

COMPANY ACCOUNTS

IMPLEMENTATION OF SCHEDULE VI OF COMPANIES ACT

General Instructions-

- ❖ Revised Schedule VI applicable on all the companies with effect from 1st April, 2011
- ❖ In case of any controversy, Accounting Standards will prevail over the Schedule;
- ❖ Only Vertical format of Balance Sheet is prescribed;
- ❖ Prescribes minimum disclosure requirements in the Balance Sheet. All other disclosures as required by the Companies Act, 1956 shall be made in the notes to accounts in addition to the requirements set out in this Schedule.
- ❖ Shareholding of more than 5% shares in the company now needs to be disclosed;
- ❖ Share allotments for non-cash consideration, buy back to be disclosed;
- ❖ Where the normal operating cycle cannot be identified, it is assumed to have duration of twelve months. New name for P & L Account is “Statement of Profit and Loss”;
- ❖ Format for Statement of Profit and Loss has been prescribed
- ❖ Segregation of Revenue components into revenue from:
 - sale of products,
 - sale of services, and
 - other operating revenues

Equity and Liabilities

- ❖ Liabilities side of Balance Sheet is known as ‘Equity and Liabilities’ and shown as Part A of Balance Sheet (Vertical Form)
- ❖ Current/ Non-Current Distinction-- If entity does not have unconditional right to defer settlement of liability for at least 12 months after reporting period, it will be treated as CURRENT
- ❖ All expenses or provisions or advances or loans etc. which are accrued and payable within 12 months are current liabilities.
- ❖ **Provisions** to be shown under Long – term provisions and Short-term provisions.
- ❖ **Loss from Statement of Profit and Loss** is to be deducted from existing credit balance in Statement of Profit and Loss under ‘Reserves and Surplus’.

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- ❖ If the net amount after transfer, results is negative amount, it is shown as negative amount under the head Statement of Profit and Loss.
- ❖ Statement of Profit and Loss (Dr. Balance) will be disclosed under the head “Reserves and Surplus”.
- ❖ Share application money pending allotment is not a part of Shareholders’ Funds;

Assets

- ❖ All items of assets and liabilities are to be bifurcated between current and non-current portions and presented separately on the face of the Balance Sheet.
- ❖ Fixed assets were shown under one broad category i.e. fixed assets. Fixed assets are classified into:
 - ✓ Tangible Assets;
 - ✓ Intangible Assets;
 - ✓ Capital Work – in – progress;
 - ✓ Intangible Assets under Development.
- ❖ **Provision for Doubtful Debts** is not deducted from Trade Receivables but is shown as short-term Provisions under Current Liabilities.
- ❖ **Loose Tools** is to be classified as ‘Inventory’ under Current Assets.
- ❖ “Sundry Debtors” has been replaced with the term “Trade Receivables”;
- ❖ Disclosure of trade receivables outstanding for a period exceeding six months from the date of bill/invoice is due for payment;
- ❖ Separate head for Intangible Assets and Intangible Assets under Development;
- ❖ Capital Advances have to be shown separately under “Loans and Advances” instead of Fixed Assets;

FORMAT OF REVISED SCHEDULE VI

The Ministry of Corporates Affairs specified the format of Schedule VI vide Notification No. S.O. 447(E), dated 28th February 2011 as follows:

Part I: Form of Balance Sheet

Name of the Company

Balance Sheet as at 31 March, 20X2				
Particulars		Note No.	As at 31 March, 20X2	As at 31 March, 20X1
A	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			
B	ASSETS			
1	Non-current assets			
	(a) Fixed assets			
	(i) Tangible assets			
	(ii) Intangible assets			
	(iii) Capital work-in-progress			
	(iv) Intangible assets under development			
	(v) Fixed assets held for sale			
	(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			

General Instructions for Preparation of Balance Sheet

CURRENT ASSETS

1. An asset shall be classified as current when it satisfies **any of the following criteria**: (a) it is expected to be realised 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 realised 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.

