

### KEY CONCEPTS

- Financial Statement ■ Balance Sheet ■ Profit and Loss Account ■ Notes to Accounts ■ XBRL

### Learning Objectives

#### To understand:

- Statutory provisions regarding preparation of final accounts of companies
- Requirements for preparation of statement of Profit and Loss and Balance Sheet
- General instructions for the preparation of Balance Sheet and Profit and Loss account
- How a true and fair view of financial statements can be achieved?
- Applicability of XBRL

### Lesson Outline

- Introduction
- Records of Accounts to be maintained by a Company
- Preparation and Presentation of Financial Statements
- Schedule III of the Companies Act, 2013
- General Instructions for the preparation of Balance Sheet and Profit and Loss Account
- Presentation of Balance Sheet
- Part-I – Form of Balance Sheet
- Disclosure Requirement: Schedules Forming Part of Financial Statements / Annual Report
- Part II-Form of Statement of Profit & Loss Account
- General Instructions for Preparation of Statement of Profit & Loss Account
- True & Fair View of Financial Statements
- XBRL
- Lesson Round-Up
- Glossary
- Test Yourself
- List of Further Readings

**REGULATORY FRAMEWORK**

- Section 128 of Companies Act, 2013
- Section 129 of Companies Act, 2013
- Schedule III of Companies Act, 2013

**INTRODUCTION**

There is no legal obligation for sole proprietorship and a partnership firm to prepare final accounts, but otherwise companies have statutory obligations to keep proper books of account and to prepare its final accounts every year in the manner as prescribed in the Companies Act. Chapter IX, Sections 128 to 138 of the Companies Act, 2013 deals with the legal provisions relating to the Accounts of Companies. These sections including Schedule II and III were brought into force from 1st April, 2014. The relevant rules pertaining to these provisions have also been notified. All these relevant provisions/schedules and rules will be applicable for the financial years commencing on or after 1st April, 2014.

**What provisions are applicable for financial years that commenced earlier than 1st April 2014?**

It is clarified that in respect of financial years that commenced earlier than 1st April 2014, shall be governed by the relevant provisions/schedules and rules of the Companies Act, 1956.

**RECORDS OF ACCOUNTS TO BE MAINTAINED BY A COMPANY**

Section 128 of the Companies Act, 2013 governs the Books of Account, etc., to be kept by Company as per which every company shall prepare and keep at its registered office books of account and other relevant books and papers and financial statement for every financial year which give a true and fair view of the state of the affairs of the company, including that of its branch office or offices, if any, and explain the transactions effected both at the registered office and its branches and such books shall be kept on accrual basis and according to the double entry system of accounting.

However, all or any of the books of account aforesaid and other relevant papers may be kept at such other place in India as the Board of Directors may decide and where such a decision is taken, the company shall, within seven days thereof, file with the Registrar a notice in writing giving the full address of that other place. Further the company may keep such books of account or other relevant papers in electronic mode in the following manner:

**Manner of Books of Account to be kept in Electronic Mode**

The books of account and other relevant books and papers maintained in electronic mode shall remain accessible in India, at all times, so as to be usable for subsequent reference.

Provided that for the financial year commencing on or after April 01, 2023, every company which uses accounting software for maintaining its books of account, shall use only such accounting software which has a feature of recording audit trail of each and every transaction, creating an edit log of each change made in books of account along with the date when such changes were made and ensuring that the audit trail cannot be disabled.

The books of account and other relevant books and papers referred above shall be retained completely in the format in which they were originally generated, sent or received, or in a format which shall present accurately the information generated, sent or received and the information contained in the electronic records shall remain complete and unaltered.

The information received from branch offices shall not be altered and shall be kept in a manner where it shall depict what was originally received from the branches. The information in the electronic record of the document shall be capable of being displayed in a legible form.

There shall be a proper system for storage, retrieval, display or printout of the electronic records as the Audit Committee, if any, or the Board may deem appropriate and such records shall not be disposed of or rendered unusable, unless permitted by law:

Provided that the back-up of the books of account and other books and papers of the company maintained in electronic mode, including at a place outside India, if any, shall be kept in servers physically located in India on a daily basis.

#### **Notice of Address at which Books of Account are to be Maintained**

As per the Companies (Accounts) Rules, 2014 the notice regarding address at which books of account may be kept shall be in Form AOC-5.

Where a company has a branch office in India or outside India, it shall be deemed to have complied with the above provisions, if proper books of account relating to the transactions effected at the branch office are kept at that office and proper summarised returns periodically are sent by the branch office to the company at its registered office or the other place referred above.

The books of account and other books and papers maintained by the company within India shall be open for inspection at the registered office of the company or at such other place in India by any director during business hours, and in the case of financial information, if any, maintained outside the country, copies of such financial information shall be maintained and produced for inspection by any director subject to such conditions as mentioned below:

#### **Conditions Regarding Maintenance and Inspection of Certain Financial Information by Directors**

The summarised returns of the books of account of the company kept and maintained outside India shall be sent to the registered office at quarterly intervals, which shall be kept and maintained at the registered office of the company and kept open to directors for inspection.

Where any other financial information maintained outside the country is required by a director, the director shall furnish a request to the company setting out the full details of the financial information sought, the period for which such information is sought.

The company shall produce such financial information to the director within fifteen days of the date of receipt of the written request.

The financial information shall be sought for by the director himself and not by or through his power of attorney holder or agent or representative.

Further, the inspection in respect of any subsidiary of the company shall be done only by the person authorised in this behalf by a resolution of the Board of Directors.

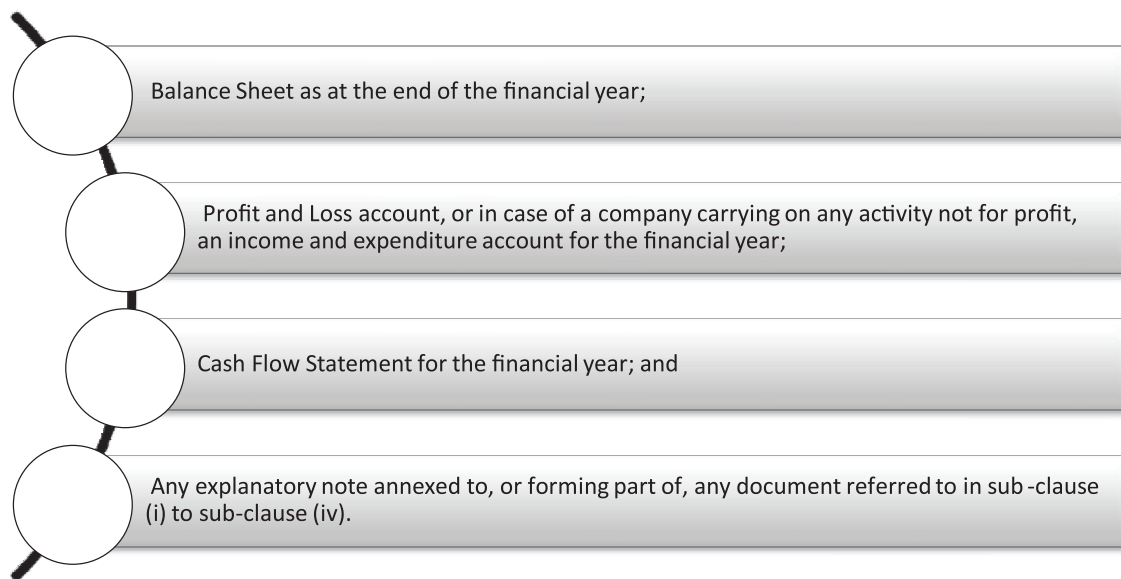
Where an inspection is made, the officers and other employees of the company shall give to the person making such inspection all assistance in connection with the inspection which the company may reasonably be expected to give.

**Period for Retention of Books of Accounts:** The books of account of every company relating to a period of not less than **eight financial years** immediately preceding a financial year, or where the company had been in existence for a period less than eight years, in respect of all the preceding years together with the vouchers relevant to any entry in such books of account shall be kept in good order. However, where an investigation has been ordered in respect of the company under Chapter XIV, the Central Government may direct that the books of account may be kept for such longer period as it may deem fit.

**Penalty:** If the managing director, the whole-time director in charge of finance, the Chief Financial Officer or any other person of a company charged by the Board with the duty of complying with the provisions of this section, contravenes such provisions, such managing director, whole-time director in charge of finance, Chief Financial officer or such other person of the company shall be punishable with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees.

## FINANCIAL STATEMENTS

According to Section 2(40) of Companies Act, 2013, financial statement in relation to a company, includes –



However, the financial statement, with respect to One Person Company, small company and dormant company may not include cash flow statement.

## PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

Section 129 of the Companies Act, 2013 governs the preparation and presentation of financial statements of a company. The financial statements shall give a true and fair view of the state of affairs of a company or companies, comply with the accounting standards notified under Section 133 and shall be in the form or forms as may be provided for different class or classes of companies in Schedule III.

**Central Government to Prescribe Accounting Standards**

The Central Government may prescribe the standards of accounting or any addendum thereto, as recommended by the Institute of Chartered Accountants of India, constituted under section 3 of the Chartered Accountants Act, 1949, in consultation with and after examination of the recommendations made by the National Financial Reporting Authority.

- The items contained in such financial statements shall be in accordance with the accounting standards.
- This sub-section shall not apply to 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. However, the financial statements shall not be treated as not disclosing a true and fair view of the state of affairs of the company, merely by reason of the fact that they do not disclose –
  - (a) in the case of an insurance company, any matters which are not required to be disclosed by the Insurance Act, 1938, or the Insurance Regulatory and Development Authority Act, 1999;
  - (b) in the case of a banking company, any matters which are not required to be disclosed by the Banking Regulation Act, 1949;
  - (c) in the case of a company engaged in the generation or supply of electricity, any matters which are not required to be disclosed by the Electricity Act, 2003;
  - (d) in the case of a company governed by any other law for the time being in force, any matters which are not required to be disclosed by that law.
- At every annual general meeting of a company, the Board of Directors of the company shall lay before all members financial statements for the financial year.
- Where a company has one or more subsidiaries, it shall, in addition to financial statements provided above, prepare a consolidated financial statement of the company and of all the subsidiaries in the same form and manner as that of its own which shall also be laid before the annual general meeting of the company along with the laying of its financial statement under Section 129(2) of the Companies Act, 2013.
- The company shall also attach along with its financial statement, a separate statement containing the salient features of the financial statement of its subsidiary or subsidiaries. According to the rules, the statement shall contain the salient features of the financial statement of a company's subsidiary or subsidiaries, associate company and joint venture.
- The consolidation of financial statements of the company shall be made in accordance with the Accounting Standards, subject however, to the requirement that if under such Accounting Standards (AS), consolidation is not required for the reason that the company has its immediate parent outside India, then such companies will also be required to prepare Consolidated Financial Statements in the manner and format as specified under Schedule III to the Act.
- The provisions of this Act are applicable to the preparation, adoption and audit of the financial statements of a holding company shall, mutatis mutandis, apply to the consolidated financial statements.
- Where the financial statements of a company do not comply with the accounting standards, the company shall disclose in its financial statements, the deviation from the accounting standards, the reasons for such deviation and the financial effects, if any, arising out of such deviation.

- The Central Government may, on its own or on an application by a class or classes of companies, by notification, exempt any class or classes of companies from complying with any of the requirements of this section or the rules made thereunder, if it is considered necessary to grant such exemption in the public interest and any such exemption may be granted either unconditionally or subject to such conditions as may be specified in the notification.
- If a company contravenes the provisions of this section, the managing director, the whole-time director in charge of finance, the Chief Financial Officer or any other person shall be give the charge by the Board with the duty to complying with the requirements of this section and in the absence of any of the officers mentioned above, all the directors shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than fifty thousand rupees but which may extend to rupees five lakh or with both.

