Accounts & Financial Statements

Companies Act

SIRC of ICAI

3rd October 2024

CA S.V.Mathangi

Todays discussion

Section 128- Books of accounts

Section 129-

Section 133 –

Section 134-

Schedule III

Section 128- Books of accounts

Who- The company.

What-

Books of accounts

Other relevant books and papers

Financial statements

Period – Every year

Where- The Registered office of the company

For- The company, its branches

How should the accounting be done- Accrual basis & Double entry system of accounting.

Section 128

Books of account, etc.., to be kept by company

What to Books mean?

<u>Books of Account</u> includes records maintained in respect of—

(i) all sums of money received and expended by a company and matters in relation to which the receipts and expenditure take place;

(ii) all sales and purchases of goods and services by the company;

(iii) the assets and liabilities of the company; and

(iv) the items of cost as may be prescribed under section 148 in the case of a company which belongs to any class of companies specified under that section

<u>Books and papers</u> include books of account, deeds, vouchers, writings, documents, minutes and registers maintained on paper or in electronic form

Financial statements

Financial Statement in relation to a company, includes—

(i) a balance sheet as at the end of the financial year;

(ii) a profit and loss account, or in the case of a company carrying on any activity not for profit, an income and expenditure account for the financial year;

(iii) cash flow statement for the financial year;

(iv) a statement of changes in equity, if applicable; and

(v) any explanatory note annexed to, or forming part of, any document referred to in sub-clause (i) to sub-clause (iv):

Provided that the financial statement, with respect to one person company, small company, dormant company and private company (if such private company is a start-up)may not include the cash flow statement;

Explanation. – For the purposes of this Act, the term ‘start-up’ or “start-up company” means a private company incorporated under the Companies Act, 2013 (18 of 2013) or the Companies Act, 1956 (1 of 1956) and recognized as start-up in accordance with the notification issued by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry.

Where else the books can be kept?

- Books may be kept in a place decided by the Board of Directors
- The company shall, within seven days file with the Registrar a notice in writing giving the full address of that other place
- The notice regarding address at which books of account may be kept shall be in Form No. AOC-5. **(Rule 2A)**

Where the books of the branch office can be kept?

- A company has a branch office in India or outside India , the company can maintain proper books of accounts in that branch
- Periodic returns should be sent by the branch to the Registered office or other such office by the branch

How long the books should be kept?

- Not less than eight financial years immediately preceding a financial year
- Where the company had been in existence for a period less than eight years, books in respect of all the preceding years and vouchers relevant to any entry in such books of account shall be kept in good order

- **Exception** - 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.

Inspection of books

- The books of account and other books and papers shall be open for inspection at the registered office of the company or any other prescribed office by any director during business hours

- For books maintained outside the country, copies of such financial information shall be maintained and produced for inspection by any director subject to such conditions

- inspection of books of a subsidiary company shall be done only by the person authorized in this behalf by a resolution of the Board of Directors

Penalty for contravening the section

- Fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees

Rule 3 - 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 should be accessible in India, at all times so as to be usable for subsequent reference.
- From 1st April 2023- every company which uses accounting software for maintaining its books of account- shall use only accounting software which has a feature of recording audit trail of each and every transaction creating an edit log of each change made in the books of account along with the date when such changes were made
- Ensure audit trail cannot be disabled
- The books of account and other relevant books and papers shall be retained completely in the format in which they were originally generated, sent or received
- Information contained in the electronic records shall remain complete and unaltered.

Manner of books of account to be kept in electronic mode

- The information received from branch offices shall not be altered. It shall depict what was originally received from the branches

- The information in the electronic record to be displayed in a legible form.

- There shall be a proper system for storage, retrieval, display or printout of the electronic records such records shall not be disposed of or rendered unusable, unless permitted by law

- 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 shall be kept in servers physically located in India on a daily basis

- The company shall intimate to the Registrar on an annual basis at the time of filing of financial statement-
  (a) the name of the service provider;
  (b) the internet protocol address of service provider;
  (c) the location of the service provider (wherever applicable);
  (d) where the books of account and other books and papers are maintained on cloud, such address as provided by the service provider.
  (e) where the service provider is located outside India, the name and address of the person in control of the books of account and other books and papers in India.

Rule 4 - Conditions regarding maintenance and inspection of certain financial information by directors

Books maintained outside India

- The summarized returns hall be sent to the registered office at quarterly intervals maintained at the registered office of the company and kept open to directors for inspection.

- If Director seeks any financial information maintained outside India, he has to send a request to the company giving details of the requirements.

- The company has to provide the requested data within 15 days

Rule 4A – Forms and items contained in financial statements

- The financial statements shall be in the form specified in Schedule III to the Act and comply with Accounting Standards or Indian Accounting Standards as applicable:

SECTION 129

Financial Statements

Section 129
Financial Statements

- The financial statement 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
  - be in the form or forms as may be provided for different class or classes of companies in Schedule III

Exceptions

Insurance or banking company or any company engaged in the generation or supply of electricity,

➢ At every annual general meeting of a company, the Board of Directors of the company shall present the financial statements for the financial year

➢ Prepare a consolidated financial statement of the company and of all the subsidiaries and associate companies in the same form and manner

➢ a separate statement containing the salient features of the financial statement of its subsidiary company or subsidiaries and associate companies or companies in such form as may be prescribed

- The provisions of this Act applicable to the preparation, adoption and audit of the financial statements of a holding company shall, 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

- Exemptions can be given by Central Government to a company or a class of companies by a notification in public interest

- 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.

