

1 Financial Statements of a Company

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LEARNING OBJECTIVES

After studying this chapter, you should be able to understand:

- Meaning of Financial Statements
- Legal Requirements
- Contents and Forms
- Form of Preparing a Statement of Profit and Loss of a Company
- Accounting Treatment of Provision for Tax
- Dividend
- Option to Transfer to Reserves
- Declaration of Dividend out of Reserves
- Capital Reserve
- Interim Dividend
- Final Dividend
- Payment of Dividend
- Unpaid/Unclaimed Dividend
- Right to dividend, rights shares and bonus shares to be held in abeyance pending registration of transfer of shares
- Punishment for failure to distribute dividends
- Payment of Dividend on Partly Paidup Shares
- Dividend on Preference Shares
- Dividend Distribution Tax (D.D.T)
- Capitalisation of Profits
- Accounting Treatment of Dividend, Dividend Distribution Tax, Transfer to Reserves, Bonus, Etc.
- Form of Preparing a Balance Sheet of a Company
- Vertical Form of Summarised Balance Sheet of a Company
- Vertical Form of Detailed Balance Sheet of a Company
- Distinction Between a Company's Balance Sheet and Firm's Balance Sheet
- Managerial Remuneration

1.0 MEANING OF FINANCIAL STATEMENTS

1.1 General Meaning

The financial statements are historical documents which show the organised summaries of detailed information about the financial performance of an accounting entity for an accounting period and financial position at the end of an accounting period.

There are two basic financial statements, viz., Income statement and Balance Sheet.

1. An Income Statement is a Statement of Revenue from Operations, Other Incomes and Expenses during a given accounting period. It indicates the Financial Performance of an enterprise for an accounting period.

2. A Balance Sheet is a Statement of Assets (Current and Non-Current), Liabilities (Current and Non-Current) and Equity (i.e., Shareholders' Funds) indicating the Financial Position of an enterprise at a given date.

1.2 Legal Meaning

As per Section 2(40) of the Companies Act, 2013, Financial Statements include-

- (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 (iv):

Provided that the Financial Statements, with respect to One Person Company, small company and dormant company, may not include the Cash Flow Statement.

2.0 LEGAL REQUIREMENTS

1. Company's Duty to prepare Books of Account, etc., [Sec 128 (1)]

Every company must prepare and keep at its registered office books of account and other relevant books and papers and financial statement for every financial year which give a true and fair view of the state of the affairs of the company, including that of its branch office or offices, if any, and explain the transactions effected both at the registered office and its branches.

2. On Accrual Basis: Such books must be kept on accrual basis and according to the double entry system of accounting [Sec 128(1)].

3. At Place other than Registered Office: All or any of the books of account aforesaid and other relevant papers may be kept at such other place in India as the Board of Directors may decide and where such a decision is taken, the company must, within 7 days thereof, file with the Registrar a notice in writing giving the full address of that other place [Provisio to Sec 128(1)].

4. In Electronic Mode: The company may keep such books of account or other relevant papers in electronic mode in such manner as may be prescribed.

[Provisio to Sec 128(1)]

5. In case of Branch Books of Account: Where a company has a branch office in India or outside India, it shall be deemed to have complied with the provisions of the Act, if proper books of account relating to the transactions effected at the branch office are kept at that office and proper summarized returns periodically are sent by the branch office to the company at its registered office or such other place where accounts are kept. [Sec 128 (2)]

6. Director's Right to Inspect: The books of account and other books and papers maintained by the company within India shall be open for inspection at the registered office of the company or at such other place in India by any director during business hours, and in the case of financial information, if any, maintained outside the country, copies of such financial information shall be maintained and produced for inspection by any director subject to such conditions as may be prescribed. However, the inspection in respect of any subsidiary of the company shall be done only by the person authorised in this behalf by a resolution of the Board of Directors. [Sec 128 (3)]

Employees' Duty to give Assistance: Where an inspection is made by any director, the officers and other employees of the company must give to the person making such inspection all assistance in connection with the inspection which the company may reasonably be expected to give. [Sec 128 (4)]

7. Preservation of Books etc: The books of account of every company relating to a period of at least 8 financial years immediately preceding a financial year, or where the company had been in existence for a period less than 8 years, in respect of all the preceding years together with the vouchers relevant to any entry in such books of account shall be kept in good order.