*Explanation* – Any reference to the financial statement shall include any notes annexed to or forming part of such financial statement, giving information required to be given and allowed to be given in the form of such notes under this Act.

### SCHEDULE III OF THE COMPANIES ACT, 2013

According to Section 129 of the Companies Act, 2013, all the companies registered under this Act will have to present its financial statements in Schedule III of the Companies Act. The Schedule III of the Companies Act, 2013 has been formulated to keep pace with the changes in the economic philosophy leading to privatization and globalization and consequent desired changes/reforms in the corporate financial reporting practices. It deals with the Form of Balance Sheet, Statement of Profit and Loss, and disclosures to be made therein, and it applies uniformly to all the companies registered under the Companies Act, 2013, for the preparation of financial statements of an accounting year. It has several new features like:

- A vertical format for presentation of Balance Sheet with classification of Balance Sheet items into current and non-current categories.
- A vertical format of Statement of Profit and Loss with classification of expenses based on nature.
- Elimination of the concept of “Schedules” and such information is now to be furnished in terms of “Notes to Accounts”.
- It does not contain any specific disclosure for items included in Schedule VI under the head, “Miscellaneous Expenditure”. As per Accounting Standard -16 borrowing cost and discount or premium relating to borrowing could be amortized over the loan period. Further, share issue expenses, discount on shares, discount/ premium on borrowing, etc. are excluded from AS-26. These items be amortized over the period of benefit, i.e., normally 3-5 years. The draft guidance note issued by ICAI suggests that unamortized portion of such expenses be shown under the head “Other Current/Non-current Assets” depending on whether the amount will be amortized in the next 12 months or thereafter.
- Debit Balance of Statement of Profit & Loss A/c will be disclosed under the head, Reserves & Surplus as the negative figure.
- No change in the format of cash flow statement as per revised schedule and therefore its preparation continues to be as per AS-3 i.e. cash flow statement.
- It gives prominence to Accounting Standards (AS), i.e., in case of any conflict between the AS and the Schedule, AS shall prevail.

## GENERAL INSTRUCTIONS FOR THE PREPARATION OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

**[Financial Statements for a company whose Financial Statements are required to comply with the Companies (Accounting Standards) Rules, 2006 - Division I]**

The Schedule III sets out minimum requirements for disclosure on the face of the Balance Sheet, and the Statement of Profit and Loss and Notes. Line items, sub-line items and sub-totals shall be presented as an addition or substitution on the face of the Financial Statements when such presentation is relevant to an understanding of the company's financial position or performance or to cater to industry/sector-specific disclosure requirements or when required for compliance with the amendments to the Companies Act or under the Accounting Standards. This means new line items or sub-items can be added or substituted on the face of the Financial Statements when such presentation is:

- Relevant to an understanding of the company's financial position or performance or to cater to industry/sector-specific disclosure requirements.
- To cater to industry/sector-specific disclosure requirements or when required for compliance with the amendments to the Companies Act.
- Under the Accounting Standards.

Where compliance with the requirements of the Act including Accounting Standards as applicable to the companies require any change in treatment or disclosure including addition, amendment, substitution or deletion in the head or sub-head or any changes, inter se, in the financial statements or statements forming part thereof, the same shall be made and the requirements of this Schedule shall stand modified accordingly.

The disclosure requirements specified in this Schedule are in addition to and not in substitution of the disclosure requirements specified in the Accounting Standards prescribed under the Companies Act, 2013. Additional disclosures specified in the Accounting Standards shall be made in the notes to accounts or by way of additional statement unless required to be disclosed on the face of the Financial Statements. Similarly, all other disclosures as required by the Companies Act shall be made in the notes to accounts in addition to the requirements set out in this Schedule.

Notes to accounts shall contain information in addition to that presented in the Financial Statements and shall provide where required

- Narrative descriptions or disaggregation of items recognized in those statements; and
- Information about items that do not qualify for recognition in those statements.

Each item on the face of the Balance Sheet and Statement of Profit and Loss shall be cross-referenced to any related information in the notes to accounts. In preparing the Financial Statements including the notes to accounts, a balance shall be maintained between providing excessive detail that may not assist users of financial statements and not providing important information as a result of too much aggregation.

Depending upon the Total income of the company, the figures appearing in the Financial Statements shall be rounded off as given below:

	<b>Total Income</b>	<b>Rounding off</b>
(a)	less than one hundred crore rupees	To the nearest hundreds, thousands, lakhs or millions, or decimals thereof.
(b)	one hundred crore rupees or more	To the nearest lakhs, millions or crores, or decimals thereof.

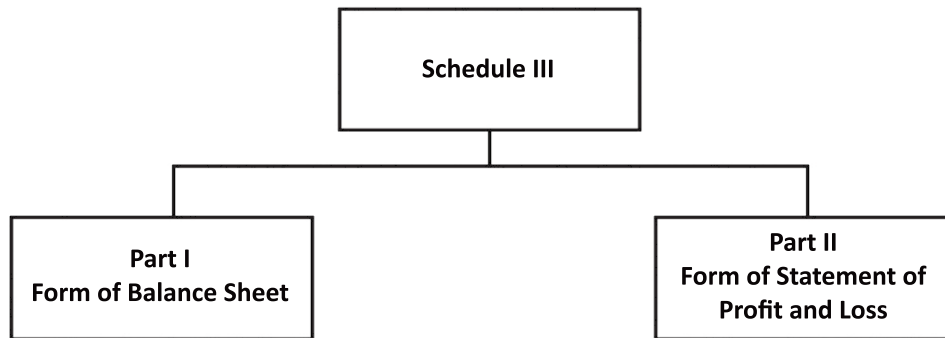
Once a unit of measurement is used, it should be used uniformly in the Financial Statements.

Except in the case of the first Financial Statements laid before the Company (after its incorporation) the corresponding amounts (comparatives) for the immediately preceding reporting period for all items shown in the Financial Statements including notes shall also be given.

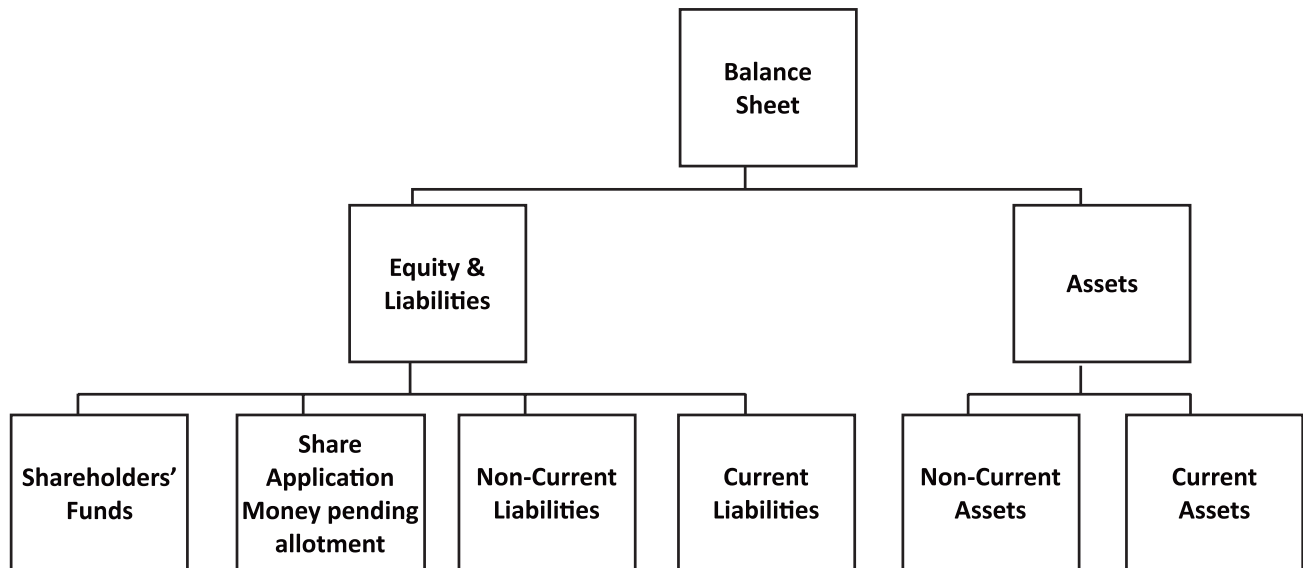
**PRESENTATION OF BALANCE SHEET**

A Balance Sheet is a statement of the financial position of an enterprise as at a given date, which exhibits its assets, liabilities, capital, reserves and other account balances at their respective book values.

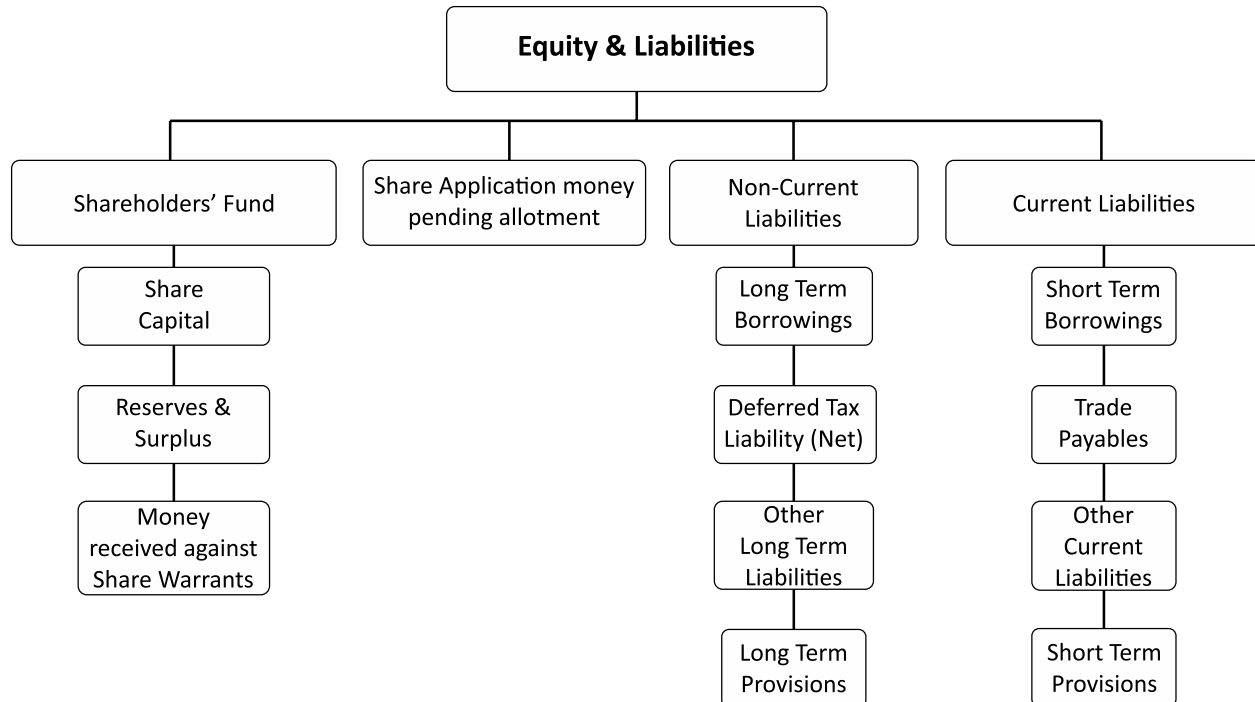
**How often is a Balance sheet of a company calculated?**  
 Balance sheet is more like a snapshot of the financial position of a company at a specified time, usually calculated after every quarter, six months or one year.