Section 129A.
Periodical financial results

- The Central government can order some companies or class of companies
- To compile financials results in a periodic manner
- Obtain the approval of board or get audit or limited review of auditors
- File a copy with the Registrar within a period of thirty days

Rule-5. Form of Statement containing salient features of financial statements of subsidiaries

- Salient feature of the financial statement of a company's subsidiary or subsidiaries, associate company or companies and joint venture or ventures shall be in form AOC-1

Rule 6 Manner of consolidation of accounts

- The consolidation of financial statements of the company shall be made in accordance with the provisions of Schedule III of the Act and the applicable accounting standards:

- Holding companies which are subsidiaries of other companies can take exception to this by approval from its members

Section 133
Central Government to prescribe accounting standards

The Central Government may prescribe the standards of accounting recommended by the Institute of Chartered Accountants of India, in consultation with and after examination of the recommendations made by the National Financial Reporting Authority

The 40 Indian Accounting Standards (framed in line with IFRS) are notified under this are

- Ind AS 101-Ind AS 116
- IndAS 1- Ind AS41.

Purpose for Section 133

1. **Compliance with Accounting Standards**:
    1. Companies must prepare their financial statements in accordance with the Indian Accounting Standards (Ind AS) notified under Section 133. This ensures uniformity and comparability of financial statements across different companies.
2. **Transparency and Reliability**:
    1. By adhering to these standards, companies enhance the transparency and reliability of their financial reporting. This builds trust among investors, creditors, and other stakeholders.
3. **Alignment with International Standards**:
    1. Ind AS are largely converged with International Financial Reporting Standards (IFRS). This alignment helps Indian companies, especially those with international operations or aspirations, to present their financials in a globally accepted format.
4. **Regulatory Oversight**:
    1. The National Financial Reporting Authority (NFRA) oversees the compliance of these standards. Non-compliance can lead to penalties and other regulatory actions, ensuring that companies maintain high standards of financial reporting.
5. **Impact on Financial Decisions**:
    1. The adoption of Ind AS affects various financial decisions, including mergers and acquisitions, tax planning, and investment strategies. Companies need to consider these standards in their strategic planning and financial management.

Section 134

- **Outlines the requirements for preparation, approval and signing of Financial statements and the contents of the Board report**

  - The financial statement, including consolidated financial statements, must be approved by the Board of Directors before being signed on behalf of the Board by the chairperson (if authorized) or by at least two directors, one of whom must be the managing director, if any. Additionally, the Chief Executive Officer (CEO), Chief Financial Officer (CFO), and company secretary, if appointed, must also sign the financial statement.
  - In the case of one person company, the financials to be signed by the one director
  - The approved financial statement should be submitted to the auditor for his report.
  - Auditors report to be attached to the Financial statements

  - Other reports include:
    - Various reports and statements to be issued by the Board of Directors.

Section 134
Board report

•The Board’s report must include a detailed account of the company’s performance and activities during the financial year. This report should cover various aspects such as:

- The web address where the Annual returns are uploaded (listed companies)
- Number of meetings of the Board.
- Directors responsibility statement.
- Financial summary/highlights.
- Details of frauds reported by the auditors (other than those reported to CG)
- State of the company’s affairs.
- Dividend recommendations.
- Material changes and commitments affecting the financial position of the company (between the year end and the Board meeting)
- Details of directors and key managerial personnel.
- Particulars of loans, guarantees, or investments under Section 186.
- Related party transactions.
- Risk management policy.
- CSR initiatives.
- Company’s policy on directors’ appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters
- explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made in the audit report or Secretarial report
- the conservation of energy, technology absorption, foreign exchange earnings and outgo

Details required by companies Accounts Rules

A) Conservation of energy–
(i) the steps taken or impact on conservation of energy;
(ii) the steps taken by the company for utilising alternate sources of energy;
(iii) the capital investment on energy conservation equipments;

Technology absorption-
(i) the efforts made towards technology absorption;
(ii) the benefits derived like product improvement, cost reduction, product development or import substitution;
(iii) in case of imported technology (imported during the last three years reckoned from the beginning of the financial year)-

   (a) the details of technology imported;
   (b) the year of import;
   (c) whether the technology been fully absorbed;
   (d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof; and
   (iv) the expenditure incurred on Research and Development.

Foreign exchange earnings and Outgo

Performance of the Board- An evaluation-(listed company and companies with Share capital above 25 crores)

Details required by companies Accounts Rules

the details relating to deposits, covered under Chapter V of the Act,-
(a) accepted during the year;
(b) remained unpaid or unclaimed as at the end of the year;
(c) whether there has been any default in repayment of deposits or payment of interest thereon during the year and if so, number of such cases and the total amount involved-
(i) at the beginning of the year;
(ii) maximum during the year;
(iii) at the end of the year;

Requirement and Maintenance of cost records.

Compliance with provisions relating to the constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace

Section 134

Director’s Responsibility Statement:

•The Board’s report must also include a Director’s Responsibility Statement, which confirms that:

- The applicable accounting standards have been followed.
- Accounting policies have been applied consistently.
- Proper and sufficient care has been taken for the maintenance of adequate accounting records.
- The financial statements have been prepared on a going concern basis.
- Internal financial controls are adequate and operating effectively.(listed entities)
- Proper systems to ensure compliance with laws and Regulations.

Filing and Publication:

•The approved financial statements and Board’s report must be filed with the Registrar of Companies and made available to shareholders.

- For listed companies they should also be published in the website and filed with the Stock exchanges.

Schedule III

Purpose

Schedule III to the Companies Act, 2013 (‘the Act’) provides the manner in which every company registered under the Act shall prepare its Balance Sheet, Statement of Profit and Loss and notes thereto
To cater to changing economic and regulatory requirements.
To provide more disclosures and bring transparency
To synchronise with the notified accounting standards.