However, where an investigation has been ordered in respect of the company under Chapter XIV, the Central Government may direct that the books of account may be kept for such longer period as it may deem fit [Sec 128 (5)].

8. Penalty: In case of contravention of Sec 128, Managing Director, Whole-time Director in charge of finance, Chief Financial Officer or any other person charged by the Board with the duty of complying with the provisions of Sec.128, shall be punishable with imprisonment for a term which may extend to 1 year or with fine which shall be at least ₹ 50,000 but which may extend to ₹ 5,00,000 or with both [Sec 128 (6)].

9. Compliance with AS and in Forms as per Schedule III: The Financial Statements must give a true and fair view of the state of affairs of the company or companies, comply with the accounting standards notified under Sec 133 and must be in the form or forms as may be provided for different class or classes of companies in Schedule III [Sec 129 (1)]:

10. BOD's Responsibility to lay: At every annual general meeting of a company, the Board of Directors of the company must lay before such meeting Financial Statements for the financial year [Sec 129 (2)].

11. Consolidated Financial Statements: Where a company has one or more subsidiaries, it must, in addition to financial statements, prepare a consolidated financial statement of the company and of all the subsidiaries in the same form and manner as that of its own which must also be laid before the annual general meeting of the company along with the laying of its Financial Statements.

Provided that the company must also attach along with its financial statement, a separate statement containing the salient features of the financial statement of its subsidiary or subsidiaries in Form AOC-1.

Provided further that the Central Government may provide for the consolidation of accounts of companies in such manner as may be prescribed.

Explanation.— For the purposes of this sub-section, the word "subsidiary" shall include Associate Company and Joint Venture [Sec 129 (3)].

Note: The provisions of this Act applicable to the preparation, adoption and audit of the financial statements of a holding company shall, *mutatis mutandis*, apply to the consolidated financial statements [Sec 129 (4)].

- 12. Reasons for Deviation from AS:** Where the financial statements of a company do not comply with the accounting standards the company must disclose in its financial statements, the deviation from the accounting standards, the reasons for such deviation and the financial effects, if any, arising out of such deviation [Sec 129(5)].
- 13. Penalty:** If a company contravenes the provisions of Sec.129, the Managing Director, the Whole-time Director in charge of finance, the Chief Financial Officer or any other person charged by the Board with the duty of complying with the requirements of this section and in the absence of any of the officers mentioned above, all the directors shall be punishable with imprisonment for a term which may extend to 1 year or with fine which shall be atleast ₹ 50,000 but which may extend to ₹ 5,00,000, or with both. [Sec 129(7)]
- Explanation.—**For the purposes of this section, except where the context otherwise requires, any reference to the financial statement must 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.
- 14. Voluntary Revision of Financial Statements or Board's Report:** If it appears to the directors of a company that—
- the financial statement of the company; or
 - the report of the Board,
- do not comply with the provisions of Sec.129 or 134, they may prepare revised financial statement or a revised report in respect of any of the 3 preceding financial years after obtaining approval of the Tribunal on an application made by the company in such form and manner as may be prescribed and a copy of the order passed by the Tribunal shall be filed with the Registrar. [Sec 131(1)]

Notes:

- Tribunal shall give notice to the Central Government and the Income tax authorities and shall take into consideration the representations, if any, made by that Government or the authorities before passing any order under this section:
- Such revised Financial Statement or Report shall not be prepared or filed more than once in a financial year:
- The detailed reasons for revision of such financial statement or report shall also be disclosed in the Board's report in the relevant financial year in which such revision is being made.

