

SCHEDULE III



BALANCE SHEET
PROFIT AND LOSS ACCOUNT

Introduction



Schedule III to the Companies Act, 2013 provides the manner in which every company registered under the Act shall prepare its Balance Sheet, Statement of Profit and Loss and notes thereto

Divisions



Division 1

- is applicable to entities preparing their financial statements as per the Companies (Accounting Standards) Rules, 2006

Division 2

- is applicable to entities preparing their financial statements as per the Companies (Indian Accounting Standards) Rules, 2015.

Division 3

- is applicable to non-banking financial institutions preparing their financial statements as per Ind AS.

Applicability



☞ The requirements of the Schedule III however, do not apply to companies as referred to in the proviso to Section 129(1) of the Act, i.e., **any insurance or banking company**, or any company engaged in the **generation or supply of electricity** or to any other class of company for which a form of financial statement has been specified in or under the Act governing such class of company.

Structure



- ❧ I. General Instructions for preparation of Balance Sheet and Statement of Profit and Loss of a company
- ❧ II. Part I – Form of Balance Sheet
- ❧ III. General Instructions for Preparation of Balance Sheet
- ❧ IV. Part II – Form of Statement of Profit and Loss
- ❧ V. General Instructions for Preparation of Statement of Profit and Loss
- ❧ VI. General Instructions for the Preparation of Consolidated Financial Statements

Disclosures



- ⌘ General Instructions to the Schedule III states that the disclosure requirements of the Schedule are in **addition to and not in substitution** of the disclosure requirements specified in the notified **Accounting Standards**.
- ⌘ Disclosures required by the **Act** will continue to be made in the Notes to Accounts

Rounding Off (A)



- Depending upon the total income of the company, the figures appearing in the Financial Statements shall be rounded off

Schedule III

- **Total income <Rs. 100 Crores** - Round off to the nearest hundreds, thousands, **lakhs** or **millions** or decimal thereof.
- **Total income >Rs. 100 Crores** - Round off to **the** nearest lakhs, millions or **crores**, or decimal thereof

BALANCE SHEET



Current Asset



- ❧ 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 **twelve 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.
- ❧ All other assets shall be classified as non-current.

Examples



- ☞ Items of inventory which may be consumed or realized within the company's normal operating cycle should be classified as **current** even if the same are **not expected to be so consumed or realized within twelve months** after the reporting date.
- ☞ Raw material, stores, inventory of finished goods, trade receivables(12m) and unrestricted Cash and cash equivalents.

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.
(recommendation to declare in notes to account)
- ⌘ A company's normal operating cycle may be longer than twelve months e.g. companies manufacturing wines, etc.
- ⌘ Where a company is engaged in running multiple businesses, the operating cycle could be different for each line of business. They have to classify the assets and liabilities according to their respective operating cycle.

Current liability



- ❧ A liability shall be classified as current when 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 date; 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 affect its classification.
- ❧ All other liabilities shall be classified as non-current.

Examples



- ❧ current liabilities would include items such as **trade payables, employee salaries** and other operating costs that are expected to be settled in the company's normal operating cycle or due to be settled within twelve months from the reporting date.
- ❧ working capital of the company used in the company's normal operating cycle and hence, should be classified as current even if they are due to be settled more than twelve months after the end of the reporting date. **(OD)**

PART I – Form of BALANCE SHEET

Name of the Company.....

Balance Sheet as at

(Rupees in.....)

	Particulars	Note No	Figures as at the end of (Current reporting period) (in Rs.) (DD/MM/YYYY)	Figures as at the end of (Previous reporting period) (in Rs.) (DD/MM/YYYY)
	1	2	3	4
I.	EQUITY AND LIABILITIES			
	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			
	(c) Long-term provisions			