Exceptions:
Banking companies
Insurance companies
Companies engaged in generation or supply of electricity.
Other companies which may be notified in any Act

When a company prepared interim condensed financials statements, the format should be inline with Schedule III except for detailed disclosures.

Main principles of Schedule III

- The requirements of the act or notified accounting standard will prevail if the different form Schedule III requirements.
- This is the minimum set of line items and disclosures required on the face of the Financial Statements or in the notes.
- The terms used in the Schedule III will carry the meaning as defined by the applicable Accounting Standards.
- For e.g. related parties, associates etc..
- A balance will have to be maintained between providing excessive detail or too little while aggregating information.
- All items of assets and liabilities are to be bifurcated between current and non-current portions and presented separately- For e.g. current maturities of non current loans to be split as current and non current.
- There is an explicit requirement to use the same unit of measurement uniformly throughout the Financial Statements and notes thereon.
- Number of shares held by each shareholder holding more than 5 percent shares in the company needs to be disclosed.
- Details pertaining to aggregate number and class of shares allotted for consideration other than cash, bonus shares and shares bought back will need to be disclosed only for a period of five years immediately preceding the Balance Sheet date including the current year.
- debit balance in the Statement of Profit and Loss will be disclosed under the head “Reserves and surplus.
- Trade receivables include dues arising only from goods sold or services rendered in the normal course of business. Amounts due on account of other contractual obligations cannot be classified here.

Main principles of Schedule III

- Separate disclosure of trade receivables outstanding for a period exceeding six months from the date the bill/invoice is due for payment.
- “Capital advances” are specifically required to be presented separately under the head “Loans & advances”
- Capital and other commitments needs to be disclosed.
- Rights, preferences and restrictions attaching to each class of shares, including restrictions on the distribution of dividends and the repayment of capital
- Terms of repayment of long-term loans;
- Any item of income or expense which exceeds one percent of the revenue from operations or Rs. 100,000
- In respect of companies other than finance companies, revenue from operations need to be disclosed separately as revenue from (a) sale of products, (b) sale of services and (c) other operating revenues.
- Net exchange gain/loss on foreign currency borrowings to the extent considered as an adjustment to interest cost needs to be disclosed separately as finance cost.

Structure of Schedule III

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

Applicability of Schedule III

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

Div II - Financial Statements for a company whose financial statements are drawn up in compliance of the Companies (Indian Accounting Standards) Rules, 2015.

Div III-Financial Statements for a Non-Banking Financial Company (NBFC) whose financial statements are drawn up in compliance of the Companies (Indian Accounting Standards) Rules, 2015.

Div I

This applies to companies which are below the threshold of Ind AS requirements.

- Not a listed entity
- Unlisted companies with a net worth less than 250 crores.
- Not an NBFC
- Not a holding company, subsidiary company , associate or Joint venture of a company to which Ind AS is applicable.

Exception- Companies falling in above criteria listed in SME Exchange.

Div II

- Listed Companies.
- Unlisted companies with net worth above 250 crores.
- NBFCs with net worth above 250 crores.
- **Subsidiaries, Associates, and Joint Ventures**: If Ind AS becomes applicable to any company, it automatically applies to all its subsidiaries, holding companies, associates, and joint ventures, regardless of their individual net worth.

The application was recommended in a phased manner from 2016.

Div III

- NBFCS with net worth over 250 crores.

- **Subsidiaries, Associates, and Joint Ventures**: If Ind AS becomes applicable to any company, it automatically applies to all its subsidiaries, holding companies, associates, and joint ventures, regardless of their individual net worth.

Div I

I. Equity and Liabilities
(1) Shareholders' funds
(a) Share capital
(b) Reserves and surplus
(c) Money received against share warrants
(2) Share application money pending allotment

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

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

Assets
Non-current assets
(1) (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 (net)
(d) Long-term loans and advances
(e) Other non-current assets

(2) **Current assets**
(a) Current investments
(b) Inventories
(c) Trade receivables
(d) Cash and cash equivalents
(e) Short-term loans and advances
(f) Other current assets

Div II

Non-current assets
(a) Property, Plant and Equipment
(b) Capital work-in-progress
(c) Investment Property
(d) Goodwill
(e) Other Intangible assets
(f) Intangible assets under development
(g) Biological Assets other than bearer plants
(h) Financial Assets
(i) Investments
(ii) Trade receivables
(iii) Loans
(i) Deferred tax assets (net)
(j) Other non-current assets

Current assets
(a) Inventories
(b) Financial Assets
(i) Investments
(ii) Trade receivables
(iii) Cash and cash equivalents
(iv) Bank balances other than(iii) above
(v) Loans
(vi) Others (to be specified)
(c) Current Tax Assets (Net)
(d) Other current assets
Total Assets

Equity
(a) Equity Share capital
(b) Other Equity
Liabilities
Non-current liabilities
(a) Financial Liabilities
(i) Borrowings
[(ia) Lease liabilities]
(ii) Trade Payables:-
(A) total outstanding dues of micro enterprises and small enterprises; and
(B) total outstanding dues of creditors other than micro enterprises and small enterprises.]
(iii)Other financial liabilities (other than those specified in item (b), to be specified)
(b) Provisions
(c) Deferred tax liabilities (Net)
(d) Other non-current liabilities
Current liabilities
(a) Financial Liabilities
(i) Borrowings
(ia) Lease liabilities]
(ii) Trade Payables:-
(A) total outstanding dues of micro enterprises and small enterprises; and
(B) total outstanding dues of creditors other than micro enterprises and small enterprises.]
(iii) Other financial liabilities (other than those specified in item (c)
(b) Other current liabilities
(c) Provisions
(d) Current Tax Liabilities (Net)
Total Equity and Liabilities