OPERATING CYCLE

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

CURRENT LIABILITY

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 notes to accounts:

6A. Share capital

Clauses (a) to (l) of Notes 6 A deal with disclosures for Share Capital and such disclosures are required for each class of share capital (different classes of preference shares to be treated separately).

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 capacity 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
- h. Shareholder holding more than 5 per cent shares specifying the number of shares held
- i. Shares reserved for issue under options and contracts/commitments for the sale of shares/disinvestment, including the terms and amounts
- j. For the period of five years immediately preceding the date as at which the balance sheet is prepared :
 - i. aggregate number and class of shares allotted as fully paid up pursuant to contract(s) without payment being received in cash.
 - ii. Aggregate number and class of shares allotted as fully paid up by way of bonus shares.
 - iii. Aggregate number and class of shares bought back.
- k. 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
- l. Calls unpaid (showing aggregate value of calls unpaid by directors and officers)

6B. Reserves and Surplus

- (i) Reserve and surplus shall classified as follows
 - 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 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 the last Balance Sheet to be shown under each of the specified head)
- (ii) A reserve specifically represented by earmarked investments shall be termed as a 'fund'.
 - (i) 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.

6C. Non-Current Liabilities

- a. **Long-term borrowings:**
 - 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).
 - 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. The word “others” used in the phrase “directors or others” would mean any person or entity other than a director.

- 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.

☐ **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.

b. Other Long-term liabilities

This should be classified into:

- a) Trade payables; and
- b) Others.

c. Long-Term Provisions

This should be classified into

- a) provision for employee benefits and
- b) others specifying the nature.

6D. Current Liabilities

a. Short-term borrowings; (i) (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.

b. Other current liabilities

The amounts shall be classified as:

- (a) Current maturities of long-term debt;
- (b) Current maturities of finance lease obligations;
- (c) Interest accrued but not due on borrowings;
- (d) Interest accrued and due on borrowings;
- (e) Income received in advance;
- (f) Unpaid dividends;

- (g) Application money received for allotment of securities and due for refund and interest accrued thereon;
- (h) Unpaid matured deposits and interest accrued thereon;
- (i) Unpaid matured debentures and interest accrued thereon;

c. Short-term provisions

The amounts shall be classified as:

- (a) Provision for employee benefits;
- (b) Others (specify nature).

6E. Non-Current Asset

a. 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.

b. Intangible assets

- (i) Classification shall be given as:
 - (a) Goodwill.
 - (b) Brands /trademarks.
 - (c) Computer software.
 - (d) Mastheads and publishing titles.
 - (E) Copyrights, and patents and other intellectual property rights, services and operating rights.
 - (F) Recipes, formulae, models, designs and prototypes.
- (h) Licenses and franchise.

(c. Non-current investments

- Non-current investments shall be classified as trade investments and other investments and further classified as:
 - Investment property;
 - 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
- (h) Other non-current investments (specify nature)

d. 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.

e. 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.

6F. Current Investment

a. 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).

b. 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. Mode of valuation shall be stated.

c. 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.
 - (ii) Debts due by directors or other officers of the company or any of them either severally or jointly with any other person or debts due by firms or private companies respectively in which any director is a partner or a director or a member should be separately stated.

d. 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.**

e. 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

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companies respectively in which any director is a partner or a director or a member shall be separately stated.

f. Other current assets (specify nature).

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

6G. 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).

Question Where will you show the following items in the Balance Sheet of a Company ?

1. Share Capital
2. Goodwill
3. Cash in hand
4. Debentures
5. Sundry debtors

SOLUTION:

Sr. No.	Items	Major Headings	Headings	Sub Headings
1	Share Capital	Equity and Liabilities	Shareholders' Funds	----- ---
2	Goodwill	Assets	Non-Current Assets	Intangible Assets
3	Cash in hand	Assets	Current Assets	Cash and cash Equivalents
4	Debentures	Equity and Liabilities	Non-Current Liabilities	Long-term Borrowings
5	Sundry debtors	Assets	Current Assets	Trade Receivables

Question

Where will you show the following items in the Balance Sheet of a Company ?