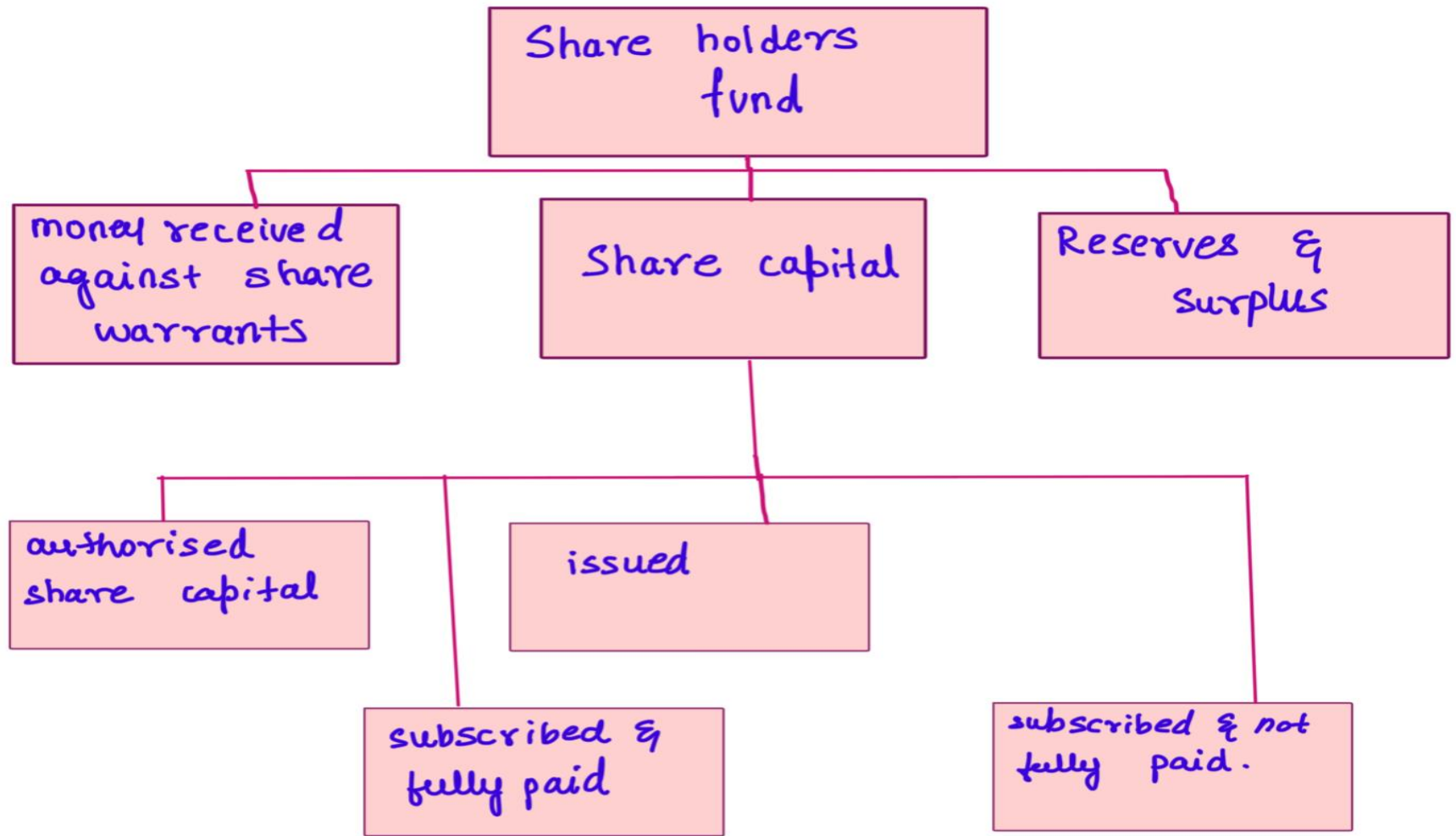
(4)	Current liabilities			
	(a) Short-term borrowings			
	[(b) Trade payables:- (A) total outstanding dues of micro enterprises and small enterprises; and (B) total outstanding dues of creditors other than micro enterprises and small enterprises.]			
	(c) Other current liabilities			
	(d) Short-term provisions			
	TOTAL			
II.	ASSETS			
(1)	Non Current Assets			
	(a) Property, Plant and Equipment and Intangible assets ³			
	(i) Property, Plant and Equipment			
	(ii) Intangible assets			
	(iii) Capital work-in-progress			
	(iv) Intangible assets			

Guidance Note on Division I – Non Ind AS Schedule III to the Companies Act, 2013

	under development			
	(d) 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			



Share holders fund



Disclosure of Shareholding of Promoters (A)



Shares held by promoters at the end of the year				% Change during the year***
S.No.	Promoter name	No. of shares**	% of total shares**	
Total				

Q: Who is a promoter?

Promoter



- ❧ “promoter” means a person—
- ❧ (a) who has been named as such in a prospectus or is identified by the company in the annual return referred to in section 92; or
- ❧ (b) who has **control over the affairs of the company**, directly or indirectly whether as a shareholder, director or otherwise; or
- ❧ (c) in accordance with **whose advice, directions** or instructions the Board of Directors of the company is accustomed to act(excluding person acting in professional capacity)
- ❧ **Details shall be given separately for each class of shares**
- ❧ percentage change shall be computed with respect to the number at the **beginning of the year** or if issued during the year for the first time then with respect to the date of issue.

Clause (f) of Note 6A



- ☞ disclose shares of the company held by –
- ☞ Its holding company;
- ☞ Its ultimate holding company;
- ☞ Subsidiaries of its holding company;
- ☞ Subsidiaries of its ultimate holding company;
- ☞ Associates of its holding company; and
- ☞ Associates of its ultimate holding company.

Clause (i) of Note 6A



- ❧ For the period of **five years** immediately preceding the date as at which the Balance Sheet is prepared
- ❧ (a) Aggregate number and class of shares allotted as **fully paid up** pursuant to contract(s) without payment being received in cash.
- ❧ (b) Aggregate number and class of shares allotted as fully paid up by way of **bonus shares**.
- ❧ (c) Aggregate number and class of **shares bought back**.
- ❧ Needs to be disclosed.

Other disclosures



- ☞ - 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
- ☞ **Calls unpaid** showing aggregate value of calls unpaid by directors and officers.

Reserves and Surplus(Q)



∞ the portion of earnings, receipts or other surplus of an enterprise (whether capital or revenue) appropriated by the management for a general or a specific purpose other than a provision for depreciation or diminution in the value of assets or for a known liability

Types of reserves (Q)



- ❧ Capital reserves-not available for distribution as dividend
- ❧ Capital Redemption Reserve
- ❧ Securities Premium
- ❧ Debenture Redemption Reserve
- ❧ Revaluation Reserve
- ❧ Share Options Outstanding Account
- ❧ Other reserves
- ❧ Surplus and Debit i.e. balance in Statement of Profit and Loss

Share Options Outstanding Account



- as per the Guidance Note on Accounting for Employee Share based Payments, **Stock Options Outstanding Account is shown as a separate line-item.** The Schedule III requires this item to be shown as a part of 'Reserve and Surplus'.
- Stock Options Outstanding Account :- It is a reserve which represents the difference between the market value and issue price of shares issued to employees under Employees Stock Option Scheme

Surplus and Debit i.e. balance in Statement of Profit and Loss



- ❧ Appropriations to the profit for the year (including carried forward balance) are to be presented under the main head 'Reserves and Surplus'
- ❧ Under the Schedule III, the Statement of Profit and Loss will no longer reflect any appropriations.