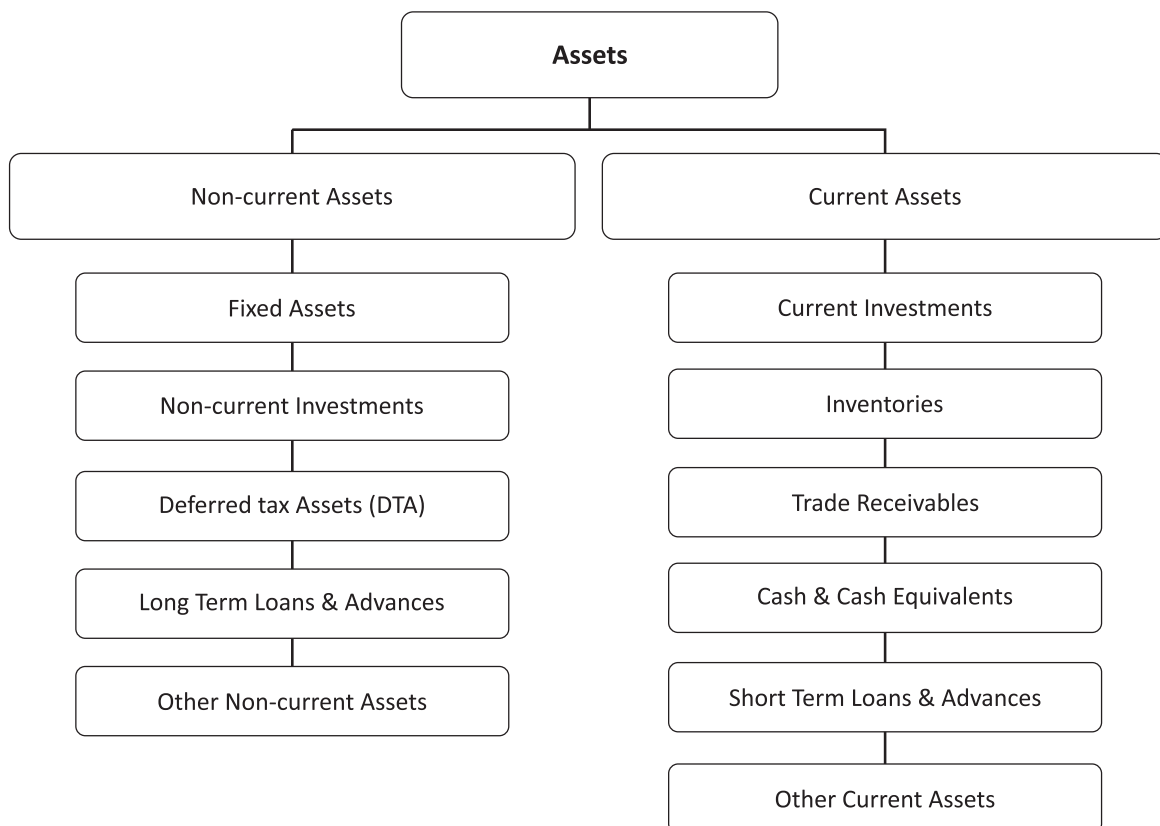
**PART I – FORM OF BALANCE SHEET**



## Break-up of Equity &amp; Liabilities



## Break-up of Assets



**PART I – FORM OF BALANCE SHEET**

[Financial Statements for a company whose Financial Statements are required to comply with the Companies (Accounting Standards) Rules, 2006 - Division I]

Name of the Company: .....

Balance Sheet as at: .....

	<i>Particulars</i>	<i>Note No.</i>	<i>Figure as at the end of Current Reporting Period</i>	<i>Figures as at the end of the Previous Reporting Period</i>
			<i>(Rs.)</i>	<i>(Rs.)</i>
<b>I.</b>	<b>EQUITY AND LIABILITIES</b>			
(1)	Shareholders' Funds			
	(a) Share Capital			
	(b) Reserves & 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			
	(A) Total outstanding dues of micro enterprises and small enterprises and			
	(B) Total outstanding dues of creditor other than micro enterprises and small enterprises.			
	(c) Other Current Liabilities			
	(d) Short-Term Provisions			
	TOTAL			
<b>II.</b>	<b>ASSETS</b>			
(1)	Non-Current Assets			

	(a) Property, Plant and Equipment and Intangible assets			
	(i) Property, Plant and Equipment			
	(ii) Intangible Assets			
	(iii) Capital work-in-progress			
	(iv) Intangible Assets under Development			
	(b) Non-Current Investments			
	(c) Deferred Tax Assets (DTA) (Net)			
	(d) Long-Term Loans & Advances			
	(e) Other Non-Current Assets			
(2)	Current Assets			
	(a) Current Investments			
	(b) Inventories			
	(c) Trade Receivables			
	(d) Cash & Cash Equivalents			
	(e) Short-Term Loans & Advances			
	(f) Other Current Assets			
	Total			

### DISCLOSURE REQUIREMENT: SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

[Financial Statements for a company whose Financial Statements are required to comply with the Companies (Accounting Standards) Rules, 2006 - Division I]

#### (A) FOR "EQUITY AND LIABILITIES" ITEMS

##### (1) SHAREHOLDERS' FUNDS

##### (a) SHARE CAPITAL

<i>Schedule III Disclosure Requirement</i>	<i>Points to be considered</i>
General	<ul style="list-style-type: none"> <li>● Schedule III deals only with presentation and disclosure requirements.</li> <li>● Accounting classification into Debt and Equity components is governed by the applicable Accounting Standard.</li> <li>● Preference Shares will have to be classified as "Share Capital" and they also include such Preference Shares of which redemption is overdue.</li> </ul>

For each Class of Share Capital (different classes of Preference Shares to be treated separately):	
(a) Authorized Capital	It is the maximum number and face/par value, of each class of shares that a corporate entity may issue in accordance with its instrument of incorporation.
(b) Number of Shares Issued, Subscribed and Fully Paid, and Subscribed but not Fully Paid	<ul style="list-style-type: none"> <li>● “Subscribed Share Capital” is “that portion of the Issued Share Capital which has actually been subscribed by the public and subsequently allotted to the shareholders by the entity. This also includes any Bonus shares issued to the Shareholders.</li> <li>● “Paid-up Share Capital” is “that part of the Subscribed Share Capital for which consideration in cash or otherwise has been received. This also includes Bonus Shares allotted and Shares issued otherwise than for cash against purchase consideration, by the corporate entity.”</li> <li>● If Shares are not fully called, then disclose the called up value per share.</li> </ul>
(c) Face/Par Value per Share	Face Value/Par Value as per Capital Clause in Memorandum of Association should be disclosed.
(d) Reconciliation of No. of Shares	<ul style="list-style-type: none"> <li>● For the Amount of Share Capital;</li> <li>● For comparative previous period;</li> <li>● Separate statements for both Equity and Preference Shares, which should again be sub-classified and represented for each class of Shares.</li> </ul>
(e) Rights, Preferences and Restrictions attaching to shares including restrictions on the distribution of Dividends and the Repayment of Capital	<ul style="list-style-type: none"> <li>● For Equity Share Capital, such rights / preferences / restrictions may be with voting rights, or with differential voting rights as to dividend, voting or otherwise as per Companies (Issue of Share Capital with Differential Voting Rights) Rules, 2001.</li> <li>● For Preference Shares, the rights include dividend and/ or capital related rights. Further, Preference Shares can be cumulative, non-cumulative, redeemable, convertible, non-convertible, etc.</li> <li>● All such Rights, Preferences and Restrictions attached to each class of Shares, terms of redemption, etc., should be disclosed separately.</li> </ul>
(f) Shares held in the Company held by its Holding Company or its ultimate Holding Company including Shares held by Subsidiaries or Associates of the Holding Company or the ultimate Holding Company in aggregate	<ul style="list-style-type: none"> <li>● Disclose number of Shares held by the entire chain of Subsidiaries and Associates starting from the Holding Company and ending right up to the Ultimate Holding Company.</li> <li>● All such disclosures should be made separately representing for each class of Shares, (for both Equity and Preference Shares).</li> </ul>

<p>(g) List of Shareholders holding more than 5% shares as on the Balance Sheet Date</p>	<ul style="list-style-type: none"> <li>● Date for computing the 5% limit should be taken as the Balance Sheet date. So, if during the year, any Shareholder held more than 5% Equity Shares but does not hold as much at the Balance Sheet date, disclosure is not required.</li> <li>● Companies should disclose the Shareholding for each class of Shares, both within Equity and Preference Shares. So, such% should be computed separately for each class of Shares.</li> <li>● This information should also be given for comparative previous period.</li> </ul>
<p>(h) Shares Reserved for issue under Options and Contracts/ commitments for the sale of Shares/ Disinvestment, including the Terms and Amounts</p>	<ul style="list-style-type: none"> <li>● Shares under Options generally arise under Promoters or Collaboration Agreements, Loan Agreements or Debenture Deeds (including Convertible Debentures), agreement to convert Preference Shares into Equity Shares, ESOPs or Contracts for supply of Capital Goods, etc.</li> <li>● Disclosure is required for the Number of Shares, Amounts and Other Terms for Shares so reserved. Such options are in respect of Unissued Portion of Share Capital.</li> </ul>
<p>(i) For the period of 5 years immediately preceding the date as at which the Balance Sheet is prepared-</p> <ul style="list-style-type: none"> <li>● Aggregate Number &amp; Class of Shares allotted as Fully Paid up Pursuant to Contract(s) without payment being received in Cash</li> <li>● Aggregate No. and Class of Shares allotted as fully Paid up by way of Bonus Shares</li> <li>● Aggregate Number &amp; Class of Shares bought back</li> </ul>	<p>Disclose only if such event has occurred during a period of 5 years immediately preceding the Current Year Balance Sheet date.</p> <ul style="list-style-type: none"> <li>● The aggregate number of shares allotted or bought back</li> <li>● If the company is in operation for a period of less than 5 years, then disclosure should cover all such earlier financial years.</li> </ul> <p>Not to disclose the following allotments:</p> <p>The following allotments are considered as Shares allotted for payment being received in cash, and hence should not be disclosed under this Clause – (a) If the subscription amount is adjusted against a bonafide debt payable in money at once by the Company,</p> <p>(b) Conversion of Loan into Shares in the event of default in repayment.</p>
<p>(j) 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</p>	<ul style="list-style-type: none"> <li>● In case of Compulsorily Convertible Securities, where conversion is done in fixed tranches, all the dates of conversion have to be considered.</li> <li>● In case of Convertible Debentures/Bonds, etc., for the purpose of simplification, reference may also be made to the terms disclosed under the note on Long- Term Borrowings where these are required to be classified in the Balance Sheet, rather than disclosing the same against under this Clause.</li> </ul>
<p>(k) Calls Unpaid (showing aggregate value of Calls Unpaid by Directors and Officers)</p>	<p>Unpaid Amount towards Shares subscribed by the Subscribers of Memorandum of Association should be considered as 'Subscribed and paid-Up Capital' in the Balance Sheet and the Debts due from the Subscribers should be appropriately disclosed as an Asset in the Balance Sheet.</p>

(l) Forfeited Shares (amount originally paid up)			
(m) Shareholding of Promoter	<b>Share held by promoter at the end of year</b>		<b>% Change during the years</b>
	<b>Sr. No.</b>	<b>Promoters Name</b>	<b>% of Total Shares</b>
	<b>Total</b>		

**(1) (b) RESERVES & SURPLUS**

<b>Schedule III Disclosure Requirement</b>	<b>Points</b>
Reserves & Surplus shall be classified as – (a) Capital Reserves	<ul style="list-style-type: none"> <li>● Capital Reserve is a Reserve of a Corporate Enterprise which is not available for distribution as Dividend.</li> <li>● Profit on Re-issue of Forfeited Shares is basically profit of a Capital Nature and, hence, it should be credited to Capital Reserve.</li> </ul>
(b) Capital Redemption Reserve	Capital Redemption Reserve (CRR) is required to be created u/s 55 and 68 (for redemption of Preference Share Capital and buyback of Equity Share Capital), subject to conditions specified in the respective Sections.
(c) Securities Premium	
(d) Debenture Redemption Reserve	Debenture Redemption Reserve (DRR) is required to be created u/s 71 and maintained until such Debentures are redeemed. On redemption of the Debentures, the amounts no longer necessary to be retained in this Account should be transferred to the General Reserve.
(e) Revaluation Reserve	Revaluation Reserve is a Reserve created on the revaluation of Assets or Net Assets of an Enterprise represented by the surplus of the estimated Replacement Cost or estimated market values over the Book Values thereof.
(f) Share Options Outstanding Account	As per ICAI Guidance Note on ESOP, Share Options Outstanding should be shown as separate line item. Under Schedule III, this line item should be shown separately under Reserves & Surplus.
(g) Other Reserves (specify the nature & purpose of each Reserve and the amount in respect thereof)	This includes any other Statutory Reserves, e.g. Tonnage Tax reserve to be created under the Income Tax Act, 1961.
(h) Surplus, i.e., balance in Statement of P&L disclosing allocations & appropriations, such as, Dividend, Bonus Shares and Transfer to/from Reserves, etc.	