1. General Reserve
2. Patents
3. Cash at Bank
4. Bank Loan (Payable after 7 years)
Bills Receivables

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SOLUTION:

Sr. No.	Items	Major Headings	Headings	Sub Headings
1	General Reserve	Equity and Liabilities	Shareholders' Funds	Reserve and Surplus
2	Patents	Assets	Non-Current Assets	Intangible Assets
3	Cash at Bank	Assets	Current Assets	Cash and cash Equivalents
4	Bank Loan	Equity and Liabilities	Non-Current Liabilities	Long-term Borrowings
5	Bills Receivables	Assets	Current Assets	Trade Receivables

Question

Prepare a Balance Sheet of SRK Ltd. as on 31st March, 2012 from the following details:

	(in '000)
Reserve and Surplus	400
Share Capital	800
8% Debentures	300
Creditors	100
Bills Payables	80
Proposed Dividend	20
Fixed Assets (tangible)	1,000
Goodwill	150
Inventories	100
Sundry Debtors	250
Cash in Hand	60
Cash at Bank	140

SRK Ltd. Balance Sheet as at 31st March, 2012

Particulars	Note No.	Figures as at the end of current reporting	Figures as at the end of the previous reporting
1	2	3	4

I. EQUITY AND LIABILITIES			
(1) Shareholders' funds			
(a) Share capital		800	
(b) Reserves and surplus		400	
(c) Money received against share warrants		-----	
(2) Share application money Pending allotment			
(3) Non-current liabilities			
(a) Long-term borrowings		300	
(b) Deferred tax liabilities (Net) (c) Other Long term liabilities (d) Long-term provisions			
(4) Current liabilities			
(a) Short-term borrowings		180	
(b) Trade payables			
(c) Other current liabilities		20	
(d) Short-term provisions			
TOTAL		1,700	

II. ASSETS			
(1) Non-current assets			
(a) Fixed assets			
(i) Tangible assets		1,000	
(ii) Intangible assets		150	
(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		100	
(b) Inventories		250	
(c) Trade receivables		200	
(d) Cash and cash equivalents			
(e) Short term loans and advances			
(f) Other current assets			
		1,700	
Total			

Prepare a Balance Sheet of XYZ Ltd. as on 31st March, 2012 from the following details:

	(in '000)
General Reserve	200
Profit and Loss Account	200
Equity Share Capital	600
Preference Share Capital	200

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8% Bank Loan	200
Creditors	200
Bills Payables	60
Proposed Dividend	40
Fixed Assets (tangible)	800
Patents	130
Trade Marks	70
Inventories	300
Bills Receivables	200
Cash in Hand	110
Cash at Bank	60
Short term marketable securities	30

XYZ Ltd.
Balance Sheet as at 31st March, 2012

Particulars	Note No.	Figures as at the end of current reporting	Figures as at the end of the previous reporting
1	2	3	4

I. EQUITY AND LIABILITIES			
(1) Shareholders' funds			
(a) Share capital		800	
(b) Reserves and surplus		400	
(c) Money received against share warrants		-----	
(2) Share application money Pending allotment			
(3) Non-current liabilities			
(a) Long-term borrowings		200	
(b) Deferred tax liabilities (Net) (c) Other Long term liabilities (d) Long- term provisions			
(4) Current liabilities			
(a) Short-term borrowings		260	
(b) Trade payables			
(c) Other current liabilities		40	
(d) Short-term provisions			
TOTAL		1,700	

II. ASSETS			
(1) Non-current assets			
(a) Fixed assets			
(i) Tangible assets		800	
(ii) Intangible assets		200	
(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		300	
(b) Inventories		200	
(c) Trade receivables		200	
(d) Cash and cash equivalents			
(e) Short term loans and advances			
(f) Other current assets			
		1,700	
Total			

Values involved in presentation of Balance Sheet---

- Orderliness
- Communication of material information
- Complying with legal provisions