Other reserves



- ✧ Every other reserve which is not covered specifically
- ✧ The nature, purpose and the amount of each reserve is to be shown separately.

Money received against Share Warrants



- ❧ financial instruments which give the holder the right to acquire equity shares
- ❧ 'share warrants' as "financial instruments which give the holder the right to acquire equity shares
- ❧ Since shares are yet to be allotted against the same, these are not reflected as part of Share Capital but as a separate line-item – 'Money received against share warrants'

Share Application Money pending allotment



- Share application money not exceeding the issued capital and to the extent **not refundable** is to be disclosed under this line item.
- IF it exceeds** issued capital then the amount of share application money received over and above the authorized capital should be shown under the head **“Other Current Liabilities”**.

Non current liability(Q)



(3)	Non-current liabilities			
	(a) Long-term borrowings			
	(b) Deferred tax liabilities (Net)			
	(c) Other Long term liabilities			
	(c) Long-term provisions			

a. Long term borrowings



∞ Long-term borrowings shall be **classified** as:

- (a) Bonds/debentures;
- (b) Term loans;
 - from banks;
 - from other parties;
- (a) Deferred payment liabilities;
- (b) Deposits;
- (c) Loans and advances from related parties;
- (d) Long term maturities of finance lease obligations;
- (e) Other loans and advances (specify nature).

Note:-



- ☞ further be sub-classified as secured and unsecured.
- ☞ also **disclose the type of asset** given as security e.g. inventories, property, plant and equipment, intangible assets, etc.
- ☞ loans with repayment period beyond thirty six months are usually known as “term loans”.
- ☞ Cash credit, overdraft and call money accounts / deposit are, therefore, not covered by the expression “term loans”.

Current maturities(A)



✧ The current maturities of all long-term borrowings will be disclosed under 'short-term borrowings' and not under long-term borrowings and other current liabilities.

NOTE: *The word “loan” has been used in a more generic sense. Hence, the disclosures relating to default should be made for all items listed under the category of borrowings such as bonds/ debentures etc.*

Deferred payment liability(q)

- ⌘ Deferred payment liabilities would include any liability for which payment is to be made on **deferred credit terms**. E.g. deferred payment for acquisition of Property, Plant and Equipment, Intangible Assets, etc

Other long term borrowings



- ∞ This should be classified into:
- a) Trade payables; and
 - b) Others.

Trade payable



- ☞ A payable shall be classified as 'trade payable' if it is in respect of amount due on account of **goods purchased or services received in the normal course of business**
- ☞ Its also given that, dues payables in respect of statutory obligations like contribution to provident fund, purchase of Property, Plant and Equipment, Intangible Assets, etc cannot be classified as trade payables and each such item should be disclosed nature-wise under “others”.

Trade payable(A)



Previous Requirement	Additional Requirement																																			
<p>Schedule III-</p> <p>Schedule III requires presenting 'Payables' as a separate line item on the face of the Balance Sheet under 'Current Liabilities'. The following shall be disclosed as sub-heads on the face of the Balance Sheet under payables as per Division III of Schedule III:</p> <p>(I) Trade Payables</p> <p style="padding-left: 20px;">(i) Total outstanding dues of micro enterprises and small enterprises</p> <p style="padding-left: 20px;">(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises</p>	<p>A part from the existing requirement the following additional categorization is to be disclosed:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #f4a460;"> <th rowspan="2">Particular</th> <th colspan="5">Outstanding for following periods from due date of payment</th> </tr> <tr style="background-color: #f4a460;"> <th>Less than 1 years</th> <th>1-2 Years</th> <th>2-3 Years</th> <th>More than 3 years</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>i) MSME</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>(ii) Other</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>(iii) Disputed dues – MSME</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>(iv) Disputed dues - Others</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p>Note: Similar information shall be given where no due date of payment is specified in that case disclosure shall be from the date of the transaction.</p> <p>Unbilled dues shall be disclosed separately;</p>	Particular	Outstanding for following periods from due date of payment					Less than 1 years	1-2 Years	2-3 Years	More than 3 years	Total	i) MSME						(ii) Other						(iii) Disputed dues – MSME						(iv) Disputed dues - Others					
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(iv) Disputed dues - Others																																				

dispute means a disagreement between two parties demonstrated by some positive evidence which supports or corroborates the fact of disagreement

Disclosures of MSME TP



- ❧ the principal amount and the interest due thereon remaining unpaid to any supplier
- ❧ the amount of interest paid by the buyer and amounts of the payment made to the supplier beyond the appointed day during each accounting year;
- ❧ the amount of interest due and payable for the period (principal is paid but not the interest)
- ❧ amount of interest accrued and remaining unpaid at the end of accounting year
- ❧ The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid to the small enterprise.

Long term provisions



∞ Classified as

1. provision for employee benefits
2. Others (Specify nature)

Current Liabilities



(4)	Current liabilities			
	(a) Short-term borrowings			
	[(b) Trade payables:- (A) total outstanding dues of micro enterprises and small enterprises; and (B) total outstanding dues of creditors other than micro enterprises and small enterprises.]			
	(c) Other current liabilities			
	(d) Short-term provisions			

Short-term borrowings



- Short-term borrowings shall be classified as
- (a) Loans repayable on demand
 - From banks
 - From other parties
 - (a) Loans and advances from related parties;
 - (b) Deposits;
 - (c) Other loans and advances (specify nature).