Div III

Assets
Financial Assets
Bank Balance other than (a) above
Derivative financial instruments
Receivables
(I) Trade Receivables
(II) Other Receivables
Loans
Investments
Other Financial assets (to be specified)
Non-financial Assets
Inventories
Current tax assets (Net)
Deferred tax Assets (Net)
Investment Property
Biological assets other than bearer plants
Property, Plant and Equipment
Capital work-in-progress
Intangible assets under development
Goodwill
Other Intangible assets
Other non-financial assets (to be specified)
Total Assets

Liabilities
Financial Liabilities
Derivative financial instruments
Payables
(I)Trade Payables
(i) total outstanding dues of micro enterprises and small enterprises
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises
(II) Other Payables
(i) total outstanding dues of micro enterprises and small enterprises
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises
Debt Securities
Borrowings (Other than Debt Securities)
Deposits
Subordinated Liabilities
Other financial liabilities(to be specified)
Non-Financial Liabilities
Current tax liabilities (Net)
Provisions
Deferred tax liabilities (Net)
Other non-financial liabilities(to be specified)
Equity
Equity Share capital
Other Equity
Total Liabilities and Equity

Some Common features

Rounding off:- No more in whole amounts

Total Income	Round off
Less than 100 crores	To the nearest hundreds , thousands, lakhs or millions and decimals thereof
More than 100 crores	To the nearest lakhs, millions or crores and decimals thereof

Total income and not revenue.

Revenue means income from sales, services and operations.

Total income includes other income

Current and non current

Div I and II

All assets and liabilities to be classified as current and non current/
This flows form the definition of an operating cycle.

Current is generally realisable with 12 months or within the operating cycle.

An operating cycle is the time between the acquisition of assets for processing and their realization in Cash or cash equivalents. If it cannot be determined, it is taken as 12 months.

The assets and liabilities are primarily trade in nature.

Non current is residual .

Current and non current

Div I and II

- All assets and liabilities to be classified as current and non current/
- This flows form the definition of an operating cycle.
- Current is generally realisable with 12 months or within the operating cycle.
- An operating cycle is the time between the acquisition of assets for processing and their realization in Cash or cash equivalents. If it cannot be determined, it is taken as 12 months.
- The assets and liabilities are primarily trade in nature.
- Non current is residual .

- Current assets:
  - Inventory.
  - Trade receivables.
  - Cash & Cash equivalents.

- Current liabilities
  - Trade payables.
  - Salaries and operating costs to be settled in a short duration.

Evaluation of current and non current

Bank loans:

Repayable on demand from day one.
Repayable on account of breach of loan covenants.

Operating cycle:
Companies in multiple lines of businesses.
Amounts expected to be realised within 12 months or held for trade to be shown as current

Evaluation of current and non current

Employee benefit obligations;

- Bonus.
- Gratuity- Funded and non funded.
- Leave encashment.

Investments:

AS 13 vs Schedule III

Held for trade vs Realisable within 12 months.

Long term investments from the point if view of investment date but realisable within 12 months to be shown as current.

Share capital

- Promoters shareholding.
- Shareholders holding more than 5% of shares.
- The rights, preferences and restrictions attaching to each class of shares.
- reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period.
- shares in respect of each class 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 .
- Terms of any securities convertible into equity/preference shares issued along with the earliest date of conversion in descending order.
- Disclosures to be made both for equity and preference

Reserves

Capital reserve.- Not available for distribution.

Capital redemption reserve- Redemption of pref shares out of profits- nominal value to be trfd to capital redemption reserve.

Buy back is from free reserves

Securities premium

Debenture redemption reserve

Revaluation reserve.

Share Options Outstanding Account

Other reserves

P&L Surplus.- Debit balances to be shown as negative.

For each item- reconciliation form opening to closing to be shown.

Share warrants and application money

1. Share warrants' as "financial instruments which give the holder the right to acquire equity shares".
To be shown as a separate line item- Moneys received against share warrants.

2. Share application money pending allotment:
If authorised capital is available and the moneys are not refundable-
Else to be treated as other current liabilities.
Disclose:
Terms & conditions.
No of shares to be issued
Premium if any, period by which shares to be issued etc..

Non current liabilities

Those which are not current

- Long term borrowings
- Deferred tax liabilities
- Other long term liabilities
- Long term provisions.

Long term borrowings:

Bonds, debentures, term loan from banks, deferred payment liabilities, deposits, loans from related parties etc..

Secured / unsecured.

Nature of security,

Guaranteed by directors or others

Rates of interest, repayment terms- including maturity date, no of instalments etc..

Non current liabilities

Current maturities of long term debt to be shown as current as repayable within 1 year.

When security for each type of loan varies the disclosure also has to be given separately. For e.g. vehicle loans, Loans for machinery etc..

Continuing defaults on the date of balance sheet to be given. Defaults corrected during the course of the year need not be disclosed- Separate clause in Caro.

Non current liabilities

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

Deposits include deposits accepted from public and intercorporate deposits.

Loans and advances from related parties to be disclosed.

Long term liabilities

Classified as trade payables and others.

The amounts due under contractual obligations cannot be included within Trade payables.
Such contractual obligations may include dues payables in respect of some statutory obligations or purchase of Property, Plant and Equipment, Intangible Assets, etc.., contractually reimbursable expenses.
Amounts due to MSME vendors can now not be more than 45 days due and hence to be classified under current.

