

# CONTENTS

	PAGE
<i>Preface</i>	<i>I-5</i>
<i>Chapter-heads</i>	<i>I-7</i>

## 1

### INTRODUCTION TO THE REVISED SCHEDULE VI TO THE COMPANIES ACT, 1956

<b>1.1</b>	Presentation principles of corporate financial statements	1
<b>1.1.1</b>	Revised Schedule VI in the framework of non-converged accounting standards	2
<b>1.1.2</b>	Companies Bill, 2012	2
<b>1.1.3</b>	Objective of the Book	3
<b>1.2</b>	Applicability of the Revised Schedule VI	3
<b>1.3</b>	Salient Features of the Revised Schedule VI	4
<b>1.4</b>	Notes to Accounts	16
<b>1.5</b>	Amendment to line items and sub-line items	17
<b>1.6</b>	Rounding Off Policy	18
<b>1.7</b>	Major Differences with IFRS Presentation and Disclosures	20
<b>1.8</b>	Formats for Interim Financial Report and Other Regulatory Submissions	21
<b>1.8.1</b>	Clauses 41(I)( <i>ea</i> ) and 41(I)( <i>eea</i> ) to the Listing Agreement regarding presentation of Balance Sheet items in half-yearly and annual audited results	21
<b>1.8.2</b>	Formats of the Balance Sheet and Statement of Profit and Loss prescribed under the SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2009	22
<b>1.9</b>	SEBI Circular on Amendments to the Equity Listing Agreement - Formats for Disclosure of Financial Results	22

## 2

### CURRENT NON-CURRENT CLASSIFICATION

<b>2.1</b>	Introduction	23
<b>2.2</b>	Current Assets	24

## CONTENTS

**I-10**

	PAGE
<b>2.3</b> Current Liabilities	27
<b>2.4</b> Operating Cycle	31
<b>2.4.1</b> Operating Cycle Analysis by line of business	32
<b>2.4.2</b> Guide to Computation of Operating Cycle	39
<b>2.4.3</b> Operating cycle for special type of enterprises	42
<b>2.4.4</b> Application of operating cycle for current and non-current classification of assets and liabilities	44
<b>2.4.5</b> Date of acquisition of assets and liabilities	47
<b>2.5</b> Current and Non-current Classification of Inventories	48
<b>2.6</b> Trade Receivables and Trade Payables	53
<b>2.7</b> Cash and Cash Equivalents	57
<b>2.8</b> Analysis of other assets and liabilities	57
<b>2.9</b> Issues in Classification of Loans	67
<b>2.10</b> Held for trading financial assets	70
<b>2.11</b> Current and non-current provisions	71
<b>2.12</b> Deferred revenue and expenses	74

## 3

### **PRESENTATION OF BALANCE SHEET**

<b>3.1</b> Meaning and form of Balance Sheet	79
<b>3.1.1</b> Legal Requirements	79
<b>3.1.2</b> Shortcomings of the Existing Schedule VI	80
<b>3.1.3</b> Revised format of Balance Sheet	81
<b>3.2</b> Shareholders' Funds	88
<b>3.3</b> Share Capital	89
<b>3.3.1</b> Other Issues relating to Share Capital	104
<b>3.3.2</b> Capital reduction	107
<b>3.3.3</b> Redeemable preference shares	110
<b>3.3.4</b> Sweat Equity	112
<b>3.3.5</b> Loans to ESOP Trust for subscription to shares issued by the enterprise at the beginning of the plan	114
<b>3.3.6</b> Stock split	117
<b>3.3.7</b> Calls in Advance	119
<b>3.3.8</b> Various Equity Terms Explained	119
<b>3.4</b> Reserves and Surplus	121
<b>3.4.1</b> Securities Premium Reserves	125

	PAGE
<b>3.4.2</b> Capital Redemption Reserve	127
<b>3.4.3</b> Debenture Redemption Reserve	127
<b>3.4.4</b> Revaluation Reserve	128
<b>3.4.5</b> Share Option Outstanding account	129
<b>3.4.6</b> Other reserves	130
<b>3.4.7</b> Tax reserve	131
<b>3.4.8</b> Amalgamation reserve	131
<b>3.4.9</b> Capital reserve	131
<b>3.4.10</b> Surplus	132
<b>3.5</b> Money received against share warrant	133
<b>3.6</b> Share Application Money Pending Allotment	134
<b>3.7</b> Share Suspense Account	136
<b>3.8</b> Government Grant	137
<b>3.9</b> AS 11 Foreign Currency Monetary Item Translation Difference Account	139
<b>3.10</b> Non-current Liabilities	142
<b>3.10.1</b> Long-term and short-term borrowings	143
<b>3.10.2</b> Defer payment liabilities	149
<b>3.10.3</b> Deposits	153
<b>3.10.4</b> Loans and advances from related parties	155
<b>3.10.5</b> Finance Lease Obligations	155
<b>3.10.6</b> Other loans and advances	156
<b>3.11</b> Deferred tax liabilities and deferred tax assets	164
<b>3.12</b> Other long-term liabilities	166
<b>3.13</b> Current Liabilities	168
<b>3.14</b> Trade payables	170
<b>3.15</b> Other Current Liabilities	172
<b>3.16</b> Long-term and short-term provisions	176
<b>3.17</b> Tangible Fixed Assets	181
<b>3.18</b> Intangible Assets	188
<b>3.19</b> Capital Work-in-Progress	192
<b>3.20</b> Intangible Assets under Development	200
<b>3.20.1</b> Capital spares	203
<b>3.21</b> Non-current and current Investments	204
<b>3.21.1</b> Valuation of current investments	205