Note:-



- ❧ Borrowings shall further be sub-classified as **secured and unsecured**
- ❧ If loans **are guaranteed by directors** or others, the aggregate amount of such loans under each head shall be disclosed
- ❧ **Period and amount of default** as on the Balance Sheet date in repayment of loans and interest shall be specified separately in each case
- ❧ **Current maturities** of long-term borrowings shall be disclosed separately

Other current liabilities



- (a) Current maturities of finance lease obligations;
- (b) Interest accrued but not due on borrowings;
- (c) Interest accrued and due on borrowings;
- (d) Income received in advance;
- (e) Unpaid dividends;
- (f) Application money received for allotment of securities and due for refund and interest accrued thereon;
- (g) Unpaid matured deposits and interest accrued thereon;
- (h) Unpaid matured debentures and interest accrued thereon;
- (i) Other payables (specify nature).

Short-term provisions



- ∞ The amounts shall be classified as:
- (a) Provision for employee benefits;
 - (b) Others (specify nature). Ex: (Provision for dividend,
Provision for taxation)

ASSETS



- Non - current assets
 - Current assets

Bird eye view



II ASSETS
(1) Non Current Assets
(a) Property, Plant and Equipment and Intangible assets
(i) Property, Plant and Equipment
(ii) Intangible assets
(iii) Capital work-inprogress
(iv) Intangible assets under development
(d) 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

Property, Plant and Equipment



∞ Classification

- (a) Land;
- (b) Buildings;
- (c) Plant and Equipment;
- (d) Furniture and Fixtures;
- (e) Vehicles;
- (f) Office equipment;
- (g) Others (specify nature)

Intangible assets



∞ Classification

- (a) Goodwill;
- (b) Brands / trademarks;
- (c) Computer software;
- (d) Mastheads and publishing titles;
- (e) Mining rights;
- (f) Copyrights, and patents and other intellectual property rights, services and operating rights;
- (g) Recipes, formulae, models, designs and prototypes;
- (h) Licenses and franchise;
- (i) Others (specify nature).

PPEAIA



- ❧ **Capital work-in-progress** : Capital advances should be recorded under long term loans and advances and not here 😊
- ❧ **Intangible assets under development:** Intangible assets under development should be disclosed under this.

Non current investment



Classification:-

- (a) Investment property;
- (b) Investments in Equity Instruments;
- (c) Investments in preference shares;
- (d) Investments in Government or trust securities;
- (e) Investments in debentures or bonds;
- (f) Investments in Mutual Funds;
- (g) Investments in partnership firms;
- (h) Other non-current investments (specify nature).

Investment in property



☞ As per AS 13 *Accounting for Investments*, an investment property is an investment in land or buildings that are not intended to be occupied substantially for use by, or in the operations of, the investing enterprise.

Long-term loans & advances



- ❖ Long-term loans and advances shall be classified as:
 - (a) Capital Advances;
 - (b) Loans and advances to related parties (giving details thereof);
 - (c) Other loans and advances (specify nature).

- ❖ The above shall also be separately sub-classified as:
 - (a) Secured, considered good;
 - (b) Unsecured, considered good;
 - (c) Doubtful.

Note



- ☞ Allowance for bad and doubtful loans and advances shall be disclosed under the relevant heads separately.
- ☞ Details of loans and advances to related parties need to be disclosed
- ☞ Loans and advances due by directors or other officers of the company or any of them either severally or jointly with any other persons should be separately stated.

Capital advances



Capital advances given for Property, Plant and Equipment and intangible assets which are non-current assets. Which over the period, get converted into Property, Plant and Equipment and Intangible Assets which are non-current assets. Hence, capital advances should be treated as **non-current assets** irrespective of when the Property, Plant and Equipment and Intangible Assets are expected to be received and should not be classified as Short-Term/Current.

Other loans and advances



- ❧ Examples:
- ❧ Prepaid expenses,
- ❧ Advance tax,
- ❧ GST credit receivable, goods and service tax input receivable, etc.
- ❧ Basically stuff which are not expected to be realized within the next twelve months or operating cycle whichever is longer, from the Balance Sheet date.

Other non-current assets



- (i) Long term Trade Receivables (including trade receivables on deferred credit terms
 - (ia) Security Deposits
 - (ii) Others (specify nature)

Long term Trade Receivables, shall be sub-classified as:

- (a) Secured, considered good;
- (b) Unsecured considered good;
- (c) Doubtful

Other non-current assets



- ⌘ Allowance 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 persons should be separately stated.
- ⌘ A receivable shall be classified as 'trade receivable' in respect of the amount due on account of goods sold or services rendered in the normal course of business.
- ⌘ The amounts due under contractual obligations such as insurance claims, sale of Property, Plant and Equipment, contractually reimbursable expenses, interest accrued on trade receivables, etc should be classified as "others" and each such item should be disclosed nature-wise..