(Additions & Deductions since last Balance Sheet to be shown under each of specified heads)	Appropriations to the Profit for the year (including carried forward balance) is to be presented under the main head 'Reserves and Surplus'. Under Schedule III, the Statement of P&L will no longer reflect any appropriations, like Dividends transferred to Reserves, Bonus Shares, etc.
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**Notes:**

1. **Fund** : A Reserve specifically represented by Earmarked Investments shall be termed as a 'Fund'.
2. **Profit and Loss Account (Dr.)** : Debit Balance Statement of Profit & Loss shall be shown as a Negative Figure under the head 'Surplus'. Similar, the balance of 'Reserves & Surplus', after adjusting Negative balance of Surplus, if any, shall be shown under the head 'Reserves & Surplus' even if the resulting figure is in the negative.

**(1) (c) MONEY RECEIVED AGAINST SHARE WARRANTS**

<i>Schedule III Disclosure Requirement</i>	<i>Points</i>
To be shown as a separate line item on the face of Balance Sheet	In case of Listed Companies, Share warrants are issued to Promoters & others in terms of the Guidelines for Preferential Issues, viz. SEBI (Issue of Capital and Disclosure Requirements), Guidelines, 2009. Effectively, Share Warrants are amounts which would ultimately form a part of the Shareholder's Funds. Since Shares are yet to be allotted against the same, these are not reflected as a part of Share Capital, but as a separate line-item

**(2) SHARE APPLICATION MONEY PENDING ALLOTMENT**

<i>Schedule III Disclosure Requirement</i>	<i>Points</i>
To be shown as a separate line item on the face of Balance Sheet	<p>Share Application Money not exceeding the Issued Capital and to the extent not refundable is to be disclosed as a separate line item after "Share Holders Funds" and before "Non-Current Liabilities". If the Company's Issued Capital is more than the Authorized Capital, and approval of increase in Authorized Capital is pending, the amount of Share Application Money received over and above the Authorized Capital should be shown under the head "Other Current Liabilities".</p> <p>The amount shown as 'Share Application Money Pending Allotment' will not include Share Application Money to the extent refundable, for example, the amount in excess of Issued Capital, or where Minimum Subscription requirement is not met. Such amount will have to be shown separately under 'Other Current Liabilities'.</p> <p>Calls Paid in Advance are to be shown under "Other Current Liabilities". The amount of interest which may accrue on such advance should also be reflected as a Liability.</p>

**(3) NON-CURRENT LIABILITIES****(3) (a) LONG-TERM BORROWINGS**

<i>Schedule III Disclosure Requirement</i>	<i>Points</i>
Long-Term Borrowings shall be classified as –	-----
(a) Bonds/Debentures	
(b) Terms Loans – (i) from Banks, and (ii) from Other Parties,	Loans with repayment period beyond 36 months are usually known as “Term Loans”. So, Cash Credit, Overdraft and Call Money Accounts/ Deposits are not covered by the expression “Term Loans”.
(c) Deferred Payment Liabilities,	Deferred Payment Liabilities would include any Liability for which payment is to be made on deferred credit terms, e.g., Deferred Sales Tax Liability, Deferred Payment for Acquisition of fixed Assets, etc.
(d) Deposits,	Deposits classified under Borrowings would include Deposits accepted from Public and Inter-Corporate Deposits which are in the nature of Borrowings.
(e) Loans & Advances from Related Parties,	Loans and Advances from related parties are required to be disclosed. Advances under this head should include those Advances which are in the nature of loans.
(f) Long-Term Maturities of Finance Lease Obligations	
(g) Other Loans & Advances (specify nature)	

<p><b>Notes:</b></p> <p>1. <b>Security-wise Classification:</b> Borrowings shall further be sub-classified as Secured and Unsecured. Nature of Security shall be specified separately in each case.</p>	<ul style="list-style-type: none"> <li>● Nature of Security shall be specified separately in each case. A blanket disclosure of different securities covering all Loans classified under the same head such as “All Term Loans from Banks” will not suffice.</li> <li>● However, where one security is given for multiple Loans, the same may be clubbed together for disclosure purposes with adequate details of cross referencing.</li> <li>● Disclosure about the nature of security should also cover the type of asset given as security, e.g., Inventories, Plant and Machinery, Land and Building, etc.</li> <li>● When Promoters, other Shareholders or any third party have given any personal security for any borrowing, e.g., Shares or Other Assets held by them, disclosure should be made thereof, though such security does not result in the classification of such borrowing as secured.</li> </ul>
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<p>2. <b>Guarantees:</b> Where Loans have been guaranteed by Directors or Others, the aggregate amount of such Loans under each head shall be disclosed.</p>	<p>The word “Others” used in the phrase “Directors or Others” would mean any Person or Entity other than a Director, e.g., Related Parties, or any person associated with the Company in some manner.</p>
<p>3. <b>Maturity Date wise:</b> Bonds / Debentures (along with Rate of Interest &amp; 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.</p>	<ul style="list-style-type: none"> <li>● Current Maturities of all Long-Term Borrowings will be disclosed under “Other Current Liabilities” and not under Long-Term Borrowings and Short-Term Borrowings.</li> <li>● So, it is possible that the same Bonds/Debentures/Term Loans may be bifurcated under both “Long-Term Borrowings” as well as under “Other Current Liabilities”.</li> </ul>
<p>4. <b>Installment Redemption:</b> Where Bonds/ Debentures are redeemable by Installments, the Date of Maturity for the purpose must be reckoned as the Date on which the First Installment becomes due.</p>	
<p>5. <b>Power to Reissue:</b> Particulars of any redeemed Bonds/Debentures which the Company has power to reissue shall be disclosed.</p>	
<p>6. <b>Terms of Repayment:</b> Repayment of Term Loans and Other Loans shall be stated.</p>	<p>Other Loans should be interpreted to mean all categories listed under the heading ‘Long-Term Borrowings’ as per Schedule VI (R). Disclosure of terms of repayment should be made preferably for each Loan unless the repayment terms of individual loans within a category are similar, in which case, they may be aggregated.</p>
<p>7. <b>Default:</b> 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.</p>	<p>The term “Continuing Default” is used w.r.t. Long-Term Borrowings, whereas the term “Default” is used w.r.t. Short-Term Borrowings.</p> <ul style="list-style-type: none"> <li>● Under CARO, the Auditor shall report on the default made and the period of default.</li> <li>● As per Schedule VI (R), the period and amount of continuing default as on the Balance Sheet date in repayment or Term Loans and Interest shall be specified separately in each case.</li> <li>● Disclosures relating to default should be made for all items listed under the category of Borrowings such as Bonds/ Debentures, Deposits, Deferred Payment Liabilities, Finance Lease Obligations, etc., and not only to items classified as “Loans” such as Term Loans, Loans and Advances.</li> </ul>

	<ul style="list-style-type: none"> <li>• Defaults other than in respect of repayment of Loan and Interest, e.g., non-compliance with Debt Covenants, etc., need not be disclosed.</li> <li>• Any default that had occurred during the year and was subsequently made good before the end of the year need not be disclosed.</li> </ul>
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**(3) (b) DEFERRED TAX LIABILITIES (Also Refer AS-22)**

<i>Schedule III Disclosure Requirement</i>	<i>Points</i>
To be shown as a separate line item on the face of Balance Sheet.	–

**(3) (c) OTHER LONG-TERM LIABILITIES**

<i>Schedule III Disclosure Requirement</i>	<i>Points</i>
It shall be classified as – (a) Trade Payables	Sundry Creditors for Goods or Services, and Acceptances should be disclosed as part of Trade Payables. Disclosure Requirements under MICRO, SMALL & MEDIUM ENTERPRISES DEVELOPMENT (MSMED) Act will also be required to be made in the annual Financial Statements.
(b) Others	Amounts due under contractual obligations, e.g., payables in respect of statutory obligations, like contribution to Provident Fund, Purchase of Fixed Assets, Contractually Reimbursable Expenses, Interest Accrued on Trade Payables, etc., should be classified as “Others” and each such item should be disclosed nature wise.

**(3) (d) LONG-TERM PROVISIONS**

<i>Schedule III Disclosure Requirement</i>	<i>Points</i>
It shall be classified as – (a) Provision for Employee Benefits	This should be classified into short-term and long-term portions, and the latter amount should be included here.
(b) Others (Specifying nature)	This would include items like Provisions for Warranties.

**(4) CURRENT LIABILITIES****(a) SHORT-TERM BORROWINGS**

<i>Schedule III Disclosure Requirement</i>	<i>Points</i>
1. Short-Term Borrowings shall be classified as –	<ul style="list-style-type: none"> <li>• Short-Term Borrowings will include all Loans within a period of 12 months from the date of the loan, Loans payable on demand, etc., but they will not include Current Maturity of Long-Term Borrowings (which should be treated only as “Other Current Liabilities”).</li> </ul>

<ul style="list-style-type: none"> <li>● Loans Repayable on demand– (i) from Banks, &amp; (ii) Other Parties,</li> <li>● Loans and Advances from Related Parties,</li> <li>● Deposits,</li> <li>● Others Loans and Advances (specify nature)</li> <li>● Current maturities of Long Term Borrowing</li> </ul>	<ul style="list-style-type: none"> <li>● In case of Short-Term Borrowings, all defaults (not continuing defaults as in the case of Long Term Borrowings) existing as at the date of the Balance Sheet should be disclosed (item wise)</li> <li>● A 3-Year Loan taken for a business with a 4-year Operating Cycle will be categorized only as Short- Term Borrowings, and not as Long-Term Borrowings.</li> </ul>
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**(4) (b) TRADE PAYABLES**

<b>Schedule III Disclosure Requirement</b>	<b>Points</b>
<p>It shall be classified as –</p> <p>(A) Total outstanding dues of micro enterprises and small enterprises; and</p> <p>(B) Total outstanding dues of creditors other than micro enterprises and small enterprises.”</p>	<ul style="list-style-type: none"> <li>● Liability for Capital Goods Purchases: Amount due towards purchase disclosed under “Other Current Liabilities” with a suitable description.</li> <li>● Liability under Contractual Obligations: Liability towards Employees, Leases or other Contractual Liabilities should not be included under Trade Payables. Only “Commercial Dues” can be included under Trade Payables.</li> </ul>

**Note:**

The following details relating to Micro, Small and Medium Enterprises shall be disclosed in the notes:

- (a) The principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier at the end of each accounting year;
- (b) The amount of interest paid by the buyer in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during each accounting year;
- (c) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006;
- (d) The amount of interest accrued and remaining unpaid at the end of each accounting year; and
- (e) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under Section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.
- (f) *Explanation* – the terms ‘appointed day’, ‘buyer’, ‘enterprise’, ‘micro enterprise’, ‘small enterprise’ and ‘supplier’ shall have the same meaning assigned to those under (b),(d),(e),(h),(m) and (n) respectively of Section 2 of the Micro, Small and Medium Enterprises Development Act, 2006.