Long term provisions

- Employee benefits
- Others

Provision for employee benefits like gratuity and leave encashment to be bifurcated as long term and short term.

Current liabilities

- Short-term borrowings;
- Trade payables;
    - total outstanding dues of micro enterprises and small enterprises;
    - total outstanding dues of creditors other than micro enterprises and small enterprises.
- Other current liabilities;
- Short-term provisions.

Short-term borrowings;

- To be classified based on security cover.
- Dues to banks, others, deposits, related parties etc.. to be separately disclosed.
- Nature of security to be given.
- Guarantees by directors .
- Current maturities of long term debt to be classified here.

For loans having both current and non current portion a table can be given so that reader understands the total liability.

Trade payables

Ageing to be given for both current year and previous year as :

- < 1year, 1-2 years, 203 years, 3 years or more.
- To be further classified as dues to MSME and others
- Disputed dues to be shown separately for MSME and others
- Unbilled and not due can be added to ensure ageing total matches with the total trade payables.

Under MSMED act, the following also be disclosed:

- the principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of accounting year;
- the amount of interest paid by the buyer under MSMED Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year;
- the amount of interest due and payable for the period (where the principal has been paid but interest under the MSMED Act, 2006 not paid);
- The amount of interest accrued and remaining unpaid at the end of accounting year;
- and The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid to the small enterprise,

Other current liabilities

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

Trade deposits and security deposits to be classified under other liabilities.

Short term provisions

Provision for employee benefits;
Provision for dividend,
Provision for taxation,
Provision for warranties, etc..

Assets

Non current assets:

- Property, Plant and Equipment Intangible assets;
- Capital work-in-progress;
- Intangible assets under development Non-current investments Deferred tax assets (net)
- Long-term loans and advances
- Other non-current assets

Assets

Property plant and equipment:

- Land;
- Buildings;
- Plant and Equipment;
- Furniture and Fixtures;
- Vehicles;
- Office equipment;
- Others.

- Useful life to be disclosed.
- Method of depreciation.
- Movement of asset from opening to closing.
- Disclosure on revaluation of assets if any for 5 years after revaluation- effective date, whether an independent valuer was involved, increase decrease in value, assumptions, valuation techniques etc. .
- ***Details of properties for which title deeds not in the name of the company - other than lease properties along with reasons.***

CWIP

- Capital advances not to be shown under CWIP. But under long term loans & advances.
- Ageing to be given.
- To be separately disclosed as:
  - Projects in progress.
  - Projects temp suspended.
- Projects overdue on account of cost and time over run to be provided with details of expected period of completion as with 1,2 or 3 years and the costs to be incurred.

Details of benami properties

If any proceedings initiated against the company for holding any benami property :

Details of such property, including year of acquisition,

- Amount thereof,
- Details of Beneficiaries,
- If property is in the books, then reference to the item in the Balance Sheet, If property is not in the books, then the fact shall be stated with reasons,
- Where there are proceedings against the company under this law as an abettor of the transaction or as the transferor then the details shall be provided,
- Nature of proceedings,
- status of same and
- company's view on same.

Intangibles

- Goodwill;
- Brands /trademarks;
- Computer software;
- Mastheads and publishing titles;
- Mining rights;
- Copyrights, and patents and other intellectual property rights, services and operating rights;
- Recipes, formulae, models, designs and prototypes;
- Licenses and franchise;
- Others (specify nature).

- Intangibles cannot be revalued.
- Recon of opening to closing to be provided.
- Intangibles under development to be shown separately if they can be recognized as financially worthwhile and successful and need not be expensed off.

Investments

- To be bifurcated as current and non current
- Investment property;
- Investments in Equity Instruments;
- Investments in preference shares;
- Investments in Government or trust securities;
- Investments in debentures or bonds;
- Investments in Mutual Funds;

- Under each class, investments in associates, joint ventures, subsidiaries etc. to be disclosed.
- Nature and extent of investments to be disclosed.
- Investments not carried at cost should have a note on basis of valuation.
- To be at cost or Market value whichever is lower for trade investments.
- Market value of quoted investments should be shown.
- Aggregate of quoted and unquoted investments and diminution to be shown.

Loans and advances- Long term or short term

- Capital Advances;
- Loans and advances to related parties (giving details thereof);
- Other loans and advances (specify nature).
- Security deposits.

- Also disclose based on security as secured unsecured and doubtful.
- Loans to subsidiaries , associates or other related parties to give terms of loans, repayments terms interest rates etc..

- Amounts provided for bad and doubtful advances to be given

Trade receivables

Ageing of trade receivables. Outstanding from Due date not from invoice date.- < 6 months, 6 months - 1 year, 1- 2years, 2 - 3 years and 3 years and above.

They shall be classified as

- Undisputed
  - Considered good
  - Considered doubtful
- Disputed
  - Considered good
  - Considered doubtful

If due date not mentioned invoice date shall be considered.
Unbilled dues to be disclosed separately.

Inventory

- Raw materials;
- Work-in-progress;
- Finished goods;
- Stock-in-trade (in respect of goods acquired for trading);
- Stores and spares; Loose tools;
- Others (specify nature).

Goods in transit to be given under respective head.
Method of valuation to be mentioned.

Cash & Cash equivalents

Cash and cash equivalents shall be classified as:

- Balances with banks;
- Cheques, drafts on hand;
- Cash on hand;
- Others (specify nature).

Earmarked balances with banks

Balances with banks to the extent held as margin money or security against the borrowings, guarantees, other commitments.

Repatriation restrictions, if any, in respect of cash and bank balances

Bank deposits with more than 12 months maturity to be disclosed separately.