Amendment in trade receivables



Existing Requirement	Additional Requirement																																																
<p>Schedule III- 1) Trade receivables are sub-classified as:</p> <table border="1" data-bbox="73 639 743 932"> <thead> <tr> <th>Particular</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>(i) Considered good – Secured</td> <td></td> </tr> <tr> <td>(ii) Considered good – Unsecured</td> <td></td> </tr> <tr> <td>(iii) Doubtful</td> <td></td> </tr> </tbody> </table> <p>2) Allowance for bad and doubtful debts shall be disclosed under the relevant heads separately</p> <p>3) 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 including limited liability partnerships (LLPs), private companies respectively in which any director is a partner or a director or a member should be separately stated.</p>	Particular	Amount	(i) Considered good – Secured		(ii) Considered good – Unsecured		(iii) Doubtful		<p>A part from the existing requirement the additional categorization is to be disclosed as follows:</p> <table border="1" data-bbox="846 615 1831 1092"> <thead> <tr> <th rowspan="2">Particular</th> <th colspan="5">Outstanding for following periods from due date of payment</th> <th rowspan="2">Total</th> </tr> <tr> <th>Less than 6 months</th> <th>6 months – 1 year</th> <th>1-2 year</th> <th>2-3 year</th> <th>More than 3 year</th> </tr> </thead> <tbody> <tr> <td>(i) Undisputed Trade receivables- considered good</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>(ii) Undisputed Trade Receivables – considered doubtful</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>(iv) Disputed Trade Receivables– considered good</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>(v) Disputed Trade Receivables – considered doubtful</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p>NOTE: Similar information shall be given where no due date of payment is specified in that case disclosure shall be from the date of the transaction.</p> <p>Unbilled dues shall be disclosed separately.</p>	Particular	Outstanding for following periods from due date of payment					Total	Less than 6 months	6 months – 1 year	1-2 year	2-3 year	More than 3 year	(i) Undisputed Trade receivables- considered good							(ii) Undisputed Trade Receivables – considered doubtful							(iv) Disputed Trade Receivables– considered good							(v) Disputed Trade Receivables – considered doubtful						
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(i) Property, Plant and Equipment	(ii) Intangible assets	(d) Non-current investments	(d) Long-term loans and advances	(e) Other non-current assets
Land;	Goodwill;	a) Investment property;	Capital Advances;	Long term Trade Receivables
Buildings;	Brands /trademarks;	(b) Investments in Equity Instruments;	Loans and advances to related parties (giving details thereof);	Security Deposits
Plant and Equipment;	Computer software;	(c) Investments in preference shares;	Other loans and advances	Others (specify nature)
Furniture and Fixtures;	Mastheads and publishing titles;	(d) Investments in Government or trust securities;		
Vehicles;	Mining rights;	(e) Investments in debentures or bonds;	Sub classified as	Sub classified as
Office equipment;	Copyrights, and patents and other intellectual property rights, services and operating rights;	(f) Investments in Mutual Funds;	(a) Secured, considered good;	(a) Secured, considered good;
Others (specify nature	Recipes, formulae, models, designs and prototypes;	(g) Investments in partnership firms;	(b) Unsecured, considered good;	(b) Unsecured, considered good;
	Licenses and franchise;	(h) Other non-current investments (specify nature).	(c) Doubtful.	(c) Doubtful.
	Others (specify nature).			

Current investment



- ∞ 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).

What else to disclose?



- (a) The basis of valuation of individual investments
 - (b) Aggregate amount of quoted investments and market value thereof;
 - (c) Aggregate amount of unquoted investments;
 - (d) Aggregate provision made for diminution in value of investments.
- (first three should be disclosed in non current investment also)

Inventories



- ∞ 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).

- Goods-in-transit shall be disclosed under the relevant sub-head of inventories.
- Mode of valuation to be stated.

Cash and cash equivalents



- ❧ 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).

Disclosure req



- ❧ Earmarked balances with banks (for example, for unpaid dividend) shall be separately stated.
- ❧ Balances with banks to the extent held as margin money or security against the borrowings, guarantees, other commitments shall be disclosed separately.
- ❧ Repatriation restrictions, if any, in respect of cash and bank balances shall be separately stated.
- ❧ Bank deposits with more than twelve months maturity shall be disclosed separately.

Short-term loans & advances



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.

Other current assets



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

Contingent liabilities and commitments



- ∞ 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).

TRIVIA TIME



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Q and A



- ❧ How many divisions are there in Schedule III ?
- ❧ A: 3
- ❧ Which companies are exempted from the requirements of Schedule III?
- ❧ A: Companies referred to in the proviso to Section 129(1) of the Act, such as insurance or banking companies or companies engaged in electricity generation or supply, are exempted from the requirements of Schedule III if a specific form of financial statement has been specified in or under the Act for such companies.

Q and A



- ❧ What is the operating cycle?
- ❧ A: The operating cycle is the time between the acquisition of assets for processing and their realization in cash or cash equivalents. If the normal operating cycle cannot be identified, it is assumed to have a duration of twelve months. It is recommended to declare the operating cycle in the notes to the accounts.
- ❧ What is the definition of a promoter under the Companies Act, 2013?
- ❧ A promoter is a person who has been named as such in a prospectus or is identified by the company in the annual return. It can also include a person who has control over the affairs of the company, directly or indirectly, influencing the Board of Directors' actions (excluding persons acting in a professional capacity).

Q and A



- ❧ What are the types of reserves and surplus under Schedule III?
- ❧ A: Types of reserves and surplus include capital reserves, capital redemption reserve, securities premium, debenture redemption reserve, revaluation reserve, share options outstanding account, other reserves, and surplus or debit balance in the Statement of Profit and Loss.
- ❧ Which is the financial instruments called that give the holder the right to acquire equity shares?
- ❧ A: Share warrants

Q and A



- ❧ Why are share warrants not reflected as part of Share Capital?
- ❧ A: Share warrants are not reflected as part of Share Capital because shares are yet to be allotted against them
- ❧ Where should share application money not exceeding the issued capital be disclosed?
- ❧ A: Share application money not exceeding the issued capital and to the extent not refundable should be disclosed under the line item "Share Application Money pending allotment".

Q and A



- ❧ What is deferred payment liabilities?
- ❧ A: Deferred payment liabilities include any liability for which payment is to be made on deferred credit terms, such as deferred payment for the acquisition of Property, Plant and Equipment, Intangible Assets, etc.
- ❧ How should long-term provisions be classified?
- ❧ A: Long-term provisions can be classified as: (a) Provision for employee benefits; (b) Others (specify nature).