**(4) (c) OTHER CURRENT LIABILITIES**

<b>Schedule III Disclosure Requirement</b>	<b>Points</b>
<p>It shall be classified as –</p> <ol style="list-style-type: none"> <li>(a) Current Maturities of Finance Lease Obligations,</li> <li>(b) Interest Accrued but not due on Borrowings,</li> <li>(c) Interest Accrued and due on Borrowings,</li> <li>(d) Income Received in Advance,</li> <li>(e) Unpaid Dividends,</li> <li>(f) Application Money received for allotment of Securities and due for Refund and Interest Accrued thereon (Refer note below)</li> <li>(g) Unpaid Matured Deposits and Interest Accrued thereon,</li> <li>(h) Unpaid Matured Debentures and Interest Accrued thereon,</li> <li>(i) Other Payables (specify nature).</li> </ol> <p><b>Note:</b></p> <ol style="list-style-type: none"> <li>1. Share Application Money includes Advances towards allotment of Share Capital.</li> <li>2. Terms and Conditions include the Number of Shares proposed to be issued, the Amount of Premium, if any, and the period before which shares be allotted shall be disclosed.</li> <li>3. It shall also be disclosed whether the Company has sufficient Authorized Capital to cover the Share Capital Amount resulting from Allotment of Shares out of such Share Application Money.</li> <li>4. Further, the period for which the Share Application Money has been pending beyond the period for Allotment as mentioned in the document inviting application for shares along with the reason for such Share Application Money being pending shall be disclosed.</li> <li>5. Share Application Money not exceeding the Issued Capital and to the extent not refundable shall be shown under the head 'Equity' and Share Application Money to the extent refundable, i.e., the amount in excess of subscription or in case the requirements of minimum subscription are not met, shall be separately shown under 'Other Current Liabilities'.</li> </ol>	<ul style="list-style-type: none"> <li>● The portion of Long Term Debts/ Lease Obligations, which is due for payments within 12 months of the reporting date is required to be classified under "Other Current Liabilities", while the balance amount should be classified under Long-Term Borrowings.</li> <li>● Trade Deposits and Security Deposits which are not in the nature of Borrowings should be classified separately under Other Non- Current/ Current Liabilities.</li> <li>● Other Payables under this head may be in the nature of statutory dues such as Withholding Taxes, Service Tax, VAT, Excise Duty, etc.</li> <li>● Current Year Classification as Current Liability and Previous Year Non-Current Liability: Current/ Non/Current Classification of Assets / Liabilities is determined on a particular date, i.e., Balance Sheet date. So, if there is any change in the position at the end of the current year resulting in a different classification of Assets / Liabilities in the current year, it will not impact the classification made in the previous year.</li> </ul>

**(4) (d) SHORT TERM PROVISIONS**

<i>Schedule III Disclosure Requirement</i>	<i>Points</i>
It shall be classified as – (a) Provision for Employee Benefits	This should be classified into short-term and long-term portions, and the former amount should be included here.
(b) Others (Specifying nature)	This includes Provision for Dividend, Provision for Taxation, Provision for Warranties, etc.

**B. DISCLOSURE REQUIREMENTS FOR “ASSETS” ITEMS****(1) NON-CURRENT ASSETS****(1) (a) (i) PROPERTY PLANT AND EQUIPMENT (Also Refer AS – 6, 10)**

<i>Schedule III Disclosure Requirement</i>	<i>Points</i>
1. <b>Classification shall be given as –</b> (a) Land, (b) Buildings, (c) Plant and Equipment, (d) Furniture & Fixtures, (e) Vehicles, (f) Office Equipment, (g) Others (Specify Nature).	AS-19 excludes Land Leases from its scope. Leasehold Land should be presented as a separate assets class under Tangible Assets. Also, Freehold Land should be presented as a separate asset class.
2. Assets under Lease shall be separately specified under each class of Asset.	<ul style="list-style-type: none"> <li>● The term “under lease” should mean – <ul style="list-style-type: none"> <li>(a) Assets given on Operating Lease in the case of Lessor, and</li> <li>(b) Assets held under Finance Lease in the case of Lessee.</li> </ul> </li> <li>● Leasehold Improvements should continue to be shown as a separate asset class.</li> </ul>
3. <b>Re-evaluation:</b> Where sums have been written off on a Reduction of Capital or Re-evaluation of Assets of where sums have been added on Re-evaluation of Assets, every Balance Sheet subsequent to date of such write off, in addition shall show the Reduced or Increased figures as applicable and shall be way of a Note also show the amount of the Reduction or Increase as applicable together with the date thereof for the first 5 years subsequent to the dare of such Reduction or Increase.	<ul style="list-style-type: none"> <li>● AS-10 requires disclosure of details such as Gross Book Value of Re-evalued Assets, Method adopted to compute re-evalued amounts, Nature of indices used, Year of appraisal, Involvement of External Valuer, etc. as long as the concerned assets are held by the Enterprise. [but only 5 years period is specified in Schedule III]</li> <li>● AS-10 requirements will prevail. [Note: AS 26 does not permit re-evaluation of Intangible Assets.]</li> </ul>

<p>4. <b>Reconciliation:</b> A Reconciliation of the Gross and Net Carrying Amounts of each Class of Assets at the Beginning and End of the Reporting period showing Additions, Disposals, Acquisitions through Business Combinations and other Adjustments and the related Depreciation and Impairment Losses / Reversals shall be disclosed separately.</p>	<p>(a) Since reconciliation of Gross and Net Carrying Amounts of Fixed assets is required, the Depreciation/ Amortization for each class of asset should be disclosed in terms of –</p> <ul style="list-style-type: none"> <li>● Opening Accumulated Depreciation,</li> <li>● Depreciation/Amortization for the year,</li> <li>● Deductions/Other Adjustments, and</li> <li>● Closing Accumulated Depreciation/ Amortization.</li> </ul> <p>(b) Similar disclosures should also be made for Impairment, if any, as applicable.</p> <p>(c) Business Combinations:</p> <ul style="list-style-type: none"> <li>● Business Combination should be taken as an amalgamation or acquisition or any other mode of restructuring of a set of Assets and/or a group of Assets and Liabilities constituting a business.</li> <li>● Acquisitions through ‘Business Combinations’ should be disclosed separately for each class of assets.</li> <li>● Asset Disposals through Demergers, etc., if any also be disclosed separately for each class of assets.</li> </ul> <p>(d) Other Adjustments: This includes –</p> <ul style="list-style-type: none"> <li>● Capitalization of FOREX Differences where such option has been exercised by the Company as per AS-11.</li> <li>● Adjustments on a/c of Exchange Fluctuations for Fixed Assets in case of Non-Integral Operations (AS- 11).</li> <li>● Borrowing Costs capitalized as per AS-16.</li> </ul>
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**(1) (a)(ii) INTANGIBLE ASSETS (Also Refer AS-26)**

<i>Schedule III Disclosure Requirement</i>	<i>Points</i>
<p>Classification shall be given as –</p> <p>(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, Formula, Models, Designs and Prototypes, (h) Licenses and Franchise, (i) Others (specify nature).</p>	<p>Classification of Intangible Assets has been introduced under Schedule VI (R).</p> <p>Intangible Assets under development should also be disclosed separately, if AS-26 criteria are met.</p>

A reconciliation of the gross and net carrying amounts of each class of assets at the beginning and end of the reporting period showing additions, disposals, acquisitions through business combinations, amount of change due to revaluation (if change is 10% or more in the aggregate of the net carrying value of each class of intangible assets) and other adjustments and the related depreciation and impairment losses or reversals shall be disclosed separately.

### (1) (a)(iii) CAPITAL WORK IN PROGRESS

<i>Schedule III Disclosure Requirement</i>	<i>Points</i>
To be shown as a separate line item on the face of Balance Sheet	Capital Advances should be included under Long- Term Loans and Advances and hence, cannot be included under Capital WIP.

### (1) (a)(iv) INTANGIBLE ASSETS UNDER DEVELOPMENT

<i>Schedule III Disclosure Requirement</i>	<i>Points</i>
To be shown as a separate line-item on the face of Balance Sheet	Intangible Assets under development should be disclosed under this head provided they can be recognized based on the criteria laid down in AS-26.

### (1) (b) NON CURRENT INVESTMENTS (Also Refer AS – 13)

<i>Schedule III Disclosure Requirement</i>	<i>Points</i>
<p>Non-Current Investments shall be classified as Trade Investments and Other Investments, and further classified as Investments in –</p> <p>(a) Property,</p> <p>(b) Equity Instruments,</p> <p>(c) Preference Shares,</p> <p>(d) Government / Trust Securities,</p> <p>(e) Debentures or Bonds,</p> <p>(f) Mutual Funds,</p> <p>(g) Partnership Firms, and</p> <p>(h) Other Non-Current Investments (specify nature).</p>	<ul style="list-style-type: none"> <li>● If a Debenture is to be redeemed partly within 12 months and balance again after 12 months, the amount to be redeemed within 12 months should be disclosed as current, and balance as Non-Current.</li> <li>● “Trade Investment” is normally understood as an Investment made by a Company in Shares or Debentures of another Company, to promote the trade or business of the first Company.</li> </ul>
<p><b>Notes:</b></p> <p>1. Under each classification, details shall be given about the Names of Bodies Corporate (indicating separately whether such bodies are – (i) Subsidiaries, (ii) Associates, (iii) Joint Ventures, or (iv) Controlled Special</p>	<p>(a) <b>Controlled SPEs:</b></p> <ul style="list-style-type: none"> <li>● Schedule III requires separate disclosure of Investments in “Controlled Special Purpose Entities” in addition to Subsidiaries, Joint Venture, Associates, etc.</li> <li>● Since the expression “Controlled SPEs” is not defined in the Act/Sch. III/AS, no disclosures would be additionally</li> </ul>

<p>Purpose Entities) in whom Investments have been made and the nature and extent of the Investment so made in each such Body Corporate (showing separately Investments which are partly-paid).</p>	<p>required to be made under this caption. If and when such terminology is explained/ introduced in the applicable AS, the disclosure requirement would become applicable.</p> <p>(b) <b>Other Points:</b> “Nature and Extent” of Investment in each Body Corporate should be interpreted to mean the Number and Face Value of Share. Also, it is advisable to clearly disclose whether Investments are fully paid or partly paid. (item wise)</p>
<p>2. With regard to Investments in the capital of Partnership Firms, the Names of the Firms (with the names of all their Partners, Total Capital and the Shares of each Partner) shall be given.</p>	<p>(a) <b>LLP:</b> A LLP is a Body Corporate, and not a Partnership Firm as envisaged under the Partnership Act, 1932. Hence, disclosures pertaining to Investments, in Firms will not include LLPs. Investments in LLPs will be disclosed separately under “Other Investments”.</p> <p>(b) <b>Change in Constitution:</b> In case of change in constitution of the Firm during the year, the names of the Other Partners should be disclosed based on the position existing as on the date of Company’s Balance Sheet.</p> <p>(c) <b>Capital:</b></p> <ul style="list-style-type: none"> <li>● The Total Capital of the Firm, to be disclosed, should be with reference to the Amount of Capital on the date of the Company’s Balance Sheet.</li> <li>● If the Partnership Firm has separate accounts for Partners’ Capital, Drawings or Current, Loans to or from Partners, etc. disclosure must be made with regard to the Total of Capital Accounts alone, since this is what constitutes the capital of the Partnership Firm.</li> <li>● Where, however, such Accounts have not been segregated, or where the Partnership Deed Provides that the Capital of each Partner is to be calculated by reference to the Net Amount at his credit after merging all the Accounts, the disclosure relating to the Partnership Capital must be made on the basis of the total effect of such accounts taken together.</li> <li>● <b>Share of each Partner:</b> Share of each Partner means share in the Profits of the Firm, rather than the share in the Capital.</li> <li>● <b>Different Reporting Dates:</b> If it is not practicable to draw up the Financial Statements of the Partnership upto such date and, are drawn upto different reporting dates, drawing analogy from AS-21 and AS-27, adjustments should be made for effects of significant transactions or other</li> </ul>

	events that occur between those dates and the date of the Partners' Financial Statements. Also, the difference between reporting dates should not be more than 6 months. In such cases, the difference in reporting dates should be disclosed.
3. Investments carried at other than at Cost should be separately stated specifying the basis for valuation thereof.	<b>Basis of Valuation:</b> Disclosure for the basis of valuation of Non-Current Investments may be either of – (a) Cost, or (b) Costless Provision for other than temporary diminution, or (c) Lower of Cost and Fair Value.
4. The following shall also be disclosed- (a) Aggregate amount of Quoted Investments and Market Value thereof, (b) Aggregate Amount of Unquoted Investments, (c) Aggregate Provision for Diminution in value of Investments.	It is recommended to disclose the amount of provision netted-off for each Long-Term Investment. However, the aggregate amount of provision made in respect of all Non- Current Investments should also be separately disclosed to comply with the specific disclosure requirement in Schedule III.