## CONTENTS

**I-12**

	PAGE
3.21.2 Non-current investments	205
3.21.3 Investment property	205
3.21.4 Disclosure of investments in Controlled Special Purpose Entities	207
3.21.5 Disclosure of investment of partnership firm	208
3.22 Long-term and short-term loans and advances	212
3.23 Inventories	218
3.24 Non-current and Current Trade Receivables	222
3.24.1 Trade receivables backed by bank guarantee whether secured or unsecured	226
3.25 Cash and Cash Equivalents	227
3.25.1 Schedule VI requirement	229
3.25.2 Restricted cash	230
3.25.3 Compensating balances	232
3.25.4 Bank overdraft	234
3.25.5 Cash Balance in foreign currency	235
3.26 Other non-current assets and other current assets	238
3.27 Contingent Liabilities and Commitments	248
3.27.1 Guarantees	249
3.28 Other Disclosures	262
Annex 3.1 Case Analysis	264

## 4

### PROFIT AND LOSS STATEMENT

4.1 Introduction	291
4.2 Revenue from Operations	294
4.2.1 Excise duty	295
4.2.2 Notes on revenue from operations	298
4.2.3 Other Operating Revenue	305
4.2.4 Discount and rebates	306
4.3 Other Income	307
4.3.1 Dividend from subsidiary company	310
4.3.2 Net gain or loss on sale of investment	311
4.3.3 Exchange Fluctuation gain or loss	312
4.3.4 Share of profit from partnership firm	312
4.3.5 Share of profit from limited liability partnership	314

	PAGE
4.3.6 Share of profit/loss from jointly controlled operations and jointly controlled assets	314
4.4 Presentation of Revenue by a Finance Company	314
4.5 Expenses, provisions and losses	314
4.5.1 Disclosures of material consumed, goods purchase opening stock and closing stock by broad heads	315
4.5.2 Employee Benefit Expense	318
4.5.3 Finance Costs	319
4.5.4 Depreciation and amortization expenses	322
4.5.5 Other Expenses	322
4.6 Prior Period Items	325
4.7 Disclosures of earnings and expenditure in foreign currency	327
4.8 Disclosure of transfer to reserve and provisions and withdrawal from provisions	334
4.9 Classification of Exceptional and Extraordinary Items : A case Analysis	334
4.9-1 Information to be presented in the statement of comprehensive income or in the notes : IFRS requirements	337
4.10 Disclosure of Tax Expense	339
4.11 Profit and loss from discontinuing operations	339
4.11.1 Meaning of Discontinuing Operations	340
4.11.2 Schedule VI Presentation of Discontinuing Operations	347
4.12 Disclosure of earnings per share	352
Annex 4.1 Key differences of the Statement of Profit with IFRSs	353

## 5

### DISCLOSURES UNDER ACCOUNTING STANDARDS : A CHECKLIST

5.1 The Checklist	358
-------------------	-----

## 6

### MANAGEMENT DISCUSSION AND ANALYSIS

6.1 Introduction	376
6.2 Meaning of Management Commentary	377
6.3 Purpose of Management Commentary	378
6.4 Principles of management commentary	379

## CONTENTS

**I-14**

	PAGE
<b>6.5</b> Elements of management commentary	381
<b>6.6</b> Comparative Position of Management Discussion and Analysis : The SEC requirements	384
<b>6.7</b> Concluding remarks	387
<b>Annex 6.1</b> Extracts of Annual Report of Hero Motor Corp. 2011-12	388

