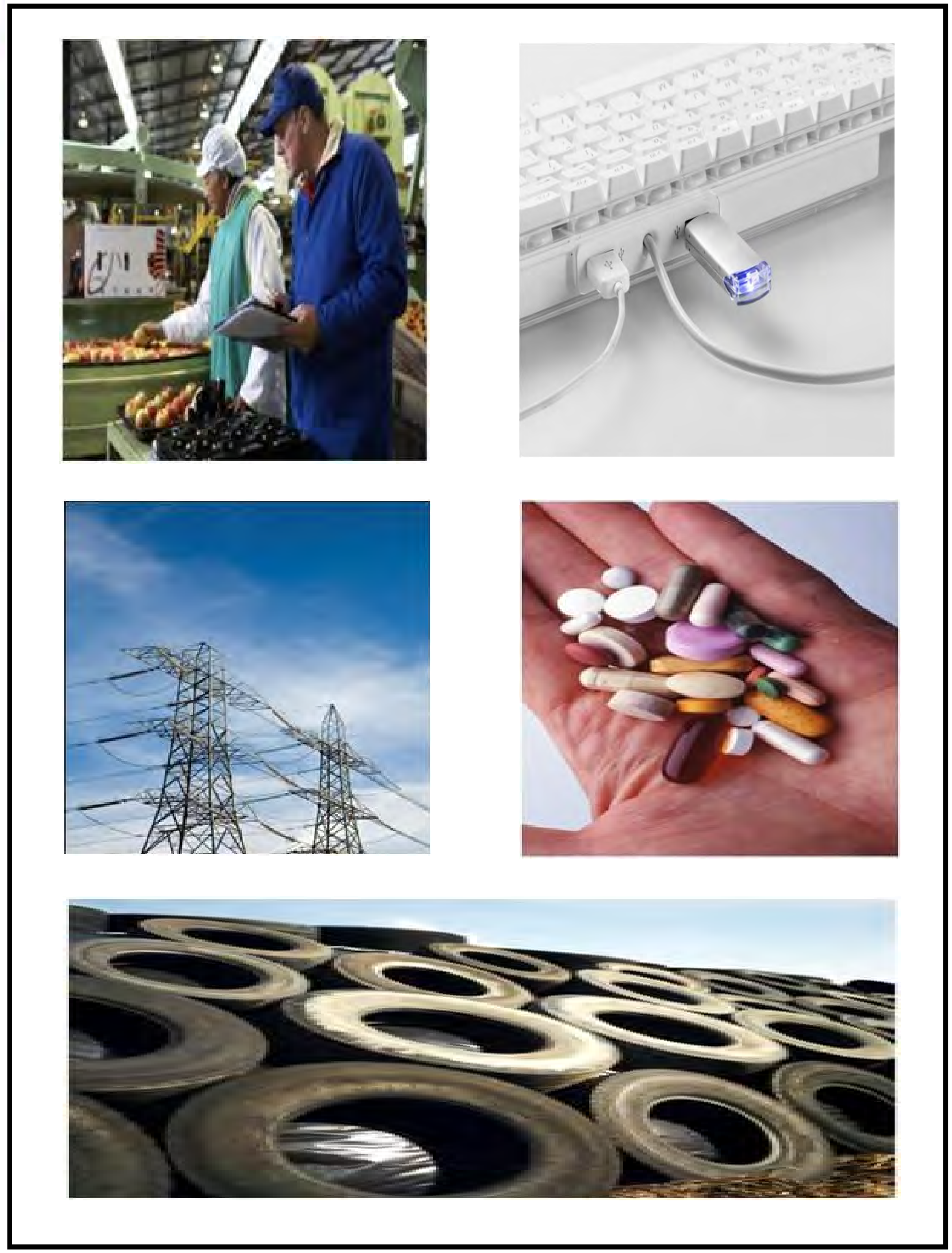
Revised Schedule VI
Key changes and issues