Scope of Revision: Where copies of the previous financial statement or report have been sent out to members or delivered to the Registrar or laid before the company in general meeting, the revisions must be confined to—

- the correction in respect of which the previous Financial Statement or Report do not comply with the provisions of section 129 or 134; and
 - the making of any necessary consequential alternation. [Sec 131(2)]
- 15. Approval of and Signature on Financial Statement:** The financial statement, including consolidated financial statement, if any, must be approved by the Board of Directors before they are signed on behalf of the Board at least by the chairperson of the company where he is authorised by the Board or by two directors out of which one shall be Managing Director and the Chief Executive Officer, if he is a director in the company, the Chief Financial Officer and the Company Secretary of the company, wherever they are appointed, or in the case of a One Person Company, only by one director, for submission to the Auditor for his Report thereon [Sec 134 (1)].

- 16. Auditor's Report to be attached:** The Auditors' Report shall be attached to every financial statement [Sec 134 (2)].
- 17. BOD's Report to be attached:** The Board's Report must be attached to statements laid before a company in general meeting.
- 18. Contents of BOD's Report:** BOD Report must include—
- (a) the extract of the Annual Return as provided u/s 92 (3);
 - (b) Number of Meetings of the Board;
 - (c) Directors' Responsibility Statement;
 - (d) a Statement on Declaration given by Independent Directors u/s 149 (6);
 - (e) in case of a company covered u/s 178 (1), company's policy on directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters provided u/s 178 (3);
 - (f) explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made—
 - (i) by the auditor in his report; and
 - (ii) by the company secretary in practice in his secretarial audit report;
 - (g) particulars of loans, guarantees or investments under section 186;
 - (h) particulars of contracts or arrangements with related parties referred to in sub-section (1) of section 188 in the prescribed **Form AOC-2**;
 - (i) the state of the company's affairs;
 - (j) the amounts, if any, which it proposes to carry to any reserves;
 - (k) the amount, if any, which it recommends should be paid by way of dividend;
 - (l) material changes and commitments, if any, affecting the financial position of the company which have occurred between the end of the financial year of the company to which the financial statements relate and the date of the report;
 - (m) the conservation of energy, technology absorption, foreign exchange earnings and outgo, in such manner as may be prescribed;
 - (n) a statement indicating development and implementation of a risk management policy for the company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company;
 - (o) the details about the policy developed and implemented by the company on corporate social responsibility initiatives taken during the year;
 - (p) in case of a listed company and every other public company having such paid-up share capital as may be prescribed, a statement indicating the manner in which formal annual evaluation has been made by the Board of its own performance and that of its committees and individual directors;
 - (q) such other matters as may be prescribed under Rule 8 of the Companies (Account) Rules, 2014.
- 19. Signature on BOD's Report:** The Board's Report and any annexures must be signed by its chairperson of the company if he is authorised by the Board and where he is not so authorised, must be signed by at least two directors, one of whom shall be a managing director, or by the director where there is one director. [Sec 134 (6)]
- 20. BOD's Report in case One Person Company [Sec 134 (4)]:** The BOD's Report of in case of a One Person Company, means a report containing explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made by the Auditor in his Report.

21. Contents of Directors' Responsibility Statement [Sec 134 (5)]:

The Directors' Responsibility Statement must state that—

- (a) **Compliance with AS:** in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) **Accounting Policies:** the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
- (c) **Maintenance of Adequate Accounting Records:** the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (d) **Accounts on a Going Concern Basis:** the directors had prepared the annual accounts on a going concern basis; and
- (e) **Internal Financial Controls:** the directors, in the case of a listed company, had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.

Explanation.— For the purposes of this clause, the term "Internal Financial Controls" mean the policies and procedures adopted by the company for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information;

- (f) **Proper Systems to ensure compliance with Law:** the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

22. **Circulation:** A signed copy of every financial statement, including consolidated financial statement, if any, must be issued, circulated or published along with a copy each of—

- (a) any notes annexed to or forming part of such financial statement;
- (b) the auditor's report; and
- (c) the Board's report [Sec 134 (7)].

23. **Penalty:** If a company contravenes the provisions of Sec 134, the company shall be punishable with fine which shall be atleast ₹ 50,000 but which may extend to ₹ 25,00,000 and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to 3 years or with fine which shall be atleast ₹ 50,000 but which may extend to ₹ 5,00,000 or with both.