Additional Regulatory Requirements



-

Title deeds of Immovable Property not held in the name of the Company



- ❧ The company shall provide the details of all the immovable property (Excluding lease agreements) whose title deeds are not held in the name of the company.
- ❧ If immovable property is jointly held with others, details are required to be given to the extent of the company's share

Format



Relevant line item in the Balance Sheet	Description of item of property	Gross carrying value	Title deeds held in the name of	Whether title deed holder is a promoter, director or relative# of promoter* / director or employee of promoter / director	Property held since which date	Reason for not being held in the name of the company**
PPE	Land Building	-	-	-	-	** also indicate if in dispute
Investment property	Land Building					
PPE retired from active use and held for disposal	Land Building					
Others						

Revaluation of Property, Plant and Equipment

- ☞ Where the Company has revalued its Property, Plant and Equipment, the company shall disclose as to whether the revaluation is based on the valuation by a registered valuer

Loans or Advances - additional disclosures

Loans or Advances in the nature of loans are granted to promoters, directors, KMPs and the related parties the following disclosures are required to be made:

- (a) repayable on demand; or
- (b) without specifying any terms or period of repayment
- ❧ relationship should be considered on the date of loan and the amount should be outstanding as at the balance sheet date.

Format



Type of Borrower	Current Period		Previous Period	
	Amount outstanding*	% of Total^	Amount outstanding*	% of Total^
Promoters				
Directors				
KMPs				
Related Parties				
Total				

Capital work-in-progress (CWIP) ageing schedule / completion schedule



☞ CWIP as presented in the financial statements to be split between **two broad categories** viz., 'Projects in progress' and 'Projects temporarily suspended' along with its ageing schedule.

CWIP	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	50	250	150	100	550
Projects temporarily suspended	-	-	-	-	-

CWIP



- ⌘ If any **temporary suspension** is done as **necessary part** of the process of getting an asset ready for its intended use it should be continued to be presented under capital work in progress.
- ⌘ For CWIP, whose **completion is overdue** or has **exceeded its cost** compared to its original plan, following CWIP completion schedule shall be given

Format



CWIP	To be completed in			
	Less than 1 year	1-2 years	2-3 years	More than 3 years
Projects in progress Project 1 Project 2				
Projects temporarily suspended Project 1 Project 2				

Intangible asset in progress



Intangible assets under development	Amount in intangible assets under development for a period of				Total*
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress					
Projects temporarily suspended					

Intangible assets under development	To be completed in			
	Less than 1 year	1-2 years	2-3 years	More than 3 years
Project 1				
Project 2				

Disclosures of Benami Property held (q)



- (a) Details of such property, including year of acquisition;
- (b) Amount thereof;
- (c) Details of Beneficiaries;
- (d) If property is in the books, then reference to the item in the Balance Sheet;
- (e) If property is not in the books, then the fact shall be stated with reasons;
- (f) Where there are proceedings against the company under this law as an a better of the transaction or as the transferor then the details shall be provided;
- (g) Nature of proceedings, status of same and company's view on the same.

Security of current assets against borrowings

Where the company has borrowings from banks or financial institutions on the basis of security of current assets, it shall disclose the following:

(a) Whether **quarterly returns or statements of current assets** filed by the company with banks or financial institutions are in agreement with

<i>Quarter</i>	<i>Name of bank</i>	<i>Particulars of Securities Provided</i>	<i>Amount as per books of account</i>	<i>Amount as reported in the quarterly return/ statement</i>	<i>Amount of difference</i>	<i>Reason for material discrepancies</i>
June 20XX	Bank X	Finished Goods	XX	XX	XX	

Wilful Defaulter



- ☞ Where a company is declared wilful defaulter by any bank or financial institution or other lender, following details shall be given:
- (a) Date of declaration as wilful defaulter;
 - (b) Details of defaults (amount and nature of defaults)

A 'wilful defaulter' means a person or an issuer who or which is categorized as a wilful defaulter by any bank or financial institution (as defined under the Act) or consortium thereof, in accordance with the guidelines on wilful defaulters issued by the Reserve Bank of India.

Relationship with Struck off Companies

Where the company has any transactions with companies struck off companies:

Name of the struck off company	Nature of transactions with struck off company	Balance outstanding as at current period	Relationship with the struck off company, if any, to be disclosed	Balance outstanding as at previous period	Relationship with the struck off company, if any, to be disclosed
	Investment in securities				
	Receivables				
	Payables				
	Shares held by struck off company				
	Other outstanding balances (to be specified)				

Struck off companies disclosures

- ❧ Name of the struck off company-(Form No. STK-7)
- ❧ Nature of transactions with struck off company
- ❧ Balance outstanding
- ❧ Relationship with the struck off company, if any, to be disclosed (related party)

Registration of charges or satisfaction with Registrar of Companies



☞ Where any charges or satisfaction yet to be registered with Registrar of Companies beyond the statutory period, details and reasons thereof shall be disclosed.

Compliance with number of layers of companies

If not complied- the name and CIN of the companies beyond the specified layers (2 subsidiaries) and the relationship / extent of holding of the company in such downstream companies shall be disclosed

Analytical Ratios



- ❧ Current ratio
- ❧ Debt-equity ratio
- ❧ Debt service coverage ratio
- ❧ Return on equity ratio
- ❧ Inventory turnover ratio
- ❧ Trade receivables turnover ratio
- ❧ Trade payables turnover ratio
- ❧ Net capital turnover ratio
- ❧ Net profit ratio
- ❧ Return on capital employed
- ❧ Return on investment

Current ratio



- ∞ The current ratio indicates a company's overall liquidity position.
- ∞ $\text{Current ratio} = \text{current assets} / \text{current liability}$

Debt-to-equity ratio



∞ Debt-to-equity ratio compares a Company's total debt to shareholders equity.

∞ Debt - Equity Ratio = Total Debt/ Shareholders Equity.