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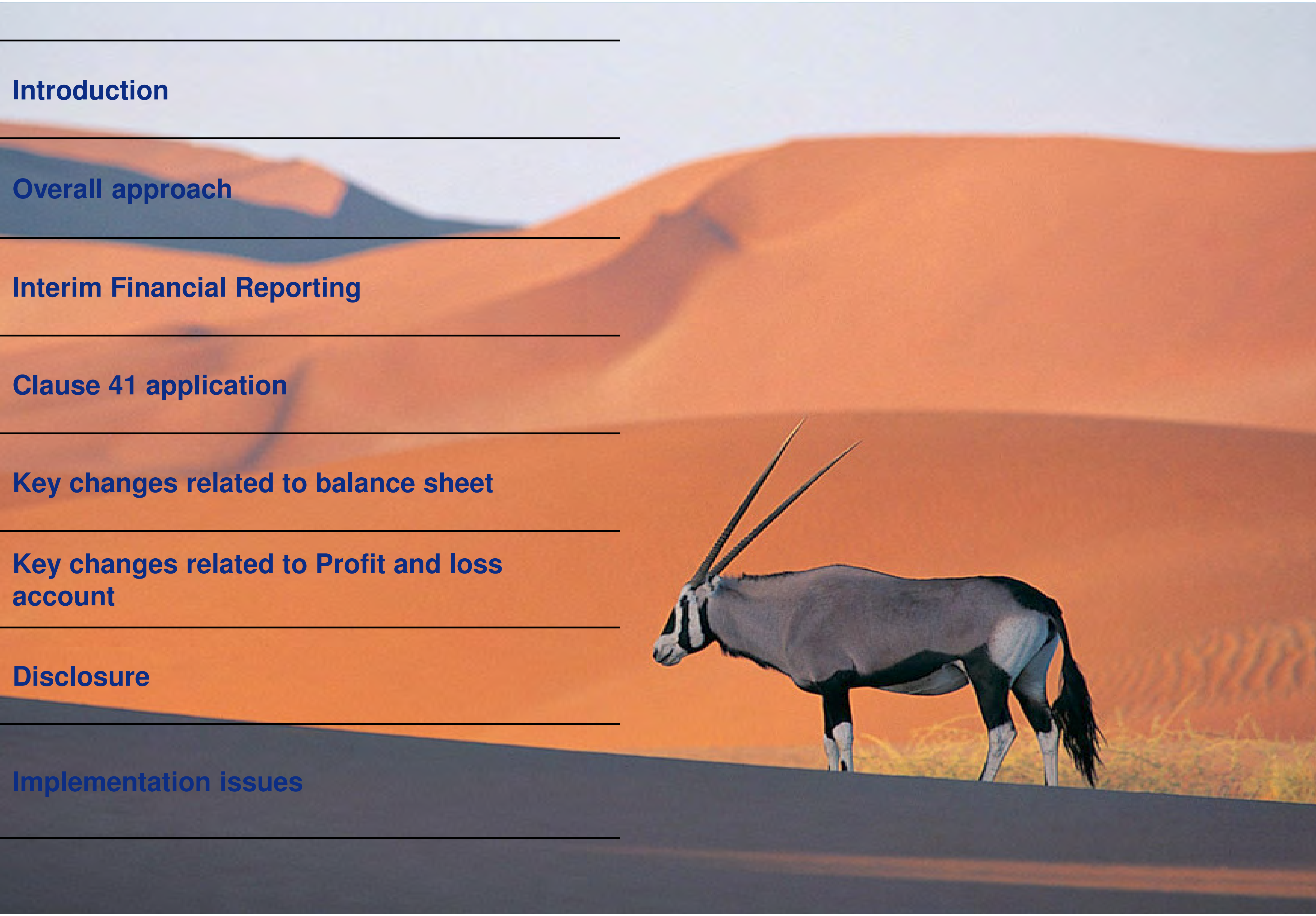
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Introduction

- Revised Schedule VI has been framed as per the existing non-converged Indian Accounting Standards and has nothing to do with the converged Indian Accounting Standards
- Revised Schedule VI is applicable for the financial year commencing on or after 1 April 2011
- Early adoption of the Revised Schedule VI not permitted since Schedule VI is a statutory format
- Revised Schedule VI is also applicable to consolidated financial statements
- Except in the case of the first financial statements laid before the company (after its incorporation), the corresponding amounts for the immediately preceding reporting period will also be given