24. **Corporate Social Responsibility (CSR):**

1. Every company having **Net Worth of atleast ₹ 500 hundred crore or Turn-over of atleast ₹ 1,000 crore or a Net Profit of atleast ₹ 5 crores** during any financial year must constitute a Corporate Social Responsibility Committee of the Board consisting of atleast 3 directors, out of which at least one director shall be an Independent Director [Sec 135 (1)].
2. The Board's Report must disclose the composition of the Corporate Social Responsibility Committee [Sec 135 (2)].

3. The Corporate Social Responsibility Committee is required,—

- (a) To Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII;
- (b) To Recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and
- (c) To Monitor the Corporate Social Responsibility Policy of the company from time to time. [Sec 135(3)]

4. The Board of every company is required,—

- (a) after taking into account the recommendations made by the Corporate Social Responsibility Committee, approve the Corporate Social Responsibility Policy for the company and disclose contents of such Policy in its report and also place it on the company's website, if any, in such manner as may be prescribed; and
- (b) ensure that the activities as are included in Corporate Social Responsibility Policy of the company are undertaken by the company. [Sec 135(4)]

5. Spending of 2% of Average Net Profits on CSR: The Board of every company must ensure that the company spends, in every financial year, **at least 2% of the Average Net Profits (as per Sec 198) of the company made during 3 immediately preceding financial years**, in pursuance of its Corporate Social Responsibility Policy. [Sec 135(5)]

Notes:

- (i) The company must give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities. [Proviso to Sec 135(5)]
- (ii) If the company fails to spend such amount, the Board must, in its report made u/s 134, specify the reasons for not spending the amount. [Proviso to Sec 135(5)]
- (ii) As per Rule 2(1)(e) of the Companies (CSR Policy) Rules, 2014, "CSR Policy" relates to the activities to be undertaken by the company as specified in Schedule VII to the Act and the expenditure thereon, excluding activities undertaken in pursuance of normal course of business of a company.
- (iv) As per Rule 2(1)(f) "Net Profit" means the Net Profit of a company as per its financial statement prepared in accordance with the applicable provisions of the Act, but shall not include the following, namely:—
 - (a) any profit arising from any overseas branch or branches of the company, whether operated as a separate company or otherwise; and
 - (b) any dividend received from other companies in India, which are covered under and complying with the provisions of Sec 135.
- (v) As per Rule 4(5), the CSR projects or programs or activities that benefit only the employees of the company and their families shall not be considered as CSR activities in accordance with Sec 135.

25. Right of member to copies of Audited Financial Statement [Sec 136]: Without prejudice to the provisions of Sec 101, a copy of the financial statements, including consolidated financial statements, if any, Auditor's Report and every other document required by law to be annexed or attached to the financial statements, which are to be laid before a company in its general meeting, must be sent to every member of the company, to every trustee for the debenture-holder of any debentures issued by the company, and to all persons other than such member or trustee, being the person so entitled, at least 21 days before the date of the meeting. [Sec 136(1)]

However, in the case of a listed company, the provisions of Sec 136(1) shall be deemed to be complied with, if the copies of the documents are made available for inspection at its registered office during working hours for a period of 21 days before the date of the meeting and a statement containing the salient features of such documents in **Form AOC-3** or copies of the documents, as the company may deem fit, is sent to every member of the company and to every trustee for the holders of any debentures issued by the company atleast 21 days before the date of the meeting unless the shareholders ask for full financial statements. [Provisio to Sec 136(1)]
 However, that the Central Government may prescribe the manner of circulation of financial statements of companies having such Net Worth and Turnover as may be Prescribed. [Provisio to Sec 136(1)]

26. **Manner of Circulation of Financial Statements in certain cases (Rule 11 of the Companies (Account) Rules, 2014):** In case of all listed companies and such public companies which have a **Net Worth of more than ₹ 1 crore** and **Turnover of more than ₹ 10 crore**, the financial statements may be sent-

- (a) by electronic mode to such members whose shareholding is in dematerialised format and whose email Ids are registered with Depository for communication purposes;
- (b) where Shareholding is held otherwise than by dematerialised format, to such members who have positively consented in writing for receiving by electronic mode; and
- (c) by despatch of physical copies through any recognised mode of delivery as specified u/s 20 of the Act, in all other cases.