Other current assets- What doesn’t fit anywhere above

Contingent liabilities

Contingent liabilities shall be classified as:

- Claims against the company not acknowledged as debt
- Guarantees;
- Other money for which the company is contingently liable

Commitments

- Estimated amount of contracts remaining to be executed on capital account and not provided for;
- Uncalled liability on shares and other investments partly paid
- Other commitments (specify nature).

Other disclosures

- Defaults in loan repayments to Banks and FIS.
- Whether company is declared a wilful defaulter
- Relationship with struck off companies
- Registration of charges or satisfaction with Registrar of Companies.
- Compliance with number of layers of companies
  - Only three downstream investment layers allowed- refer (Restriction on number of Layers) Rules, 2017, with the exception of one layer of WOS.
- Utilisation of Borrowed funds and share premium- investment or lent to other entities on behalf on ultimate beneficiaries, details of the investing entities and the transactions shall be disclosed.
- Ratios.- Current ratio, Debt equity ratio, DSCR, ROE, Inventory TO, Receivables TO etc..
  - Variances from pr year and reasons thereof.

Statement of P&L

Income

- Revenue from operations
    - Sales
    - Services.
    - Grants donations received etc..
    - Other operating revenues.

Other income

- Interest income
- Dividend
- Net gain/loss on sale of investments;
- Other non-operating income (net after expenses)

For Finance companies some items of other income become operational income

Statement of P&L

1. All expenses above Rs 1 lakh or 1% of Total income to be disclosed separately.
2. Employee benefit expenses to give details of Salaries & Wages, Contribution to PF and other funds, ESOP and Stock purchase plan costs, staff welfare expenses.
3. Audit fees to be mentioned with breakup as statutory audit, tax audit, other services etc..
4. CSR expenses.
5. Finance costs :
   - Interest expense, borrowing costs, Applicable net gain/loss on foreign currency transactions and translation.

Statement of P&L

Expenditure incurred on each of the following items, separately for each item:

- Consumption of stores and spare parts;
- Power and fuel;
- Rent;
- Repairs to buildings;
- Repairs to machinery;
- Insurance;
- Rates and taxes, excluding, taxes on income;
- Miscellaneous expenses

CSR Expenses

- Amount required to be spent by the company during the year,
- Amount of expenditure incurred,
- Shortfall at the end of the year,
- Total of previous years shortfall,
- Reason for shortfall,
- Nature of CSR activities,
- details of related party transactions,
- Movement in provision if provision made for contractual obligation

Other disclosures

- Details of Crypto Currency or Virtual Currency
  - profit or loss on transactions involving Crypto currency or Virtual Currency
  - Amount of currency held as at the reporting date.
  - deposits or advances from any person for the purpose of trading or investing in Crypto Currency/ virtual currency.

Div II- Applies to companies following Ind AS

Non-current assets
(a) Property, Plant and Equipment
(b) Capital work-in-progress
(c) Investment Property
(d) Goodwill
(e) Other Intangible assets
(f) Intangible assets under development
(g) Biological Assets other than bearer plants
(h) **Financial Assets**
(i) Investments
(ii) Trade receivables
(iii) Loans
(i) Deferred tax assets (net)
(j) Other non-current assets

Current assets
(a) Inventories
(b) Financial Assets
(i) Investments
(ii) Trade receivables
(iii) Cash and cash equivalents
(iv) Bank balances other than(iii) above
(v) Loans
(vi) Other financial assets
(c) Current Tax Assets (Net)
(d) Other current assets
Total Assets

Equity
(a) Equity Share capital
(b) Other Equity
Liabilities
Non-current liabilities
(a) Financial Liabilities
(i) Borrowings
(ia) Lease liabilities]
(ii) Trade Payables:-
(A) total outstanding dues of micro enterprises and small enterprises; and
(B) total outstanding dues of creditors other than micro enterprises and small enterprises.]
(iii)Other financial liabilities (other than those specified in item (b), to be specified)
(b) Provisions
(c) Deferred tax liabilities (Net)
(d) Other non-current liabilities
Current liabilities
(a) Financial Liabilities
(i) Borrowings
[(ia) Lease liabilities]
(ii) Trade Payables:-
(A) total outstanding dues of micro enterprises and small enterprises; and
(B) total outstanding dues of creditors other than micro enterprises and small enterprises.]
(iii) Other financial liabilities (other than those specified in item (c)
(b) Other current liabilities
(c) Provisions
(d) Current Tax Liabilities (Net)
Total Equity and Liabilities

Div III

Assets

Financial Assets

Bank Balance other than (a) above

Derivative financial instruments

Receivables

(I) Trade Receivables

(II) Other Receivables

Loans

Investments

Other Financial assets (to be specified)

Non-financial Assets

Inventories

Current tax assets (Net)

Deferred tax Assets (Net)

Investment Property

Biological assets other than bearer plants

Property, Plant and Equipment

Capital work-in-progress

Intangible assets under development

Goodwill

Other Intangible assets

Other non-financial assets (to be specified)

Total Assets

Liabilities

Financial Liabilities

Derivative financial instruments

Payables

(I)Trade Payables

(i) total outstanding dues of micro enterprises and small enterprises

(ii) total outstanding dues of creditors other than micro enterprises and small enterprises

(II) Other Payables

(i) total outstanding dues of micro enterprises and small enterprises

(ii) total outstanding dues of creditors other than micro enterprises and small enterprises

Debt Securities

Borrowings (Other than Debt Securities)

Deposits

Subordinated Liabilities

Other financial liabilities(to be specified)

Non-Financial Liabilities

Current tax liabilities (Net)

Provisions

Deferred tax liabilities (Net)

Other non-financial liabilities(to be specified)

Equity

Equity Share capital

Other Equity

Total Liabilities and Equity

Div II & III- Property plant & Equipment

- Companies can opt to use the fair as the deemed cost at the time of transition. In such cases the opening gross block will commence with the deemed cost for the said asset class.