Overall approach

- In case of conflict, requirements of the Companies Act, 1956 / Accounting Standards shall prevail over Schedule VI
- Information currently disclosed as schedules and notes to accounts now clubbed as notes to accounts
- Consistency in definition of terms used, will carry the meaning as defined by the applicable Accounting Standards
- Additional disclosures required by Accounting Standards and Act
- By means of Notes, unless required on the face
- A balance to be maintained between:
  - providing excessive details, not relevant; and
  - not providing important information as a result of too much aggregation

Overall approach (Contd…)

- Balance Sheet abstract and general business profile dispensed with
- First year of application of Revised Schedule VI
  - Comparatives to be given
  - Additional effort to recast comparatives
  - Auditors to perform procedures
  - Notes to disclose fact of reclassification / regrouping

Rounding Off

TURNOVER	EXISTING	REVISED
		(Nearest figure or decimal thereof)
Less than Rs.100 crores	00’, 000’	00’, 000’ lakhs, millions
Rs.100 crores or more, less than Rs.500 crores	00’, 000’, lakhs, millions	~~00’, 000’~~ lakhs, millions or crores
Rs.500 crores or more	00’,000’, lakhs, millions or crores	~~00’, 000’~~ lakhs, millions or crores

Interim Financial Reporting

- Audit /Review report on interim financial statements
  - Para 10 and 11 of AS 25 Interim Financial Reporting:
  - If an enterprise prepares and presents a complete set of financial statements in its interim financial report, the form and content should conform to the requirements as applicable to annual complete set of financial statements
  - If an enterprise prepares and presents condensed financial statements in its interim financial report, its format should conform to that used in the company's most recent annual financial statements
- General circular no 62/2011 dated 5 September 2011 issued by MCA
  - IPO/FPO after FY 2011-12 : the presentation of financial statements will be as per Revised Schedule VI

Clause 41 application

Report on financial information as per Clause 41- Revised Schedule VI

Format for statement of assets and liabilities

- Clause 41(V)(h) now prescribes format for the purposes of annual statement of assets and liabilities vide circular dated 16 April 2012.

Adobe Acrobat Document

Key changes to Balance Sheet

- Revised Schedule VI prescribes a vertical format for presentation of balance sheet. Thus, a company will not have option to use horizontal format for presentation of financial statements.

- Revised format-Key features
  - Indicates total assets
  - Indicates total equity and liability
  - Losses are reduced from equity
  - Assets and liabilities are classified properly as 'Current' and 'Non-current', with non-current category being residual
  - No items like 'Misc expenditure to be written off'

Current and non current classification

An asset shall be classified as current when it satisfies any of the following criteria:

- it is expected to be realized in, or is intended for sale or consumption in, the entity's normal operating cycle;
- it is held primarily for the purpose of being traded;
- it is expected to be realized within twelve months after the reporting date; or
- it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

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

Current and non current classification (Contd…)

A liability shall be classified as current when it satisfies any of the following criteria:

- it is expected to be settled in the entity's normal operating cycle;
- it is held primarily for the purpose of being traded;
- it is due to be settled within twelve months after the reporting date; or
- the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Examples

Example 1:

A company has taken a loan which is repayable on demand. However, based on the past experience, it is not expected that the lender will demand the repayment within next 12 months.

Suggested Answer 1:

Since the company does not have an unconditional right to defer the settlement of loan for at least 12 months after the reporting date, it will classify the loan as current. This is despite the fact that based on the past experience, it is not expected that the lender will demand the repayment within the next 12 months.

Examples (Contd…)

Example 2:

Company B has taken a 5 year loan. The loan contains certain debt covenants, e.g., filing of quarterly information. The company defaulted in filing of such information in the previous quarter, with the effect that loan has become repayable on demand. However, based on the past experience, the management believes that default is minor and the bank will not demand the repayment of loan.

Suggested Answer 2:

If the borrower does not have unconditional right to differ the settlement, the classification would be ‘Current’. However as per the guidance note issued by the ICAI, considering that the practical implications of such minor breach are negligible in the Indian scenario, an entity could continue to classify such loan as ‘Non Current’.

Examples (Contd…)

Example 3:

Employee benefit obligations in current and non-current categories.

Suggested Answer 3:

Liability toward bonus, etc., payable within one year from the balance sheet date is classified as current.