27. **Duty to File with Registrar [Sec 137]:**

<p>1. Where Financial Statements adopted at AGM</p>	<p>A copy of the financial statements, including consolidated financial statement, if any, along with all the documents which are required to be or attached to such financial statements under this Act, duly adopted at the AGM of the company, must be filed with the Registrar within 30 days of the date of AGM in such manner, with such fees or additional fees as may be prescribed within the time specified u/s 403.</p>
<p>2. Where Financial Statements Not adopted at AGM</p>	<p>Where the financial statements are not adopted at AGM or Adjourned AGM, such unadopted financial statements along with the required documents must be filed with the Registrar within 30 days of the date of AGM and the Registrar shall take them in his records as provisional till the Financial Statements are filed with him after their adoption in the Adjourned AGM for that purpose:</p>
<p>3. Where Financial Statement adopted at Adjourned AGM</p>	<p>Financial Statements adopted in the Adjourned AGM must be filed with the Registrar within 30 days of the date of such Adjourned AGM with such fees or such additional fees as may be prescribed within the time specified u/s 403:</p>
<p>4. In case of One Person Company</p>	<p>A One Person Company must file a copy of the financial statements duly adopted by its member, along with all the documents which are required to</p>

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	be attached to such financial statements, within 180 days from the closure of the financial year.
5. In case of Subsidiary/ Subsidiaries	A company must, along with its financial statements to be filed with the Registrar, attach the accounts of its subsidiary or subsidiaries which have been incorporated outside India and which have not established their place of business in India.
6. Where AGM not held	Where the AGM of a company for any year has not been held, the financial statements along with the documents required to be attached duly signed along with the Statement of Facts and Reasons for not holding the AGM must be filed with the Registrar within 30 days of the last date before which the AGM should have been held and in such manner, with such fees or additional fees as may be prescribed within the time specified, u/s 403.

Penalty for Failure to File: If a company fails to file the copy of the financial statements before the expiry of the specified period the company shall be punishable with fine of ₹ 1,000 or every day during which the failure continues but which shall not be more than ₹ 10,00,000, and the Managing Director and the Chief Financial Officer of the company, if any, and, in the absence of the Managing Director and the Chief Financial Officer, any other director who is charged by the Board with the responsibility of complying with the provisions of this section, and, in the absence of any such director, all the directors of the company, shall be punishable with imprisonment for a term which may extend to 6 months or with fine which shall be at least ₹ 1,00,000 but which may extend to ₹ 5,00,000, or with both.

28. Internal Audit [Sec 138]: Such class or classes of companies as may be prescribed shall be required to appoint an internal auditor, who shall *either* be a Chartered Accountant *or* a Cost Accountant, or such other professional as may be decided by the Board to conduct internal audit of the functions and activities of the company.

Note: The Central Government may, by rules, prescribe the manner and the intervals in which the internal audit shall be conducted and reported to the Board.

3.0 CONTENTS AND FORMS [SECTION 129]

- The Balance Sheet is required to give a true and fair view of the state of affairs of the company as at the end of the financial year and is to be in the form set out in Part I of Schedule III.
- The Statement of Profit and Loss is required to give a true and fair view of the profit or loss of the company for the financial year and is to be in the form set out in Part II of Schedule III.

4.0 FORM OF PREPARING A STATEMENT OF PROFIT AND LOSS

- Vertical form** has been prescribed under The Companies Act, 2013 for Statement of Profit and Loss of a company.
- A format of Statement of Profit and Loss has been given on next page:

Specimen of Statement of Profit & Loss

NAME OF THE COMPANY.....