- Right to use of assets are recognised in the case of leases assets and lease liabilities are accounted. Right to use of assets are depreciated over the lease life .
  - Rent cost is replaced by depreciation under the ROU asset class and the interest cost classified under finance costs.

- Capital advances to be accounted under Other non current assets (Non financial assets).

- Investment property- Only property used by the company for business can be classified under Buildings. The other buildings and land used for rental income or capital appreciation are classified under Investment property. These assets can also be depreciated.
  - Fair value of these property as on the Balance sheet date to be disclosed along with details of the Registered valuer.

Div II & III- Investments

- All disclosures similar to Div I.
- **Fair value application:**
- Under Ind AS all financials assets require recognition as Amortised cost, Fair value through OCI or P&L.
- This will particularly apply to Investments. Strategic investments in subsidiaries etc. will be in cost. Others will be in FVTPL (Mutual funds, held for trading etc.). Some investments if they do not come under these categories will come under FVOCI.
- All investments other that at amortised cost will necessarily be fair valued.
- All disclosures required under Schedule III to be made individually for all three recognitions.
    - For e.g. Investments in subsidiaries
        - at amortised cost
        - at fair value

The company has to provide names no of share held cost, fair value etc. for each of the investment.

- Expected credit losses on investments in subsidiaries could be accounted and disclosed- equivalent to diminution in investment value.
- In the case of investments measured at fair value the diminution if any is automatically taken care of and no separate provision an be made. This will accounted as fait value loss though P&L or OCI.

Div II & III- Investments

- Investments in subsidiaries , associates or joint ventures if accounted at fair value automatically brings the financial performance of these companies in to the books. Hence consolidation of such entities need not be done.
- Consolidation is required only if investments in subsidiaries, associates etc. are in amortised cost.
- The basis of determining the fair value as level 1, Level 2 or Level 3 to be given for all financial assets measured at fair value.
  - Level 1 -Listed companies with observable market price
  - Level 2-Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly- For e.g. unlisted bonds for which market price is available.
  - Level 3-Unobservable inputs (e.g., a reporting entity's or other entity's own data)
  - Use of anything other than Level 1 for fair value to be explained with basis.
- Investments in all structured entities need to be given, irrespective of whether controlled or not.
  - "structured entity" is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights are related to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

Div II & III- Investments

- Investments in partnership firms to be disclosed with details relating change in partnership , profit sharing ratios, Capital account balance etc.. In case separate capital account balance not available, net balance to be accounted.
- Application money paid toward acquiring any investment to be shown as non current Non financial assets or current non financial assets.

Div II & III- Trade receivables

Trade receivables are financial assets

- As per Ind AS 109, the company is required to recognize a loss allowance (i.e. impairment) for expected credit losses on financial assets including trade receivables.
- The expected credit losses are based on forward looking information .
    - credit exposures for which there has not been a significant increase in credit risk since initial recognition;
    - credit exposures for v ... ɛdit risk since initial recognition but not cı
    - credit exposures that

The difference between the A ... lity estimate on future defaults there could be a los ... s”

	Rs.	Rs.
Considered good – Secured	--	
Considered good – Unsecured*	1,25,000	
Trade Receivables which have significant increase in credit risk	20,000	
Trade Receivables – credit impaired	5,000	1,50,000
Less: Loss allowance		(27,000)
		1,23,000

This will be a significant component in Div III and will involve statistical approaches.

For trade receivables A general approach or a simplified approach is also allowed.
If the company choses to calculate impairment under the general approach for trade receivables and contract assets containing significant financing component, then the disclosure should state so and give :

Div II & III- Trade receivables

For trade receivables A general approach or a simplified approach is also allowed.

General approach

If the company choses to calculate impairment under the general approach for trade receivables and contract assets containing significant financing component, then the disclosure should state so and give :

	Rs.	Rs.
Considered good – Secured	--	
Considered good – Unsecured*	1,25,000	
Trade Receivables which have significant increase in credit risk	20,000	
Trade Receivables – credit impaired	5,000	1,50,000
Less: Loss allowance		(27,000)
		1,23,000

Simplified approach

If the company choses to calculate impairment under the simplified approach for trade receivables and contract assets containing significant financing component and for the impairment calculated on trade receivables and contract assets that do not contain significant financing component, then the company is not required to separately track changes in credit risk of trade receivables and contract assets as the impairment amount represents "lifetime" expected credit loss.

Loss allowance does not reduce the receivable balance but shown as a separate line items as above under trade receivables.

Div III- NBFCs- Receivables/ loans

In Div III companies the loans and advances given by the NBFC make the largest part of the Balance sheet.

There are different methods to find the Expected credit loss for asset class under different risk categories. There are also RBI Regulations governing the same.

Stage 1, 2 and 3 relate to assets with no credit risk, Assets with significant credit risk and credit impaired assets. For each stage the Expected credit loss is to be determined and separately disclosed.

A movement of gross receivables under the three classes from opening to closing and a corresponding movement of Expected credit loss provisions across each risk class to be provided separately,

In case the RBI provision is higher than the ECL provisions, then a reserve should be created for the difference .

Contract assets

- Ind AS 115 requires in case of a contract with customer, when either party has performed, to present a contract asset in the balance sheet as a line item separate from trade receivables.