In case of accumulated leave outstanding as on the reporting date, the employees have already earned the right to avail the leave and they are entitled to avail the leave at any time during the year. Hence, it is disclosed as a current liability even if it is measured as other long-term employee benefit.

Regarding funded post-employment benefit obligations, amount due for payment to the fund within 12 months created for this purpose is treated as current liability.

Regarding unfunded post-employment benefit obligations, a company will have settlement obligation at the balance sheet date or within 12 months for employees such as those who have already resigned or are expected to resign or are due for retirement within the next 12 months from the balance sheet date. Thus, the amount of obligation attributable to these employees is a current liability. The remaining amount attributable to other employees, who are likely to continue in the services for the next 12 months, is classified as non-current liability. If the management believes that the amount of current liability is not material, the entire amount may be classified as non-current.

Examples (Contd...)

Example 4:

Whether capital advances also need to be bifurcated between non-current and current categories.

Suggested Answer 4:

Capital advances are advances given for procurement of fixed assets which are non-current assets. Typically, companies do not expect to realize them in cash in the next 12 months or within their normal operating cycle. Rather, over the period, these get categorized as one or more fixed assets. Hence, we believe that capital advances should be treated as non-current assets and to be included in long term loans and advances.

Examples (Contd...)

Example 5:

A manufacturing company with a normal operating cycle of 18 months gives a loan to a sister concern which is facing liquidity problem. The loan is repayable 15 months after the reporting date.

Suggested Answer 5:

Giving of such loans is not a part of normal operating cycle of the company. Further, the loan is not held for the purpose of being traded, nor is it cash or cash equivalent. The loan should be classified as non-current.

Examples (Contd...)

Example 6:

Company A is in the business of producing wines. The manufacturing process entails the inventory to be stored in specified conditions for an extended period of time usually beyond twelve months so as to achieve the desired level of maturity, colour and taste. Whether the inventory of wines pending maturity as at the balance sheet date should be considered as 'current' or 'non-current' for the purpose of Revised Schedule VI.?

Suggested Answer 6:

An asset shall be classified as current when it expected to be realized in, or is intended for sale or consumption in, the entity's normal operating cycle. Operating cycle is the time between the acquisition of assets for processing and their realization in cash or cash equivalents.

In the present case, the operating cycle is determined to be for a period beyond 12 months, hence inventory of wines which is expected to be consumed or realized within the operating cycle would be classified as current even though the inventory is not expected to be realized or consumed within twelve months after reporting date.

Where the normal operating cycle cannot be identified, it is assumed to have a duration of 12 months.

Shareholders Funds

- **Notes in addition to the existing disclosures for share capital to be given:**
  - reconciliation of shares outstanding at the beginning and at the end [Guidance Note recommends disclosure of amounts]
  - Number of shares held in respect of each class by holding company or ultimate holding company including shares held by or by subsidiaries or associates of the holding company or the ultimate holding company in aggregate
  - No. of shares held by each shareholder holding more than 5% shares [Guidance Note recommends shareholding as on balance sheet date and for each class of shares]
  - Shares reserved for issue under contracts / commitments
  - Aggregate no. and class of shares bought back (for 5 years)
  - 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.

Shareholders Funds (Contd...)

- Details pertaining to aggregate number and class of shares allotted for consideration other than cash, bonus shares and shares bought back will be disclosed only if such an event has occurred during a period of 5 years immediately preceding the balance sheet date
- Disclosure of unpaid calls (by showing aggregate of value of unpaid calls by Directors and Officers of the Company as defined by the Act)
- Any debit balance in P&L account will be disclosed under the head 'Reserves and surplus'
- Share options outstanding to be disclosed under reserves and surplus

Share Application money, pending allotment

- Specific disclosures are prescribed for the share application money. The application money not exceeding the capital offered for issuance and to the extent not refundable will be shown separately on the face of the balance sheet
- Disclose
  - Terms and conditions
  - No. of shares to be issued and premium, if any
  - Period by which shares to be allotted
  - Whether sufficient authorised capital exists
  - Period for which outstanding, beyond the stipulated allotment period
  - Reasons for delays in allotment
  - Interest accrued on amount due for refund
- The amount in excess of subscription or if the requirements of minimum subscription are not met will be shown under 'Other current liabilities'