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED

Particulars	Note No.	Figures for the Current Reporting Period	Figures for the Previous Reporting Period
		₹	₹
I. Revenue from Operations	1	xxx	xxx
II. Other Income	2	xxx	xxx
III. Total Revenue [I + II]		xxx	xxx
IV. Expenses:			
✓ Cost of Materials consumed	3	xxx	xxx
Purchases of Stock-in-Trade		xxx	xxx
✓ Changes in Inventories	4	xxx	xxx
✓ Employee Benefits Expense	5	xxx	xxx
Finance Costs	6	xxx	xxx
Depreciation and Amortization Expense	7	xxx	xxx
Other Expenses	8	xxx	xxx
Total Expenses		xxx	xxx
V. Profit before Tax(III-IV)		xxx	xxx
VI. Exceptional Items		xxx	xxx
VII. Profit Before Extraordinary Items and Tax (V - VI)		xxx	xxx
VIII. Extraordinary Items		xxx	xxx
IX. Profit before tax (VII - VIII)		xxx	xxx
X. Tax Expense:			
(1) Current Tax		xxx	xxx
(2) Deferred Tax		xxx	xxx
		xxx	xxx
XI. Profit (Loss) for the period		xxx	xxx
XII. Earnings per Equity Share:			
(1) Basic		xxx	xxx
(2) Diluted		xxx	xxx

Notes to Accounts:

Note 1: Revenue from Operations

(a) From Sale of Products	xxx	xxx
(b) From Sale of Services	xxx	xxx
(c) From Other Operating Revenues [Trading Commission]	xxx	xxx
(d) Less: Excise Duty	(xxx)	(xxx)
	xxx	xxx



Note 2: Other Income

आपल्या Business मध्ये
दुसऱ्या Business मध्ये

(a) Interest Income (in case of a company other than a finance company)	XXX	XXX
(b) Dividends From Subsidiary Companies	XXX	XXX
(c) Dividend Income From Companies other than Subsidiary Companies	XXX	XXX
(d) Net Gain/Loss on Sale of Investments [Gain - Loss]	XXX	XXX
(e) Other Non-Operating Income (Net of Expenses directly attributable to such income) [Income - Expenses]	XXX	XXX
(f) Net Gain on Foreign Currency Transaction of Translation (other than considered as Finance Cost)	XXX	XXX
(बाहेरून देणाऱ्या चंगनाची देवण घेवणे)	XXX	XXX

Note 3: Cost of Materials consumed

(a) Opening Stock of Materials	XXX	XXX
(b) Add: Purchases of Materials	XXX	XXX
(c) Less: Closing Stock of Materials	(XXX)	(XXX)
Cost of Materials consumed	XXX	XXX

Note 4: Changes in Inventories

Particulars	Work-in-Progress (₹)	Finished Goods (₹)	Total
Closing Stock	XXX	XXX	XXX
Less: Opening Stock	(XXX)	(XXX)	(XXX)
	XXX	XXX	XXX

Note 5: Employee Benefits Expense

Salaries and Wages	XXX	XXX
Contribution To Provident and Other Funds	XXX	XXX
Expense On Employee Stock Option Scheme (ESOP) and Employee Stock Purchase Plan (ESPP)	XXX	XXX
Staff Welfare Expenses (Group of person)	XXX	XXX

Note 6: Finance Costs

(a) Interest Expense	XXX	XXX
(b) Other Borrowing Costs	XXX	XXX
(c) Applicable Net Gain/Loss on Foreign Currency Transactions and Translation	XXX	XXX
	XXX	XXX

Note 7: Depreciation and Amortization Expense

Buildings	} These all are assets of the co.	XXX	XXX
Plant and Equipment		XXX	XXX
Vehicles		XXX	XXX
Office Equipment		XXX	XXX
Brands		XXX	XXX
Computer Software		XXX	XXX
		XXX	XXX