Debt Service coverage ratio



- ❧ Debt Service coverage ratio is used to analyze the firm's ability to payoff current interest and instalments
- ❧ Debt Service Coverage Ratio= Earnings available for debt service/Debt Service
- ❧ Earning for Debt Service = Net Profit before taxes + Non-cash operating expenses like depreciation and other amortizations + Interest + other adjustments like loss on sale of Fixed assets etc.
- ❧ Debt service = Interest & Lease Payments + Principal Repayments

Inventory Turnover Ratio

- ☞ This ratio also known as stock turnover ratio and it establishes the relationship between the cost of goods sold during the period or sales during the period and average inventory held during the period. It measures the efficiency with which a Company utilizes or manages its inventory.
- ☞ Inventory Turnover ratio = $\frac{\text{COGS or Sales}}{\text{Avg. inventory}}$

Return on Equity (ROE):



It measures the profitability of equity funds invested in the Company. The ratio reveals how profitability of the equity-holders' funds have been utilized by the Company

$$\text{ROE} = \frac{\text{Net Profits after taxes} - \text{Preference Dividend (if any)}}{\text{Average Shareholder's Equity}}$$

Trade receivables turnover ratio

- It measures the efficiency at which the firm is managing the receivables.
- $\text{Net credit sales} / \text{Average Accounts Receivable}$

Trade payables turnover ratio

- It indicates the number of times sundry creditors have been paid during a period. It is calculated to judge the requirements of cash for paying sundry creditors.
- $\text{Net Credit Purchases} / \text{Average Trade Payables}$

Net capital turnover ratio

- It indicates a company's effectiveness in using its working capital.
- $\text{Net Sales} / \text{Average Working Capital}$
- $\text{Average Working Capital} = \text{Current assets} - \text{current liabilities}$

Net profit ratio



- It measures the relationship between net profit and sales of the business.
- $\text{Net profit} / \text{Net sales}$

Others



- ❧ **Return on capital employed (ROCE):**
- ❧ Return on capital employed indicates the ability of a company's management to **generate returns for both the debt holders and the equity holders**. **Higher** the ratio, more efficiently is the capital being employed by the company to generate returns.
- ❧ **Return on investment**
- ❧ Return on investment (ROI) is a financial ratio used to calculate the **benefit an investor will receive in relation to their investment cost**. The **higher** the ratio, the greater the benefit earned.

Format for disclosure



Ratio	Numerator	Denominator	Current Period	Previous Period	% Variance	Reason for variance
Current Ratio						
Debt-equity ratio						
.						
.						
.						
Return on capital employed						
Return on investment						



Profit and loss

Profit and loss

Other disclosures

- Revenue from operations is to be separately disclosed in the notes, showing revenue from:
 - (a) Sale of products
 - (b) Sale of services
 - (ba) Grants or donations received (relevant in case of section 8 companies only)
 - (c) Other operating revenues
 - (d) Less: Excise duty (As per AS-9 “*Revenue Recognition*”, the above disclosure in respect of Excise Duty needs to be shown on the face of the Statement of Profit and Loss.)

Revenue from operations

- The revenue should be presented net of GST collected
- In respect of a finance company, revenue from operations shall include revenue from
 - (a) Interest; and
 - (b) Other financial services

Revenue from operations

- Other Income' shall be classified as:
- (a) Interest Income (in case of a company other than a finance company);
- (b) Dividend Income;
- (c) Net gain / loss on sale of investments;
- (d) Other non-operating income (net of expenses directly attributable to
- such income)

Other income

- separate disclosure for Dividends from subsidiary companies.
- interest income, dividend income and net gain on sale of investments should be disclosed separately for Current as well as Long-term Investments
- For other non-operating income, income should be disclosed under this head net off expenses directly attributable to such income

Other income (disclosures)

- Q: When should we disclose share of profit/ loss from partnership firm?
- A: as and when the right to receive the profit share is established.
- where the company was a partner during the year but is not a partner at the end of the year, the disclosure should be made **for the period during which the company was a partner.**

Share of profits/losses in a Partnership firm

- Q:When should we disclose share of profit/ loss from LLP?
- A:as and when the right to receive its profit share is established by the company.
- How to disclose?

Share of profits/losses in a (LLP)

Expenses

(a)	Cost of materials consumed
(b)	Purchases of Stock-in-Trade
(c)	Changes in inventories of finished goods, Work-in-progress and Stock-in-Trade
(d)	Employee benefits expense
(e)	Finance Cost
(f)	Depreciation and amortization expense
(g)	Other expenses

Expenses

- Q: Materials, such as stores, fuel, spare parts are they considered as Raw material?
- A: term “raw materials” would include materials which physically enter into the composition of the finished product. Since the above do not they are not considered as Raw material
- Note: If packing material is included in raw material value specify the same.

Cost of materials consumed

- Actual consumption: As per issue records etc which states actual consumption
- Derived consumption: ordinarily obtained by deducting the closing inventory from the total of the opening inventory and purchases(might include wastages)
- Q: Which should we declare?

**actual consumption V/s
derived consumption**

- Q: Should we include in the consumption figure?
- A: first create reasonable norms of acceptable margins if its within the said margin can declare.
- Slide 8

**shortages, losses or
wastages**

- **Finance costs is to be bifurcated under the following:**
- (A) Interest expense
- (B) Other borrowing costs
- (C) Applicable net gain/loss on foreign currency transactions and translation (Foreign currency borrowings)

Finance Cost

- WKT Borrowing Costs' that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset.
- Q: Where should we recognize the exchange difference regarded the borrowing cost of such assets?
- A: Capitalization, borrowing costs also include exchange difference regarded as an adjustment to borrowing costs
Exchange difference eligible for capitalization are determined in accordance with AS 16

Finance Cost

- All other expenses not classified under other heads will be classified here.
- For this purpose, any item of expenditure which exceeds one percent of the revenue from operations or `Rs. 1,00,000, whichever is higher, needs to be disclosed separately.