Long term borrowings

IN THE NOTES TO THE BALANCE SHEET:

- Bonds/debentures, with interest rate/terms for each loan, including amount of instalments due (in decreasing order of maturity/conversion starting from farthest redemption/conversion date)
- Period/amount of continuous defaults on Balance Sheet date in loans and interest
- Loans guaranteed by 'directors or others' unlike the present requirement of by 'directors or managers only'

Other Long term Liabilities – Trade payable and others

- Amount dues under contractual obligation no longer included within trade payable

Perspectives in relation to default related disclosures

- 'Loan' has been used more in a more generic sense and is not restricted like in CARO to borrowings from banks /financial institutions and debentures. Hence, details of default in repayment of loans and interest need to be disclosed for each of the items such as deferred payment liability, deposit, finance lease obligation, etc covered under the head 'Borrowings'.
- Though the MCA has used two different terms, viz., continuing default (in case of long-term borrowing) and default (in case of short-term borrowing), the requirement is to disclose default 'as on the balance sheet date' in both the cases. Any default that had occurred during the year and was subsequently made good before the end of the year is not required to be disclosed.

Current Liabilities

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- Short term borrowings
  - Further sub-classification
  - Disclosure as to defaults on Balance Sheet date in loans and interest
- Trade Payables
  - Current portion of payable for goods purchased or services received in normal course of business
- Other current liabilities
  - Further sub-classification
  - Disclosure of current portion of respective liabilities
  - Share application money due for refund
  - MSMED disclosure to continue

Short term Provisions

- Classify 'provision for employee benefits' and 'others' (to specify nature)
- No specific disclosure as to proposed dividend
- However, presently AS-4 requires provision for proposed dividend, and thus would override Schedule VI

Non Current Assets

NCA

- Tangible fixed assets
  - Classification between tangible/non tangible
  - Office equipment, a new category
  - Assets under lease: specify under respective class of assets
  - Disclose business combination and impairments separately
- Intangible fixed assets
  - Disclosure requirements similar to tangible assets
- Capital work in progress – relates to tangible fixed assets
- Intangible assets under development
- Other adjustment to include effect of AS11 and AS16
- Adjustment on account of revaluation/reduction in capital to be shown separately for a period of five years

Non Current Assets (Contd…)

- Non current investments
  - AS-13 to prevail for current/non current classification
  - Non current investment to be classified as 'trade' and 'others'
- Non current investments to further disclose:
  - Names of bodies corporate; showing separately partly paid investments
  - Bodies corporate include 'subsidiaries', 'associates', 'joint ventures' or 'controlled special purpose entities (SPE)'. SPE not defined
  - If investments in the capital of partnership firms: Name of the firm (with the names of each partner, total capital and shares of each partner)
- INVESTMENTS PURCHASED/SOLD DURING THE YEAR:
  - DISCLOSURES NO LONGER REQUIRED

Non Current Assets (Contd…)

- Long term loans and advances
  - Capital advances
  - Security deposits
  - Loans and advances to related parties
  - Others
- Sub-classification as secured/un-secured/doubtful, to continue

Current Assets

- The term 'sundry debtors' has been replaced with the term 'trade receivables'. Trade receivables are defined as dues arising only from goods sold or services rendered in the normal course of business.
- Hence, amounts due on account of other contractual obligations, which were earlier included in the sundry debtors, can no longer be included in the trade receivables.
- Pre-revised Schedule VI required separate presentation of debtors (i) outstanding for a period exceeding 6 months (i.e., based on billing date) and (ii) other debtors, in a schedule to the balance sheet. However, Revised Schedule VI prescribes the following disclosure for trade receivables only under the head 'current assets':
- 'Aggregate amount of trade receivables outstanding for a period exceeding six months from the date they are due for payment should be separately stated.'

Current Assets (Contd…)

- 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 (for example, for unpaid dividend) shall be separately stated.
- Balances with banks to the extent held as margin money or security against the borrowings, guarantees, other commitments shall be disclosed separately.
- Repatriation restrictions, if any, in respect of cash and bank balances shall be separately stated.
- Bank deposits with more than 12 months maturity shall be disclosed separately

Capital Commitments

- In the earlier Schedule VI, details of capital commitments were required to be disclosed. Under the Revised Schedule VI, all commitments need to be disclosed
- The word commitment is not defined in the Revised Schedule VI.