**(1) (c) DEFERRED TAX ASSET (Also Refer AS – 22)**

<i>Schedule III Disclosure Requirement</i>	<i>Points</i>
To be shown as a separate line-item on the face of Balance Sheet.	---

**(d) LONG TERM LOANS AND ADVANCES**

<i>Schedule III Disclosure Requirement</i>	<i>Points</i>
<p>1. <b>General Classification:</b> Long-Term Loans and Advances shall be classified as –</p> <p>(a) Capital Advances,</p> <p>(b) Loans and Advances to Related Parties (giving details thereof),</p> <p>(c) Other Loans and Advances (specify nature)</p>	<p><b>Capital Advances:</b></p> <ul style="list-style-type: none"> <li>It should be specifically included under Long- Term Loans and Advances and hence, cannot be included under Capital Work-In-Progress.</li> <li>Capital Advances are advances given for procurement of Fixed Assets which are Non- Current Assets. They are not realized back in cash, and over a period, get converted into Fixed Assets. Assets. Hence, they are always Long-Term Advances, irrespective of when the Fixed Assets are expected to be received.</li> </ul> <p>Other Loans and Advances should include all other items in the nature of advances recoverable in cash or kind, e.g., Prepaid Expenses, Advance Tax, CENVAT Credit Receivable, VAT Credit Receivable and Service Tax Credit Receivable which are not expected to be realized within the next 12 months or operating cycle whichever is longer, from the Balance Sheet date.</p>

<p>2. <b>Security wise Classification:</b> The above shall be separately sub-classified as –</p> <p>(a) Secured, considered Good</p> <p>(b) Unsecured, considered Good</p> <p>(c) Doubtful.</p>	–
<p>3. <b>Bad / Doubtful:</b> Allowance for Bad and Doubtful Loans and Advances shall be disclosed under the relevant heads separately.</p>	–
<p>4. <b>Directors etc.:</b> 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 in a Director of a Member should be separately stated.</p>	The term “Details” of Loans and Advances of Related Parties would mean disclosure requirements contained in AS-18.

#### (1) (e) OTHER NON-CURRENT ASSETS

<b>Schedule III Disclosure Requirement</b>	<b>Points</b>
<p>1. Other Non-Current Assets shall be classified as –</p> <p>(a) Long-term Trade Receivables (including Trade Receivables on Deferred Credit Terms)</p> <p>(b) Securities Deposits</p> <p>(c) Others (specify nature)</p>	<ul style="list-style-type: none"> <li>● A Receivable shall be classified as ‘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.</li> </ul>
<p>2. Security wise Classification: Long-Term Receivables shall be separately sub classified as – (a) Secured, considered good (b) Unsecured, Considered Good (c) Doubtful.</p>	<ul style="list-style-type: none"> <li>● Dues in respect of Insurance Claims, Sale of Fixed Assets, Contractually Reimbursable Expenses, Interest Accrued on Trade Receivables, etc., should be classified as “Others” and each such item should be disclosed according to their nature.</li> </ul>
<p>3. For Trade Receivables Outstanding</p>	<ul style="list-style-type: none"> <li>● Trade Receivables ageing schedule</li> </ul>

## 2. CURRENT ASSETS

### (2) (a) CURRENT INVESTMENTS (Also Refer AS – 13)

<i>Schedule III Disclosure Requirement</i>	<i>Points</i>
<p>Current Investments shall be classified as –</p> <ul style="list-style-type: none"> <li>(a) Investments in Equity Instruments,</li> <li>(b) Investment in Preference Shares,</li> <li>(c) Investments in Government or Trust Securities,</li> <li>(d) Investments in Debentures or Bonds,</li> <li>(e) Investments in Mutual Funds,</li> <li>(f) Investments in Partnership Firms,</li> <li>(g) Other Investments (specify nature).</li> </ul>	<p>Principles given for Non- current Investments will apply here also to the relevant. However, Trade vs Non-Trade Classification, is not required for Current Investments.</p>
<p><b>Notes:</b></p> <ol style="list-style-type: none"> <li>1. Under each classification, details shall be given of Names of Bodies Corporate [indicating separately whether such Bodies are – (i) Subsidiaries, (ii) Associates, (iii) Joint Ventures, or (iv) Controlled Special Purpose Entities] in whom Investments have been made and the nature and extent of the Investment so made in each such Body Corporate (showing separately investments which are party- paid). In regard to Investments in the Capital of Partnership Firms, the names of the Firms (with the names of all their Partners, Total Capital and the percentage of Shares of each Partner) shall be given.</li> <li>2. The following shall also be disclosed: <ul style="list-style-type: none"> <li>(a) Basis of Valuation of individual Investments,</li> <li>(b) Aggregate Amount of Quoted Investments and Market Value thereof,</li> <li>(c) Aggregate Amount of Unquoted Investments,</li> <li>(d) Aggregate Provision made for Diminution in Value of Investments.</li> </ul> </li> </ol>	

### (2) (b) INVENTORIES (Also Refer AS-2)

<i>Schedule III Disclosure Requirement</i>	<i>Points</i>
<p>Inventories shall be classified as –</p> <ul style="list-style-type: none"> <li>(a) Raw materials,</li> <li>(b) Work In Progress,</li> </ul>	<ul style="list-style-type: none"> <li>● Goods in Transit should be included under relevant heads with suitable disclosure.</li> </ul>

<p>(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).</p> <p><b>Note:</b> Goods-in-Transit shall be disclosed under the relevant subhead of Inventories. Mode of Valuation shall be stated.</p>	<ul style="list-style-type: none"> <li>● The heading “Finished Goods” should comprise all Finished Goods other than those acquired for trading purposes. Those acquired for trading purposes are to be shown under “Stock in Trade”.</li> </ul>
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## (2) (c) TRADE RECEIVABLES

<i>Schedule III Disclosure Requirement</i>	<i>Points</i>
<ol style="list-style-type: none"> <li>1. Aggregate amount of Trade Receivables outstanding for a period exceeding 6 months from the date they are due for payment should be separately stated.</li> <li>2. <b>Security wise Details:</b> Trade Receivables shall be separately sub classified as – <ol style="list-style-type: none"> <li>(a) Secured, considered Good</li> <li>(b) Unsecured, considered Good</li> <li>(c) Doubtful.</li> </ol> </li> <li>3. <b>Bad /Doubtful:</b> Allowance for Bad and Doubtful Loans and Advances shall be disclosed under the relevant heads separately.</li> <li>4. <b>Directors, etc:</b> 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.</li> <li>5. Trade Receivables ageing schedule</li> </ol>	<ul style="list-style-type: none"> <li>● Schedule III requires separate disclosure of “Trade Receivables O/s for a period exceeding 6 months from the date they become due for payment”, only for the current portion of Trade Receivables.</li> <li>● Where no due date is specifically agreed upon, normal credit period allowed by the Company should be taken into consideration for computing the due date, which may vary depending upon the Nature of Goods or Services sold and the Type of Customers, etc.</li> <li>● Amounts due under contractual obligations, e.g., dues in respect of Insurance Claims, Sale of Fixed Assets, Contractually Reimbursable Expenses, Interest Accrued on Trade Receivables, etc., cannot be included within Trade Receivables. Such Receivables should be classified as “Other Current Assets” and each such item should be disclosed naturewise.</li> <li>● Lean Period Activities: Receivables arising out of sale of materials/ rendering of services during a Company’s lean period, should be included under “Trade Receivables”, if such activity is in the normal course of business. If they are not part of “normal course of business”, they are to be classified under “Other Assets”.</li> </ul>

**(2) (d) CASH AND CASH EQUIVALENTS (Also Refer AS-3)**

<i>Schedule III Disclosure Requirement</i>	<i>Points</i>
<p>Cash and Cash Equivalents shall be classified as –</p> <p>(a) Balances with Banks,            (b) Cheques, Drafts on Hand,            (c) Cash on Hand,            (d) Other (Specify nature).</p> <p>Notes:</p> <ul style="list-style-type: none"> <li>● Earmarked Balances with Banks (e.g. for Unpaid Dividend) shall be separately stated.</li> <li>● Balances with Banks to the extent held as margin Money or Security against the Borrowings, Guarantees, Other Commitments shall be disclosed separately.</li> <li>● Repatriation restrictions, if any, in respect of Cash and Bank Balances shall be separately stated.</li> <li>● Bank Deposits with more than 12 months Maturity shall be disclosed separately.</li> </ul>	<ul style="list-style-type: none"> <li>● “Other Bank Balances” would comprise items like Balances with Banks to the extent of holding as Margin Money or Security against Borrowings, etc., and Bank Deposits with more than 3 months maturity.</li> <li>● Bank Deposits with more than 12 months maturity will also need to be separately disclosed under the above subhead.</li> <li>● The Non-Current Portion of each of the above balances should be classified under the head “Other Non-Current Assets” with separated disclosure thereof.</li> </ul>

**(2) (e) SHORT TERM LOANS AND ADVANCES**

<i>Schedule III Disclosure Requirement</i>	<i>Points</i>
<p>1. General Classification: Short-Term Loans and Advances shall be classified as –</p> <p>(a) Loans and Advances to Related Parties (giving details thereof),            (b) Others (specify nature).</p> <p>2. Security wise Classification: The above shall also be sub classified as-</p> <p>(a) Secured, considered Good,            (b) Unsecured, considered Good,            (c) Doubtful.</p> <p>3. Bad / Doubtful: Allowance for Bad and Doubtful Loans and Advances shall be disclosed under the relevant heads separately.</p> <p>4. Directors, etc.: Loans &amp; 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 Companies, respectively in which any Director is a Partner or a Director or a Member shall be separately stated.</p>	<p>Principles given for Long-Term Loans and Advances will apply here to the relevant extent.</p>

**(f) OTHER CURRENT ASSETS**

<i>Schedule III Disclosure Requirement</i>	<i>Points</i>
<ul style="list-style-type: none"> <li>● This is an all-inclusive heading, which incorporates Current Assets which do not fit into any other Asset Categories.</li> <li>● Nature of each item should be specified</li> <li>● In case any amount classified under this category is doubtful, it is advisable that such doubtful amount as well as any provision made there against should be separately disclosed.</li> </ul>	<ul style="list-style-type: none"> <li>● This is an all-inclusive heading, which incorporates Current Assets that do not fit into any other asset categories, e.g., Unbilled Revenue, Unamortized Premium on Forward Contracts, etc.</li> </ul>