Note 8: Other Expenses

(a) Consumption of Stores and Spare Parts	खर्च	XXX	XXX
(b) Power and Fuel	रिश्त खर्च	XXX	XXX
(c) Rent	आवासी	XXX	XXX
(d) Repairs to Buildings	सुधार के लिए खर्च	XXX	XXX
(e) Repairs to Machinery	मशीनरी का खर्च	XXX	XXX
(f) Insurance	सूचीकरण	XXX	XXX
(g) Rates and Taxes [Excluding Taxes on Income]	Income वरग। Tax भुगतान	XXX	XXX
(h) Miscellaneous Expenses	अन्य खर्च	XXX	XXX
(i) Provisions for Losses of Subsidiary Companies	Losses को कम करने हेतु प्रभु प्रभु	XXX	XXX
(j) Net Gain on Foreign Currency Transaction of Translation (other than considered as Finance Cost)	Finance Cost से भिन्न	XXX	XXX
(k) Provisions, if material	सूचीकरण प्रभु प्रभु	XXX	XXX
(l) Withdrawal from Provisions, if material	Withdrawal प्रभु प्रभु	XXX	XXX
(m) Expenditure on Corporate Social Responsibility (CSR)		XXX	XXX
(j) Payments to the Auditor as:		XXX	XXX
(a) Auditor		XXX	XXX
(b) For Taxation Matters		XXX	XXX
(c) For Company Law Matters		XXX	XXX
(d) For Management Services		XXX	XXX
(e) For Other Services		XXX	XXX
(f) For Reimbursement of Expenses		XXX	XXX
		XXX	XXX

Note: Surplus i.e. Balance in the Statement of Profit and Loss to be taken to Balance Sheet

Opening Balance	XXX	XXX
Add: Profit for the period	XXX	XXX
Less: Transfer to Reserve	(XXX)	(XXX)
Less: Interim Dividend	(XXX)	(XXX)
Less: Proposed Preference Dividend	(XXX)	(XXX)
Less: Proposed Equity Dividend	(XXX)	(XXX)
Less: Dividend Distribution Tax	(XXX)	(XXX)
Closing Balance	XXX	XXX

Notes:
 1. Any item of Income or Expenditure which exceeds 1% of the Revenue from Operations or ₹ 1,00,000, whichever is higher is to be disclosed separately.

21.0 FORM OF PREPARING A BALANCE SHEET OF A COMPANY

VERTICAL FORM OF BALANCE SHEET

Part I of Schedule III to The Companies Act, 2013 prescribes only vertical form of Balance Sheet.

GENERAL INSTRUCTIONS FOR PREPARATION OF BALANCE SHEET

1. Current Assets	An asset shall be classified as current when it satisfies any of the following criteria: (a) it is expected to be realized in, or is intended for sale or consumption in, the company's normal operating cycle; (b) it is held primarily for the purpose of being traded; <i>or</i> (c) it is expected to be realized within 12 months after the reporting date; <i>or</i> (d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date
2. Non-Current Assets	All other assets shall be classified as non-current.
3. An Operating Cycle	An operating cycle is the time between the acquisition of assets for processing and their realization in cash or cash equivalents. Where the normal operating cycle cannot be identified, it is assumed to have a duration of 12 months.
3. Current Liabilities	A liability shall be classified as current when it satisfies any of the following criteria: (a) it is expected to be settled in the company's normal operating cycle; (b) it is held primarily for the purpose of being traded; (c) it is due to be settled within 12 months after the reporting date; <i>or</i> (d) the company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.
4. Non-Current Liabilities	All other liabilities shall be classified as non-current.
5. Trade Receivable	A receivable shall be classified as a 'Trade Receivable' if it is in respect of the amount due on account of goods sold or services rendered in the normal course of business.
6. Trade Payable	A payable shall be classified as a 'Trade Payable' if it is in respect of the amount due on account of goods purchased or services received in the normal course of business.
7. Use of Prefix 'At' instead of 'On'	It may be noted that the prescribed form of Balance Sheet prefixes 'At' instead of 'On'. <i>For example</i> , if a Balance Sheet of X Ltd. is prepared on 31st march, then the date of the balance-sheet will be stated as 'At 31st March, 2015' and not as 'On 31st March, 2015. The word 'On' refers to the entire duration (which consists of 24 hours) of the day whereas the word 'At' refers to a specific point of time. Since the balance-sheet is prepared to represent the financial position of the concern at a particular point of time (viz. at the end of the day's business hours), it is appropriate to use the word 'At' instead of 'On' .