Guidance Note to Revised Schedule VI: Para 8.8.7.6 states that disclosures required to be made for other commitments should include only those non-cancellable contractual commitments. (i.e. cancellation of which will result in a penalty disproportionate to the benefits involved). Example: Commitments in the nature of :

- buy-back arrangements;
- to fund subsidiaries and associates;
- non-disposal of investments in subsidiaries and undertakings;
- derivative related commitments

Key changes related to P&L account

- Statement of Profit and loss account
- Revised format of P&L account does not list any appropriation on its face as below the line adjustments i.e. bonus shares, dividend and transfer to/from reserves are to be presented under 'Reserves and Surplus' in the balance sheet. Amount set aside/proposed to be set aside needs to be disclosed as additional information in the notes.
- The classification of expenses is based on their nature and not on their function.
- In addition to specific disclosures prescribed in the P&L account, any item of income or expense which exceeds 1% of the revenue from operations or `100,000, whichever is higher, needs to be disclosed separately.
- Exceptional, extraordinary and prior period items to be disclosed separately on the face of P&L account.

Key changes related to P&L account (Contd…)

- The Revised Schedule VI requires a company other than a finance company to disclose breakup of revenue by way of a note as
  - Sale of products
  - Sale of services
  - Other operating revenues - Sale of by-products or scrap in a manufacturing company
  - Less excise duty
- AS 9 Revenue recognition requires turnover to be disclosed in the following manner on the face of the profit and loss account
  - Turnover (gross)
  - Less excise duty
  - Turnover (net)

Key changes related to P&L account (Contd…)

- Breakup of other income by way of a note as
  - Interest income (other than a finance company)
  - Dividend income (dividend from subsidiary to be shown separately), principles of AS 9 to be followed
  - Net gain/loss on sale of investments
  - Other non operating income (net of expenses directly attributable)

Guidance Note to Revised Schedule VI:

- Sale of Fixed Assets is not an operating activity of a company and hence profit on sale of fixed assets should be classified as Other Income. Similarly sale of scrap arising from operations for a manufacturing company should be treated as Other Operating Income since the same arises on account of the company's main operating activity.
- In the first year of application of Revised Schedule VI, dividend income recognized in the immediately preceding year based on the aforesaid requirements of Pre-revised Schedule VI should not be derecognized for the comparatives presented
- Net foreign exchange gain should be classified as Other Income. Any gains / losses on account of foreign exchange fluctuations are to be disclosed separately.

Key changes related to P&L account (Contd...)

- Dividend in foreign currencies along with other details viz. information relating to the number of non-resident shareholders and the number of shares held - information is required to be given in the year of actual payment of dividend rather than in the year in which the dividend is proposed or declared

- Share of profit or loss in a partnership firm / AOP / LLP

  - No specific requirement in Revised Schedule VI, share of profit or loss in a partnership firm should be accounted for at the time same is computed and credited or debited to the Capital/Current/any other account of the company in the books of the partnership firm.
  - The above accounting also applies to the share of profits and losses in an Association of Persons (AOP).
  - Share of profit/loss in a LLP should be accounted in the books of the company as and when the same is credited/ debited to the Partners' Capital Account as per the terms of the LLP Agreement

Key changes related to P&L account (Contd…)

- Employee Benefits expense should be disclosed separately as:
  - Salaries and wages
  - Contribution to provident and other funds
  - Expense on ESOP and ESPP
  - Staff welfare expenses

- Payments to auditor as:
  - Auditor
  - taxation matters
  - company law matters
  - management services
  - other services
  - reimbursement of expenses

Guidance Note to Revised Schedule VI:

- Penalties and other similar amounts paid to the statutory authorities are not strictly in the nature of 'contribution' and should not be disclosed under Employee Benefits.