**(g) CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)**

<i>Schedule III Disclosure Requirement</i>	<i>Points</i>
<p>(i) Contingent liabilities shall be classified as:</p> <ol style="list-style-type: none"> <li>a) Claims against the company not acknowledged as debt;</li> <li>b) Guarantees;</li> <li>c) Other money for which the company is contingently liable.</li> </ol> <p>(ii) Commitments shall be classified as:</p> <ol style="list-style-type: none"> <li>a) Estimated amount of contracts remaining to be executed on capital account and not provided for;</li> <li>b) Uncalled liability on shares and other investments partly paid;</li> <li>c) Other commitments (specify nature).</li> </ol>	<p>The amount of dividends proposed to be distributed to equity and preference shareholders for the period and the related amount per share shall be disclosed separately. Arrears of fixed cumulative dividends on preference shares shall also be disclosed separately.</p> <p>Where in respect of an issue of securities made for a specific purpose, the whole or part of the amount has not been used for the specific purpose at the balance sheet date, there shall be indicated by way of note how such unutilised amounts have been used or invested.</p> <p>Where the company has not used the borrowings from banks and financial institutions for the specific purpose for which it was taken at the balance sheet date, the company shall disclose the details of where they have been used.</p>

**(h) ADDITIONAL REGULATORY INFORMATION**

<ol style="list-style-type: none"> <li>i. Title deeds of Immovable Property not held in name of the Company</li> <li>ii. 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 as defined under rule 2 of the Companies (Registered Valuers and Valuation) Rules, 2017.</li> <li>iii. Following disclosures shall be made where Loans or Advances in the nature of loans are granted to promoters, directors, KMPs and the related parties (as defined under Companies Act, 2013,) either severally or jointly with any other person, that are:</li> </ol>
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- a) repayable on demand or
- b) without specifying any terms or period of repayment
- iv. Capital-Work-in Progress (CWIP)
- v. Intangible assets under development
- vi. Details of Benami Property held
- vii. 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 the books of accounts.
  - b) if not, summary of reconciliation and reasons of material discrepancies, if any to be adequately disclosed.
- viii. Wilful Defaulter- Where a company is a 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),
- ix. Relationship with Struck off Companies
- x. Registration of charges or satisfaction with Registrar of Companies
- xi. Compliance with number of layers of companies
- xii. Following Ratios to be disclosed:-
  - a) Current Ratio,
  - b) Debt-Equity Ratio,
  - c) Debt Service Coverage Ratio,
  - d) Return on Equity Ratio,
  - e) Inventory turnover ratio,
  - f) Trade Receivables turnover ratio,
  - g) Trade payables turnover ratio,
  - h) Net capital turnover ratio,
  - i) Net profit ratio,
  - j) Return on Capital employed,
  - k) Return on investment.
- xiii. Compliance with approved Scheme(s) of Arrangements
- xiv. Utilisation of Borrowed funds and share premium.

**Special Point: Unamortised portion of share issue expenses, etc.**

1. Schedule III does not contain any specific disclosure requirement for the unamortized portion of expense items such as Share Issue Expenses, Ancillary Borrowing Costs and Discount or Premium relating to Borrowings.
2. As per AS-16, Ancillary Borrowing Costs and Discount or Premium relating to Borrowings could be amortized over the loan period. Further, share Issue Expenses, Discount on Shares, Ancillary Costs-Discount, Premium on Borrowing, etc. being special nature items, are excluded from the scope of AS- 26 Intangible Assets.
3. Certain companies have taken a view that it is an acceptable practice to amortize these expenses over the period of benefit, i.e., normally 3 to 5 years.
4. Conclusion: Schedule III does not deal with any accounting treatment of these items, and the same continues to be governed by the respective AS / best practices. So, a Company can disclose the Unamortized Portion of such expenses as "Unamortized Expenses", under the head "Other Current/ Non- Current Assets", depending on whether the amount will be amortized in the next 12 months or thereafter.

**PART II-FORM OF STATEMENT OF PROFIT AND LOSS**

Name of the Company :.....

Profit and Loss Statement for the year ended:..... (Rs. in..... )

<i>Particulars</i>	<i>Note No.</i>	<i>Figures for the Current Reporting Period</i>	<i>Figures for the Previous Reporting Period</i>
I	Revenue from Operations	XXX	XXX
II	Other Income	XXX	XXX
III	<b>Total Income (I+II)</b>	XXX	XXX
IV	Expenses:		
	Cost of Materials Consumed Purchases of Stock-In-Trade	XXX	XXX
	Changes in Inventories of Finished Goods/Work-in-progress and Stock-In-Trade	XXX	XXX
	Employee Benefits Expense	XXX	XXX
	Finance Costs	XXX	XXX
	Depreciation and Amortization Expense	XXX	XXX
	Other Expenses	XXX	XXX
	<b>Total Expenses</b>	<b>XXX</b>	<b>XXX</b>
V	Profit before Exceptional & Extraordinary Items and Tax (III – IV)	XXX	XXX

VI	Exceptional Items	XXX	XXX
VII	Profit before Extraordinary Items (V-VI)	XXX	XXX
VIII	Extraordinary Items	XXX	XXX
IX	Profit before Tax (VII-VIII)	XXX	XXX
X	Tax Expenses: (1) Current Tax (2) Deferred Tax	XXX	XXX
XI	Profit /(Loss) for the period from Continuing Operations (IX – X)	XXX	XXX
XII	Profit /(Loss) from Discontinuing Operations	XXX	XXX
XIII	Tax Expense of Discontinuing Operations	XXX	XXX
XIV	Profit /(Loss) from Discontinuing Operations (After Tax) (XII-XIII)	XXX	XXX
XV	Profit / (Loss) for the period (XI + XIV)	XXX	XXX
XVI	Earnings per Equity Share: (1) Basic (2) Diluted	XXX	XXX

### GENERAL INSTRUCTIONS FOR PREPARATION OF STATEMENT OF PROFIT AND LOSS

<i>Item</i>	<i>Description</i>	
<b>1. Revenue from Operations</b>	<p>For Company other than a Finance Company:</p> <p>Revenue from Operations shall disclosed separately in the Notes, Revenue from –</p> <ul style="list-style-type: none"> <li>(a) Sale of Products</li> <li>(b) Sale of Services</li> <li>(ba) Grants or donation received (relevant in case of Section 8 Companies)</li> <li>(c) Other Operating Revenues</li> <li>(d) Less: Excise Duty</li> </ul>	<p><b>For Finance Company:</b> Revenue from Operations shall include Revenue from:</p> <ul style="list-style-type: none"> <li>(a) Interest &amp;</li> <li>(b) Other Financial Services Revenue under each of the above heads shall be disclosed separately by way of Notes to Accounts to the extent applicable.</li> </ul>

<b>2. Finance Costs</b>	Finance Costs shall be classified as – (a) Interest Expenses, (b) Other Borrowing Costs, (c) Applicable Net Gain / Loss on Foreign Currency Transactions and Translation.
<b>3. Other Income</b>	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).
<b>4. Additional Information</b>	A Company shall disclose by way of Notes, additional information regarding Aggregate Expenditure and Income on the following items referred below.

**(i) Employee Benefits, Expense, Income Items, etc:**

- (a) Employee Benefits Expense [showed separately – (i) Salaries & Wages, (ii) Contribution to PF and Other Funds, (iii) Expense on ESOP and Employee Stock Purchase Plan (ESPP), (iv) Staff Welfare Expenses]
- (b) Depreciation and Amortization Expenses,
- (c) Any item of Income or Expenditure which exceeds 1% of Revenue from Operations or Rs. 1,00,000 whichever is higher,
- (d) Interest Income,
- (e) Interest Expense,
- (f) Dividend Income,
- (g) Net Gain / Loss on Sale of Investments,
- (h) Adjustments to the Carrying Amount of Investments,
- (i) Net Gain / Loss on Foreign Currency Transaction & Translation (other than the cost considered as Finance Cost),
- (j) Payments to the Auditor as – (a) Auditor, (b) For Taxation Matters, (c) For Company Law Matters, (d) For Management Services, (e) For other Services, (f) For Reimbursement of Expenses,
- (k) In case of companies covered u/s 135, amount of expenditure incurred on Corporate Social Responsibility activities
- (l) Item of Exceptional and Extraordinary Nature,
- (m) Prior Period Items.

**(ii) Materials, Goods, Services, etc.**

- (a) In the case of Manufacturing Companies –  
Raw Materials under broad heads. Goods Purchased under broad heads.

- (b) In the case of Trading Companies, Purchases in respect of goods Traded in by the Company under broad heads.
- (c) In the case of Companies rendering or supplying services, Gross Income derived from Services Rendered or Supplied, are shown under broad heads.
- (d) In the case of a Company, which falls under more than one of the categories mentioned in (a), (b) and (c) above, it shall be sufficient compliance with the requirements herein if Purchases, Sales and Consumption of Raw Material and the Gross Income from Services rendered is shown under broad head.
- (e) In the case of Other Companies, Gross Income derived under broad heads are shown.

**(iii)** In the case of all concerns regarding Works-in-Progress are shown under broad heads.

**(iv) Reserves – Creation & Utilization:**

- (a) The aggregate, if material, of any amounts set aside or proposed to be set aside to Reserve, without including Provisions made to meet any Specific Liability, Contingency or Commitment known to exist at the date as to which the Balance Sheet is made up.
- (b) The aggregate, if material, of any amounts withdrawn from such Reserves.

**(v) Provision – Creation & Utilization:**

- (a) The aggregate, if material, of the amounts set aside to Provisions made for meeting Specific Liabilities, Contingencies or Commitments.
- (b) The aggregate, if material, of the amounts withdrawn from such provisions, as no longer required.

**(vi) Expenses, etc: Expenditure incurred on each of the following items, separately for each item:**

- (a) Consumption of Stores and Spare Parts,
- (b) Power and Fuel,
- (c) Rent,
- (d) Repairs of Buildings,
- (e) Repairs of Machinery,
- (f) Repairs of Machinery,
- (g) Insurance,
- (h) Rates and Taxes, excluding Taxes on Income,
- (i) Miscellaneous Expenses.

**(vii) Subsidiaries Information:**

- (a) Dividends from Subsidiary Companies.
- (b) Provisions for Losses of Subsidiary Companies.

**(viii) Forex Information:** The P&L A/c shall also contain by way of a Note the following Information, namely –

- (a) Value of Imports calculated on CIF 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

- (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) 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 FOB Basis, Royalty, Know-How, Professional & Consultation Fees, Interest and Dividend, Other Income, indicating the nature thereof.

**Note:** Broad heads shall be decided taking into account the concept of Materiality and Presentation of True and Fair view of Financial Statements.

**(ix) Undisclosed income:**

The Company shall give details of any transaction not recorded in the books of accounts that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income Tax Act, 1961), unless there is immunity for disclosure under any scheme and also shall state whether the previously unrecorded income and related assets have been properly recorded in the books of account during the year.;

**(x) Corporate Social Responsibility (CSR):**

Where the company covered under section 135 of the companies act, the following shall be disclosed with regard to CSR activities:-

- a. amount required to be spent by the company during the year,
- b. amount of expenditure incurred,
- c. shortfall at the end of the year,
- d. total of previous years shortfall,
- e. reason for shortfall,
- f. nature of CSR activities,
- g. details of related party transactions, e.g., contribution to a trust controlled by the company in relation to CSR expenditure as per relevant Accounting Standard,
- h. where a provision is made with respect to a liability incurred by entering into a contractual obligation, the movements in the provision during the year should be shown separately.

**(xi) Details of Crypto Currency or Virtual Currency:**

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.

## TRUE AND FAIR VIEW OF FINANCIAL STATEMENTS

According to Section 128 (1) of the Companies Act, 2013, every company shall prepare and keep its registered office books of account and other relevant books and papers and financial statements for every financial year which give a true and fair view of the state of the affairs of the company.

Further Section 129(1) of the Companies Act, 2013, states that the financial statements shall give a true and fair view of the state of affairs of the company or companies, comply with the accounting standards notified under Section 133 and shall be in the form provided for different class or classes of companies in Schedule III.

Thus, the Companies Act requires that the profit and loss account must exhibit a true and fair view of the profit earned or loss suffered by the company during the period for which the account has been prepared.