Other Expenses

- Tho declared under other expenses these needs to be disclosed seperately
- 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.

separate disclosure

- Net Profit or Loss for the period, Prior period items and changes in Accounting Policies
- If any income or expenditure are **of such size, nature or incidence that their disclosure is relevant to explain the performance of the enterprise for the period**, the nature and amount of such items should be disclosed separately
- disposals of items of Property, Plant and Equipment;
- disposals of long-term investments;
- legislative changes having retrospective application;
- litigation settlements; and
- other reversals of provisions.

Exceptional items

- Extraordinary items are income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the enterprise and, therefore, are not expected to recur frequently or regularly


Extraordinary items

- Any interest on shortfall in payment of advance income-tax is in the nature of finance cost and hence should not be clubbed with the Current tax. The same should be classified as Interest expense under finance costs.
- However, such amount should be separately disclosed.
- Any penalties levied under Income tax laws should not be classified as Current tax.

Current tax (Extra notes)

- Profit or loss from Discontinuing Operations needs to be separately disclosed on the face of Statement of Profit and Loss.
- any **taxes payable** / tax credits available on profits / losses of discontinuing operations, the same needs to be disclosed as a **separate line item** on the Statement of Profit and Loss.
- **Earnings per equity share**
- Computation of Basic and Diluted Earnings Per Share should be made in accordance with *AS20 Earnings Per Share*

P and I



**Other additional information to be disclosed by
way
of Notes to Statement of Profit and Loss**

-

- **Adjustments to the carrying amount of investments**
- **Net gain or loss on foreign currency translation**
- **Prior period items**
- **Payments to the auditor**
- Expenses incurred towards such auditor's remuneration should be disclosed under each of the following sub-heads as follows:
- As:
 - (a) Auditor,
 - (b) For taxation matters,
 - (c) For company law matters,
 - (d) For management services,
 - (e) For other services,
 - (f) For reimbursement of expenses;
- **The aggregate, if material, of any amounts set aside or proposed to be set aside, to reserve**



Nature of company	Disclosures required
Manufacturing companies	Raw materials under broad heads Goods purchased under broad heads
Trading companies	Purchases of goods traded under broad heads
Companies rendering or supplying services	Gross income derived from services rendered under broad heads
Company that falls under more than one category	It will be sufficient compliance with the requirements, if purchases, sales and consumption of raw material and the gross income from services rendered are shown under broad heads.

Additional information

Particulars	Purchase	Sales
Traded goods		
Traded goods A	XX (YY)	XX (YY)
Traded goods B	XX (YY)	XX (YY)
Others	XX (YY)	XX (YY)
Total	XX (YY)	XX (YY)

10.8.3 Service Company

Particulars	Amount
Services rendered	
Service A	XX (YY)
Service B	XX (YY)
Others	XX (YY)
Total	XX (YY)

Ex: Trading company

- amount of expenditure incurred on corporate social responsibility activities.
- The notes to accounts relating to CSR expenditure should also contain the following:

(1) Gross amount required to be spent by the company during the year.

(2) Amount spent during the year on:

		Paid in cash	Yet to be paid in cash	Total
(i)	Construction / acquisition of any asset			
(ii)	On purposes other than (i) above			

CSR Activities

- (i) The amount of shortfall at the end of the year out of the amount required to be spent by the Company during the year;
- (ii) The total of previous years' shortfall amounts;
- (iii) The reason for above shortfalls by way of a note;
- (iv) The nature of CSR activities undertaken by the Company.

Subsequent actions

- the shortfall amount (i.e. unspent amount), in respect of other than ongoing projects, **transferred to a Fund specified** in Schedule VII
- the shortfall amount (i.e. unspent amount), pursuant to any ongoing
- project, transferred to **special account** as per section 135(6)

CSR (additional disclosure)

Sr. No.	Assessment Year	Section of the Act	Amount disclosed in tax return	Transaction description along with value treated as income	Assessment status	Whether transaction recorded in books of accounts ?	FY in which transaction is recorded

- company must have voluntarily admitted to the addition of such income,
- where the addition is made by the income tax authorities and the company has **disputed** such additions, reporting under this clause is not applicable. Even where the company **chooses not to file an appeal**, it cannot be presumed that the company has surrendered or disclosed the income.

undisclosed income

- Where the company has traded or invested in Crypto Currency or Virtual Currency during the financial year, the following shall be disclosed:
 - (a) **profit or loss** on transactions involving Crypto Currency or Virtual Currency;
 - (b) amount of **currency held** as at the reporting date;
 - (c) **deposits or advances** from any person for the purpose of trading or investing in Crypto Currency / Virtual Currency

details of crypto currency or virtual currency

- (a) Value of imports calculated on C.I.F basis by the company during the financial year in respect of –
 - I. Raw materials;
 - II. Components and spare parts;
 - III. Capital goods;
- (b) Expenditure in foreign currency during the financial year on account of royalty, know-how, professional and consultation fees, interest, and other matters;

Other Disclosures

(c) 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;

(d) The amount remitted **during the year in foreign currencies** on account of dividends with a specific mention of the **total number of non-resident shareholders, the total number of shares held by them on which the dividends were due and the year to which the dividends related**;

(e) Earnings in foreign exchange classified under the following heads, namely:-

- 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

Other disclosures

**ANDDDD THAT'S A
WARP!!!**



ADIOS PEEPS