Key changes related to P&L account (Contd…)

Tax Expenses

As per Guidance Note to Revised Schedule VI

- Any interest on shortfall in payment of advance income-tax is in the nature of finance cost and hence should not be clubbed with the Current tax. The same should be classified as Interest Expense under Finance Costs. However such amount should be separately disclosed.
- Penalties levied under Income Tax laws should not be classified as Current tax. Other tax penalties should be classified under Other Expenses.
- Wealth tax payable by a company on assets liable for wealth tax should not be included within Current tax since the same is not a tax on income. Accordingly it should be included in Rates and Taxes under Other Expenses.

Key changes related to P&L account (Contd...)

- The pre-revised Schedule VI required the parent company to recognize dividends declared by subsidiary companies even after the date of the balance sheet if they were pertaining to the period ending on or before the balance sheet date.
- Such requirement no longer exists in Revised Schedule VI. Accordingly, as per AS 9 Revenue Recognition, dividends should be recognized as income only when the right to receive dividends is established by the balance sheet date.
- Disclosure relating to provision for losses of subsidiary companies should be made separately only where such a provision has been made in respect of the investment in such loss-making subsidiary.

Key changes related to P&L account (Contd…)

- Disclosures no longer required
  - Income split between trade and other investments
  - Nature of interest income
  - Tax Deducted at Source disclosure for investment income
  - Profit/loss on account of membership of partnership firm
  - Disclosures relating to <u>managerial remuneration and computation of net profits for calculation of commission</u>
  - Information relating to <u>licensed capacity, installed capacity and actual production.</u>
  - Investments, sundry debtors and loans & advances pertaining to <u>companies under the same management</u>
  - <u>Commission, brokerage and non-trade discounts</u> (But if it <u>exceeds 1% of the revenue from operations or `100,000, whichever is higher</u>, then same needs to be disclosed separately)

Key changes related to P&L account (Contd…)

- Break-up in terms of quantitative disclosures for significant items of P&L account such as raw material consumption, stocks, purchases and sales have been simplified and replaced with the disclosure of 'broad heads' only.
- The broad heads need to be decided based on materiality and presentation of true and fair view of the financial statements.

Nature of company	Disclosures required
Manufacturing companies	• Raw materials under broad heads • Goods purchased under broad heads
Trading companies	• Purchases of goods traded under broad heads
Company that falls in more than one category	• It will be sufficient compliance with the requirements, if purchases, sales and consumption of raw material are shown under broad heads

Disclosures required are quite ambiguous

- Whether a company is required to disclose quantitative details or not
- Whether a manufacturing company will disclose purchase, sale or consumption of raw material
- What is meant by 'good purchased' in case of manufacturing companies?
- While there is a requirement to disclose sales in case of a company falling in more than one category, there is no clear requirement to disclose sales for a manufacturing or a trading company
- With regard to a company falling in more than one category 2-3 different interpretations seem possible. One interpretation is that it should disclose purchase, sale and consumption for raw material. The other interpretation is that purchase relates to traded goods, sale relates to all goods sold (both manufactured goods and traded goods) and for raw material, only consumptions needs to be disclosed

Conflict between Revised Schedule VI and AS 3

- Definition of ‘cash and cash equivalents’ as per AS 3 :

  Cash comprises cash on hand and demand deposits with banks and cash equivalents are short term, highly liquid investments that are readily convertible into known amounts of cash and that are subject to an insignificant risk of changes in value
- An investment normally qualifies as a cash equivalent only when it has a short maturity of three months or less from the date of acquisition
- Classification of ‘balances with banks’:

  (Accounting Standards prevail over the Revised Schedule VI)

  a) Under ‘Cash and cash equivalents’ if they are demand deposits or have original maturity of three months or less

  b) Under a separate sub-heading ‘Other bank balances’ if they are due for realization within 12 months of the reporting date and do not qualify for classification under cash and cash equivalents

  c) As a separate heading under ‘other non-current investments’/ ‘other non-current assets’, if they are not due for realization within 12 months of the reporting date

Implementation issues

- First step of a 'mind-set' change.
- Legality of the amendment. Can Schedule VI be amended in isolation without any notifications?
- Substantial efforts required by companies to recast and auditors to audit previous reporting period's figures
- Challenges faced whilst preparing consolidated financial statements as per Revised Schedule VI for entities which have a large number of subsidiaries, associates and joint ventures in such a short duration.
- Share Capital (Para 6A):
  - Disclosure of shareholding of each shareholder holding more than 5% of share capital will result in making the disclosure voluminous and the annual report bulkier
  - Challenges in getting information from Depository Participants, GDR / ADR custodians
- Long-term borrowing (Para 6C)
  - Lack of clarity whether the long-term borrowings will get covered for the purposes of determining limits u/s 293(1)(d).