The term 'true and fair' has not been defined nor has it been the subject of any judicial decision. But in order to show a true and fair view financial statement (Statement of Profit and Loss and Balance Sheet) should not mislead the user about the financial health of organization.

From the accounting point of view, the profit and loss account should be drawn upon the principles stated below:

- (a) **Materiality:** All significant factors which will have an impact on the mind of the reader should be disclosed.

For example, if a large quantity of raw materials is sold and there is a amount of profit or loss, the sale should not be included in the Sales Account; instead, the cost of the materials should be deducted from materials consumed and the profit or loss on the sale of raw materials should be separately disclosed in the profit and loss account. The reader will then know why the profit or loss occurred and how much it was; the reason will not be clear if the sale of raw materials is added to Sales or deducted from materials consumed. If, however, only a small quantity was sold leading to a rather insignificant profit or loss, separate disclosure is not necessary because such a disclosure will not change the impression of the reader about the profit situation.

What is material does not depend upon the judgment of the management. But the materiality of a figure should be judged from the point of view of both the total amount of the item and the amount of the profit or loss. In the above example, materiality has to be seen from the point of view of :

- (i) the amount of materials consumed and
  - (ii) the profit or loss during the year.
- (b) **Prior-Period Items:** The rule in India is that once accounts are adopted at the annual general meeting, they cannot be reopened. If any error is discovered, it can be corrected only in the accounts of the subsequent period. Apart from errors, some of the accounts relating to the previous year may come to knowledge or may be ascertained only in the current year.

For example, rates have been revised with effect from October, 2015, but the decision was made only in March, 2017, The increased wages for 2016-17 can certainly be added to the 2016-2017 wages but the increased wages for six months of 2015-2016 will also have to be taken out into account. Errors and other items relating to the previous year should be shown separately in the profit and loss account, and not clubbed with the item relating to the current year unless the concerned amounts are not material. Preferably, errors and prior year items should be stated below the line, i.e., in the Profit and Loss Appropriation Account.

- (c) **Extraordinary Items:** If expenses or income that do not arise in the ordinary course and are material they should be stated separately in the profit and loss account.

For example, if a fixed asset is sold, its profit or loss has to be shown separately. Another example would be speculation loss or profit; yet another would be subsidy received from government for operational purposes.

- (d) **Change in Accounting Policies:** It is well known that if there is any change in an accounting policy, say method of valuation of inventories or of change in depreciation, there has to be a disclosure about the fact of change and on profit or loss resulting from such a change.

### **XBRL (EXTENSIBLE BUSINESS REPORTING LANGUAGE)**

XBRL is a language for the electronic communication of business and financial data which is revolutionizing business reporting around the world. It provides major benefits in the preparation, analysis and communication of business information. It offers cost savings, greater efficiency and improved accuracy and reliability to all those involved in supplying or using financial data. XBRL stands for eXtensible Business Reporting Language. It is already being put to practical use in a number of countries and implementations of XBRL are growing rapidly around the world.

#### **How Does XBRL work?**

XBRL makes the data readable, with the help of two documents – Taxonomy and instance document. Taxonomy defines the elements and their relationships based on the regulatory requirements. Using the taxonomy prescribed by the regulators, companies need to map their reports, and generate a valid XBRL instance document. The process of mapping means matching the concepts as reported by the company to the corresponding element in the taxonomy. In addition to assigning XBRL tag from taxonomy, information like unit of measurement, period of data, scale of reporting etc., needs to be included in the instance document.

#### **How do companies create statements in XBRL?**

There are a number of ways to create financial statements in XBRL:

- XBRL-aware accounting software products are becoming available which will support the export of data in XBRL form. These tools allow users to map charts of accounts and other structures to XBRL tags.
- Statements can be mapped into XBRL using XBRL software tools designed for this purpose.
- Data from accounting databases can be extracted in XBRL format. It is not strictly necessary for an accounting software vendor to use XBRL; third party products can achieve the transformation of the data to XBRL.
- Applications can transform data in particular formats into XBRL. The route which an individual company may take will depend on its requirements and the accounting software and systems it currently uses, among other factors.

#### **XBRL filing under the Companies Act, 2013**

The following class of companies shall file their financial statements and other documents under section 137 of the Companies Act with the Registrar in e-form AOC-4 XBRL as per Annexure-I:-

- (i) Companies listed with stock exchanges in India and their Indian subsidiaries;
- (ii) Companies having paid up capital of five crore rupees or above;
- (iii) Companies having turnover of one hundred crore rupees or above;
- (iv) All companies which are required to prepare their financial statements in accordance with Companies (Indian Accounting Standards) Rules, 2015.

The companies preparing their financial statements under the Companies (Accounting Standards) Rules, 2006 shall file the statements using the Taxonomy provided in Annexure-II and companies preparing their financial statements under Companies (Indian Accounting Standards) Rules, 2015, shall file the statements using the Taxonomy provided in Annexure-II A. However, non-banking financial companies, housing finance companies and companies engaged in the business of banking and insurance sector are exempted from filing of financial statements under these rules.

The companies which have filed their financial statements under above rule shall continue to file their financial statements and other documents though they may not fall under the class of companies specified therein in succeeding years.

The companies which have filed their financial statements under the erstwhile rules, namely the Companies (Filing of Documents and Forms in Extensible Business Reporting Language) Rules, 2011, shall continue to file their financial statements and other documents though they do not fall under the class of companies specified therein.

### **Benefits of XBRL**

XBRL increases the usability of financial statement information. The need to re-key financial data for analytical and other purposes can be eliminated. By presenting its statements in XBRL, a company can benefit investors and all other stakeholders and enhance its profile. It meets the requirements of regulators, lenders and others consumers of financial information, who are increasingly demanding reporting in XBRL. This improves business relations and lead to a range of benefits.

All types of organizations can use XBRL to save costs and improve efficiency in handling business and financial information. Because XBRL is extensible and flexible, it can be adapted to a wide variety of different requirements. All participants in the financial information supply chain can benefit, whether they are preparers, transmitters or users of business data.

XBRL offers major benefits at all stages of business reporting and analysis. The benefits are seen in automation, cost saving, faster, more reliable and more accurate handling of data, improved analysis and in better quality of information and decision-making. XBRL enables producers and consumers of financial data to switch resources away from costly manual processes, typically involving time-consuming comparison, assembly and re-entry of data. They are able to concentrate effort on analysis, aided by software which can validate and process XBRL information. XBRL is a flexible language, which is intended to support all current aspects of reporting in different countries and industries. Its extensible nature means that it can be adjusted to meet particular business requirements, even at the individual organization level.

XBRL benefits comparability by helping to identify data which is genuinely alike and distinguishing information which is not comparable. Computers can process this information and populate both pre defined and customized reports.

With full adoption of XBRL, companies can automate data collection. For example, data from different company divisions with different accounting systems can be assembled quickly, cheaply and efficiently. Once data is gathered in XBRL, different types of reports using varying subsets of the data can be produced with minimum effort. A company finance division, for example, could quickly and reliably generate internal management reports, financial statements for publication, tax and other regulatory filings, as well as credit reports for lenders. Not only can data handling be automated, removing time-consuming, error-prone processes, but the data can be checked by software for accuracy.

### LESSON ROUND-UP

- Final accounts of a company consist of balance sheet as at the end of the accounting period, and profit and loss account for that period.
- Section 129 of the Companies Act, 2013 prescribes the form and contents of balance sheet, and profit and loss account of a company.
- Balance sheet of a company shall be prepared according to Schedule III of the Companies Act, 2013.
- The Schedule III sets out minimum requirements for disclosure on the face of the Balance Sheet, and the Statement of Profit and Loss (hereinafter referred to as “Financial Statements”) and Notes.
- Statement of Profit & Loss of a company shall be prepared according to Part II of Schedule III of the Companies Act, 2013.
- Section 129(1) of the Companies Act 2013, states that the financial statements shall give a true and fair view of the state of affairs of the company or companies, comply with the accounting standards notified under section 133 and shall be in the form provided for different class or classes of companies in Schedule III.

### GLOSSARY

**Extensible Business Reporting Language:** Extensible Business Reporting Language (XBRL) is a language for the electronic communication of business and financial data which is revolutionizing business reporting around the world.

**Balance Sheet:** A Balance Sheet is a statement of the financial position of an enterprise as at a given date, which exhibits its assets, liabilities, capital, reserves and other account balances at their respective book values

**Extraordinary Items:** If expenses or income that do not arise in the ordinary course and are material they are stated separately in the profit and loss account are called Extraordinary items.

**Profit and Loss Account:** The profit and loss (P&L) statement is a financial statement that summarizes the revenues, costs, and expenses incurred during a specified period, usually a fiscal quarter or year.

### TEST YOURSELF

*(These are meant for re-capitulation only. Answers to these questions are not to be submitted for evaluation.)*

#### Multiple Choice Questions (MCQs)

1. In the context of filing of financial statements by a company, the term “XBRL” means.....
  - a. Extensible Business Reporting Language
  - b. Xavier Business Reporting Language
  - c. Extensible Business Rules and Law
  - d. None of the Above

Answer: (a)

2. According to Section 128(1) of the Companies Act, 2013 every company shall prepare and keep its books of account and other relevant books and papers and financial statements for every financial year which give a true and fair view of the state of the affairs of the company at its .....
- a. Corporate Office
  - b. Branch Office
  - c. Registered office
  - d. Every Regional office

Answer: (c)

3. Share Options Outstanding Account is shown on the liabilities side in the Balance Sheet under the head:
- a. Current Liabilities
  - b. Share Capital
  - c. Reserves and Surplus
  - d. None of the Above

Answer: (c)

4. The format of the Financial Statement of a company is prescribed in:
- a. Section 129, Schedule III
  - b. Section 121, Schedule III
  - c. Section 130, Schedule III
  - d. None of the Above

Answer: (a)

5. If the Company's Issued Capital is more than the Authorized Capital, and approval of increase in Authorized Capital is pending, the amount of Share Application Money received over and above the Authorized Capital should be shown under the head :
- a. Other Current Liabilities
  - b. Other Long-Term Liabilities
  - c. Reserve and Surplus
  - d. Short-Term Provision

Answer: (a)

6. Financial statements include :
- a. Income Statement, Balance Sheet, Statement of Stockholders Equity, Statement of Cash Flow
  - b. Income Statement, Balance Sheet, Statement of Fund Flow, Statement of Cash Flow
  - c. Income Statement, Balance Sheet, Statement of Cash Flow, Statement of Trend Analysis
  - d. Income Statement, Balance Sheet, Statement of Stockholders Equity, Statement of Trend Analysis

Answer: (a)

7. "Interest accrued & due on debentures" is shown .....

- a. Under debentures
- b. As other current liabilities
- c. As provisions
- d. As a reduction of bank balance

Answer: (b)

8. Which class of companies are required to file financial statements with Registrar as per XBRL Taxonomy ?

- a. Companies listed with stock exchanges in India and their Indian subsidiaries
- b. Companies having paid up capital of five crore rupees or above
- c. Companies having turnover of one hundred crore rupees or above
- d. All of the Above

Answer: (d)

9. At the balance sheet date, the balance on the Accumulated Provision for Depreciation Account is

- a. Deducted from the asset in the Balance Sheet
- b. Transferred to Profit and Loss Account
- c. Transferred to the Asset Account
- d. Transferred to Depreciation Account

Answer: (a)

10. Schedule III does not contain any specifies disclosure requirement for the unamortized portion of expense items such as .....

- a. Share Issue Expenses
- b. Ancillary Borrowing Costs
- c. Discount or Premium relating to Borrowings
- d. All of the Above

Answer: (d)

#### LIST OF FURTHER READINGS

- **Advanced Accounts**

**Author:** M.C. Shukla, T.S. Grewal & S.C. Gupta

**Publisher:** S. Chand & Company Ltd.

- **Corporate Accounting**

**Author:** Dr. S. N. Maheshwari & Dr. Suneel K Maheshwari

**Publisher:** Vikas Publishing House



