
- e) Sufficiency of Authorised Capital
- f) Reasons for allotment pending beyond agreed terms

# Long Term Borrowings



- Bonds / Debentures
- Term Loans
  - From banks
  - Form other parties
- Deferred payment liabilities
- Deposits
- Loans & Advances from related parties
- Long term maturities of finance lease obligations
- Others



- Breakup to be given for Secured & Unsecured & nature of security in each case
- Loans guaranteed by Directors or others to be shown separately under each head
- Bonds / Debentures – Rate of interest and particulars of redemption/conversion to be given in descending order, starting from the farthest date



- Particulars of redeemed bonds / debentures where the Company has power to reissue
- Terms of repayment of loans
- Period and amount of continuing default as on balance sheet date in repayment of principal as well as interest.



# Other Long Term Liabilities



- Trade payables
- Others

## Long Term Provisions

- Provision for Employee Benefits (Long Term) due after 12 months



## Short Term Borrowings

- Disclosures similar to Long Term Borrowings except terms of repayment.

## Other Current Liabilities

- Current Maturities of long term debt
- Interest accrued and due
- Share Application Money – To the extent refundable - Disclosure norms as same under Equity & Liabilities



## Short Term Provisions

- Provision for Employee Benefits – Short term – due within 12 months – as per Actuarial Valuation



## Fixed Assets

- Gross/Net not required to be disclosed on face of balance sheet
- Intangible Asset – Separately disclose
- Intangible Asset under Development
- Acquired under Business Combination to be shown separately
- Impairment/Reversals – show for 5 years
- Revaluation/W-off to be disclosed for 5 years

# **Investments** – Current and Non Current separately



- Breakup – Joint Ventures/Associates/Controlled SPV
- Nature and extent of investment
- Basis of valuation in case of value other than cost

## **Long Term Advances**

- Capital Advances (earlier under Capital WIP)

# Trade Receivables



- Maximum Balance due from directors not required
- 6 months calculated from the date it became payable





## Example -

- Debtors – Bill Raised on 01/09/2011
- Credit Period 60 days
- Whether due for more than six months ?
- What about retentions ?



## Cash and Cash Equivalents

- Cheques and Drafts on hand
- Earmarked balances
- Repatriation restrictions
- Bank deposits more than 12 months maturity
- Particulars of Non Scheduled Banks not required
- Contradiction as per AS3 : presentation

Reclassify as under :



## **Cash and Bank Balances**

(a) Cash and Cash Equivalents

Disclose what is covered under AS3 as Cash and Cash Equivalents.

(b) Other Bank Balances

Which are not covered above but is covered under Revised Schedule VI.



**Miscellaneous Expenditure  
and Debit Balance in  
Profit and Loss  
head removed.**

# Profit and Loss



- Nomenclature – Statement of Profit and Loss
- Format defined
- Excise Duty grossing up in Notes – Conflict with AS 9
- Discontinuing Operations – separate as per AS 24
- Proposed dividend and tax – adjust in Balance Sheet from Surplus

cont..

# Profit and Loss



- Cost of Materials Consumed  
Includes only purchases of direct materials and services and adjustment of opening and closing stock of materials only.
- Purchase of Stock for trading  
This will include only purchases related to resale activity.
- Increase/Decrease in Finished Goods/WIP/Trading goods  
This will include only changes in inventory





- Employee Expenses – ESOP
- Exceptional Items to be shown separately – AS 5
- Finance Cost – Forex gain or loss on ECB loans – AS11
- Other Income to be shown net of relevant expenses



- Wealth tax will be disclosed under Rates and Taxes
- Dividend from Subsidiaries – Earlier, an Adjusting Event ; Now, to follow AS 9
- Proposed dividend – Amount and dividend per share to be disclosed.



- Separate disclosure of item in Profit and Loss
- Earlier – Rs.5,000/- or 1% of total revenue – whichever is higher
- Now – Rs.1,00,000/- or 1% of revenue from operations – whichever is higher



- Commitments vs Contingent Liabilities
- Commitments :
  - Uncalled liability on partly paid shares
  - Capital Commitments
  - Purchase Orders for raw materials not to be considered.
  - Buy back commitments
  - To fund subsidiaries/associates
  - Non disposal of investment
  - Non cancellable material contracts



- Commitments vs Contingent Liabilities
- Contingent Liabilities :
  - Guarantee issued for another company
  - However, counter guarantee issued for its own performance or financial liability not covered.



# Posers





# Posers



- Breach of provision of a long- term loan agreement
- Additional grace period agreed by lender after reporting date but before signing
- Loan classified as current liabilities – Refinance / Rectification of Breach



# Model Financial Statements Under Revised Schedule VI

# Any Questions ?...





CA Kusai Goawala