- Contract asset arises if an entity performs by transferring goods or services to a customer before the customer pays consideration or before payment is due. It excludes any amounts presented as a receivable.

- The presentation requirements of trade receivables (viz., secured and unsecured, considered good, significant increase in credit risk and credit impaired) may be applied to contract assets if a company has sufficient and appropriate information.

Other advances

- Current / non current Non financial assets:

Other advances include all other items in the nature of advances which do not meet the definition of a financial assets:

- Prepaid expenses,
- CENVAT credit receivable,
- VAT credit receivable,
- Service tax credit receivable,
- goods and service tax input receivable etc.
- Capital advances

Includes all items which will not be realisable in cash.

Cash & Cash equivalents

- All amounts readily realisable into cash with out loss of time or money to be classified here.
- Cash is defined to include cash on hand and demand deposits with banks.
- Bank deposits which have maturity between 3-12 months and above 12 months to be classified and disclosed separately.

Cash and cash equivalents shall be classified as:

- Balances with banks (of the nature of cash and cash equivalents);
- Cheques, drafts on hand; Cash on hand;
- Others (specify nature).

Bank balances other than cash and cash equivalents as above, shall be disclosed below cash and cash equivalents on the face of the Balance Sheet

Bank balances other than cash and cash equivalents' should include items such as:

- Balances with banks held as margin money or security against borrowings, guarantees, etc..
- Bank deposits with original maturity of more than three months but less than 12 months.

Other Financial assets

All financial assets which do not fall into any other financial asset category

- Includes financial assets that do not fit into any other financial asset categories, such as, Security Deposits.

Current Tax Assets (Net):

If amount of tax already paid in respect of current and prior periods exceeds the amount of tax due for those periods

Assessment year wise and not cumulatively.

These amounts to be shown here.

If not realisable within the year to be shown as non current assets.

Equity

- Equity
- Other equity

Apart from the regular disclosures a "Statement of Changes in Equity' comprising (A) Equity Share Capital and (B) Other Equity" to be prepared.

A reconciliation of the balances from opening to closing with comparatives is required.
Equity share capital recon:

- Balance at the beginning of the current / previous reporting period;
- **Changes in Equity Share Capital due to prior period errors;**
- **Restated balance at the beginning of the current / previous reporting period**
- Changes in equity share capital during the current / previous year;
- Balance at the end of the current / previous reporting period.

Other equity

- Share application money pending allotment;
- Equity component of compound financial instruments;
- Reserves and Surplus:
  - Capital Reserve;
  - Securities Premium;
  - Other Reserves (specify nature);
  - Retained Earnings;
  - Debt instruments at fair value through other comprehensive income;
  - Equity instruments at fair value through other comprehensive income;
  - Effective portion of Cash Flow Hedges;
  - Revaluation Surplus; Exchange differences on translating the financial statements of a foreign operation;
  - Other items of other comprehensive income (specify nature);- e.g. Actuarial liabilities on gratuity etc.. and the deferred tax thereon.
  - Money received against share warrants;
  - Non-controlling interests (for Statement of Changes in Equity of Consolidated Financial Statements)

Reconciliation similar to equity to be prepared.

Preference capital and compound financial instruments

- Instruments entirely equity in nature, may be presented as a separate line item on the face of the Balance Sheet under ‘Equity’ and before other equity.- for e.g. Compulsorily Convertible Preference Shares or debentures.

- Preference capital which is fully redeemable and carries some interest may be treated as liability.

- Complex or compound financial instruments can be split into equity and liability and disclosed in two places appropriately
  - Equity
  - Borrowings

  For e.g. an interest free preference share. The interest free component leads to an equity component.

Other current liabilities

The amounts shall be classified as:

- revenue received in advance;
- other advances (specify nature);
- others (specify nature);

- Amount received in advance from customers or other parties against sale of investments or immovable property.
- statutory dues payable,
- legal claims outstanding
- Trade Deposits and Security Deposits which do not meet criteria of financial liabilities.
- Withholding taxes, Service Tax, VAT, Excise Duty, Goods and Services Tax (GST), etc..

Other current liabilities

The amounts shall be classified as:

- revenue received in advance;
- other advances (specify nature);
- others (specify nature);

- Amount received in advance from customers or other parties against sale of investments or immovable property.
- statutory dues payable,
- legal claims outstanding
- Trade Deposits and Security Deposits which do not meet criteria of financial liabilities.
- Withholding taxes, Service Tax, VAT, Excise Duty, Goods and Services Tax (GST), etc..

Statement of P&L

Other non operating income

The fair value gains or losses (net) on financial assets which are measured at FVTPL should be presented under ‘Other non operating income’

Net gains (losses) on fair value changes		
	Figures at current reporting period end	**Figures at previous reporting period end**
Investments classified at FVTPL		
Investments designated at FVTPL		
Derivatives at FVTPL		
Other Financial Instruments classified as FVTPL		
Other Financial Instruments designated at FVTPL		
Reclassification adjustments		
Realised gain on debt investments classified as FVOCI		
Others (to be specified)		
Total Net gains (losses) on fair value changes*		

Statement of P&L

Other comprehensive income

Comprises items of income and expense (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by other Ind ASs.

Items that will not be reclassified to profit or loss and their related income tax effects:

- Changes in revaluation surplus;
- Re-measurements of the defined benefit plans;
- Fair value changes on Equity Instruments through other comprehensive income;
- Fair value changes relating to own credit risk of financial liabilities designated at fair value through profit or loss;
- Share of Other Comprehensive Income in Associates and Joint Ventures, to the extent not to be classified into profit or loss;

Thank You