## 7

### **XBRL AWARENESS**

<b>7.1</b> Meaning of XBRL	404
<b>7.1.1</b> XBRL Document and Taxonomy	405
<b>7.2</b> Initiative of the IFRS Foundation	408
<b>7.3</b> XBRL activities of the IFRS Foundation	409
<b>7.4</b> Understanding XBRL Information in XIFRS	410
<b>7.5</b> XBRL India	419
<b>7.6</b> MCA Guidance to Creating and Filing Corporate Financial Statements in XBRL Format	423
<b>Annex 7.1</b> Companies (Filing of Documents and Forms in Extensible Business Reporting Language) Rules, 2011	426
<b>Annex 7.1A</b> Companies (Filing of Documents and Forms in Extensible Business Reporting Language) Second Amendment Rules, 2012	428
<b>Annex 7.2</b> Frequently asked questions on XBRL filings issued by the Ministry of Corporate Affairs	430
<b>Annex 7.3</b> Creation of XBRL document - Extracts of XBRL Filing Manual	438
<b>Annex 7.4</b> Form No. 23AC - XBRL	441

## 8

### **ASPECTS OF CORPORATE FINANCIAL REPORTING IN INDIA**

<b>8.1</b> Meaning and Objective of Financial Statements	455
<b>8.2</b> Components of Financial Statements	455
<b>8.3</b> Directors' Report	457
<b>8.4</b> Directors' Responsibility Statement	458
<b>8.5</b> Users of Financial Statements	459
<b>8.6</b> Users' Information Needs	460
<b>8.7</b> Underlying Assumptions	462

	PAGE
<b>8.8</b> Qualitative Characteristics of Financial Statements	462
<b>8.8.1</b> Understandability	463
<b>8.8.2</b> Relevance	464
<b>8.8.3</b> Reliability	464
<b>8.8.4</b> Comparability	464
<b>8.8.5</b> Constraints on relevant and reliable information	465
<b>8.9</b> Elements of Financial Statements	466
<b>8.10</b> Measurement Bases	467
<b>8.11</b> Accounting Standards	468
<b>8.11.1</b> Compliance with the accounting standards	471
<b>8.11.2</b> Deviation from the accounting standards	471
<b>8.11.3</b> Duties of the statutory auditors as regards compliance with accounting standards	472
<b>8.12</b> Requirements of the Listing Agreement	473
<b>Annex 8.1</b> Companies (Accounting Standards) Rules, 2006	478
<b>Annex 8.2</b> Extracts of the Listing Agreement relevant to reporting of financial results	481
<b>Annex 8.3</b> Extracts of Bajaj Auto Ltd. - Presentation of Financial Results in the New SEBI Format	500
<b>Annex 8.4</b> Extracts of the Clause 49 of the Listing Agreement	505
<b>Annex 8.5</b> Extracts of the Corporate Governance Report - Maruti Suzuki 2011-12	511
<b>Annex 8.6</b> Extracts of Directors' Report - Maruti Suzuki Annual Report 2011-12	532

## 9

### PROGRESS IN IFRS IMPLEMENTATION

<b>9.1</b> IFRS - The Global Standard	543
<b>9.2</b> IFRS Endorsement, Convergence and Condorsement	544
<b>9.2.1</b> EU Endorsement Process	546
<b>9.3</b> G 20 Initiatives	547
<b>9.4</b> IFRS Across the World	549
<b>9.4.1</b> IFRS in North America	549
<b>9.4.2</b> IFRS in South America	552
<b>9.4.3</b> IFRS in Africa	554
<b>9.4.4</b> IFRS in Europe	555
<b>9.4.5</b> IFRS in Asia	557

## CONTENTS

**I-16**

	PAGE
<b>9.5</b> IFRS Convergence in the US	560
<b>9.6</b> IFRS convergence in India	562
<b>9.6.1</b> List of Ind-ASs	565
<b>9.6.2</b> Renewed Interest in IFRS	571
<b>9.6.3</b> Task Ahead	571

## **APPENDICES**

---

<b>APPENDIX I</b>	: REVISED SCHEDULE VI	577
<b>APPENDIX II</b>	: COMMENTARY ON THE KEY ASPECTS OF THE ICAI GUIDANCE NOTE ON THE REVISED SCHEDULE VI TO THE COMPANIES ACT	594
<b>APPENDIX III</b>	: A NOTE ON ICAI FREQUENTLY ASKED QUESTIONS (FAQs) ON THE REVISED SCHEDULE VI TO THE COMPANIES ACT	598
<b>APPENDIX IV</b>	: EXTRACTS OF STAND-ALONE FINANCIAL STATEMENTS OF BAJAJ AUTO LTD.	610
<b>APPENDIX V</b>	: IFRSs COMPLIANT STRUCTURE OF COMPANY FINANCIAL STATEMENTS : REVIEW OF REVISED SCHEDULE VI TO THE COMPANIES ACT	670
<b>APPENDIX VI</b>	: COMPANIES BILL, 2012 : ACCOUNTING AND AUDIT ASPECTS	690
<b>SUBJECT INDEX</b>		713