Implementation issues (Contd…)

- Non-Current Investments (Para 6K)
  - Clarification required for nature and definition of 'Controlled Special Purpose Entity'. Para 8.7.2.4 of the Guidance Note issued by ICAI is vague

  (The position has been revised in the final guidance note vis-à-vis draft guidance note. It states as follows:

  - No disclosure would be additionally required to be made under this caption. If and when the terminology is explained / introduced in the applicable accounting standards, disclosure requirement would become applicable.
  - The analogy drawn from AS 21 has been removed)
  - Detailed disclosures relating to investment in partnership firms
- Long-term Loans and Advance (Para 6L)
  - Advance Tax – whether to consider as current or non-current asset

Implementation Issues - IT / ITES

IT / ITES companies are involved in development of software that are used for providing services

- Separate disclosure for 'Intangible assets under development' such development of certain software, etc in Fixed Assets provided they can be recognized based on the criteria laid down in AS 26 - Intangible Assets

Classification of MAT Credit and Service Tax credit into 'current' and 'non current'– Income is exempt u/s 10AA of Income-tax Act, 1961 and output services are tax exempt, hence input credit remains accumulated due for refund

- To the extent MAT credit is expected to reverse within 12 months – It is current.
- Professional judgment is to be applied for service tax credit receivable

Other commitments in note to accounts to include only non-cancellable contractual commitments

- Professional judgment is required for the commitments such as contracts with customers, commitments to fund subsidiaries etc to be disclosed which are material and relevant to understanding of the financial statements.

Implementation Issues – Pharmaceutical

Research and development (R&D) arrangements are entered wherein initial amounts are received

- Upfront payments made / received in pursuance of such collaboration arrangements would further require analysis for 'current'/ 'non current' classification

Contingent liabilities and commitments

- Contractual arrangements such as arrangement with third party manufacturer, etc need to be evaluated
- Commitments made under research and development contracts that may result in acquisition of intangible assets may need to be disclosed under 'other commitments'

Implementation Issues - FMCG

Trade receivables due for a period more than six months should be identified based on ‘due date’ and not ‘invoice date.

- FMCG companies have large number of customers, the Company needs to define credit terms for all customers
- In absence of due date specifically agreed upon, normal credit period allowed by the Company should be considered
- Normal credit period may vary depending upon the nature of goods or services sold and the type of customers

Implementation issues - Power

Classification of upfront premium paid for acquisition of project rights

- Evaluate classification of project rights as ‘intangible assets under development’

Classification of current and non current

- Evaluation of retention payable during the course of the project for classification as ‘current’ / ‘non current’

Disclosure for other commitments in notes to accounts

- Evaluation for disclosure of commitment for acquiring of renewable purchase obligations

Implementation Issues – Telecom Industry specific

- **Security deposit:-**Classification of the security deposit collected from its customers (retail and wholesale segment) between “current” and “non-current” will throw-up significant challenges in terms of collation of the information (challenges would also include recognition at the time of inception of receipt of deposit).The similar challenges would be faced in the deposit placed with landlords for site/premises acquired.
- **Deferred Revenue:-**As per revised schedule VI deferred revenue recognized as a result of the upfront payment is classified as current even if the related service is not expected to be performed within 12 months of the reporting date. This requirements needs to be considered in conjunction with businesses (for e.g sale of IRU, etc.) where it is normal to receive customer payments in advance.

Effect on profit and loss account:

- The revised Schedule VI mandates disclosure of revenue from : a) Sale of products b) sales of services c) other operating revenue d) less: excise duty. Telecom companies enter into various revenue arrangements involving sale of multiple components/bundled contracts. A rigorous process of estimation (to provide disaggregated disclosures between sale of services and goods) is involved in bifurcating the revenues between various component (sale of services and goods), would pose a significant challenge.

Thank You


build
knowledge
experience
collaboration
opportunities
goodwill
networks
awareness