22.0 VERTICAL FORM OF SUMMARISED BALANCE SHEET [WITH MAJOR HEADINGS ONLY]

...NAME OF THE COMPANY...
BALANCE SHEET AS AT ...

(Rupees in ...)

Particulars	Note No.	Figures for the Current Reporting Period	Figures for the Previous Reporting Period
I. EQUITY AND LIABILITIES			
(1) Shareholders' Funds		XXX	XXX
(2) Share Application Money pending Allotment		XXX	XXX
(3) Non-Current Liabilities		XXX	XXX
(4) Current Liabilities		XXX	XXX
Total		XXX	XXX
II. ASSETS			
(1) Non-Current Assets		XXX	XXX
(2) Current Assets		XXX	XXX
Total		XXX	XXX

23.0 VERTICAL FORM OF DETAILED BALANCE SHEET

....NAME OF THE COMPANY
BALANCE SHEET AS AT....

(Rupees in...)

Particulars	Note No.	Figures for the Current Reporting Period	Figures for the Previous Reporting Period
I EQUITY AND LIABILITIES			
(1) Shareholders' Funds			
(a) Share Capital	1	.....	.....
(b) Reserves and Surplus [e.g. Debit Balance of Profit & Loss A/c as negative figure]	2	.....	.....
(c) Money received against Share Warrants		.....	.....
(2) Share Application Money pending Allotment			
(3) Non-Current Liabilities			
(a) Long-term Borrowings [e.g. Bonds/Debentures/Loans repayable after 12 months]	3	.....	.....
(b) Deferred Tax Liabilities (Net)		.....	.....
(c) Other Long term Liabilities [e.g. Trade Payables to be settled after 12 months]		.....	.....
(d) Long-term Provisions [e.g. Provision for Employee Benefits to be settled after 12 months]		.....	.....
(4) Current Liabilities			
(a) Short-Term Borrowings [e.g. Loans repayable on demand or within 12 months]	4	.....	.....
(b) Trade Payables [e.g. Trade Creditors, Bills Payables to be settled within 12 months]	5	.....	.....
(c) Other Current Liabilities [e.g. Bank Overdraft, Unpaid Dividend/matured Deposits/ matured Debentures, That portion of Long-term Borrowings repayable		.....	.....

within 12 months, Interest accrued (whether due or not) on borrowings, Calls-in-Advance, Outstanding Expenses, Tax Payable
 (d) Short-Term Provisions [e.g. Provision for Tax, Proposed Dividend, Provision for Employee Benefits to be settled within 12 months]

Total

II. ASSETS

(1) Non-Current Assets

- (a) Fixed Assets
 - (i) Tangible Assets [e.g. Land, Buildings, Plant & Equipment]
 - (ii) Intangible Assets [e.g. Goodwill Purchased, Goodwill on Consolidation, Brands/ Trademarks]
 - (iii) Capital Work-in-Progress [e.g. Building under construction]
 - (iv) Intangible Assets under Development [e.g. Computer Software under Development]
- (b) Non-Current Investments [e.g. Investment in Property/Partnership Firms]
- (c) Deferred Tax Assets (Net)
- (d) Long-Term Loans and Advances [e.g. Capital Advances, Security Deposits, Loans & Advances receivable after 12 months]
- (e) Other Non-Current Assets [e.g. Unamortised Expenses like Discount/Loss on issue of Debentures to be amortised after 12 months, Amalgamation Adjustment A/c]

(2) Current Assets

- (a) Current Investments
- (b) Inventories [e.g. Raw- Materials, Work-in-Progress, Finished Goods, Loose Tools, Stores & Spares]
- (c) Trade Receivables [e.g. Trade Debtors, Bills Receivables to be realized within 12 months, Provision for Doubtful Debts by way of deduction]
- (d) Cash and Cash Equivalents [e.g. Cheques/Drafts on hand, Bank Deposits with more than 12 months maturity]
- (e) Short-term Loans and Advances [e.g. Loans & Advances receivable within 12 months]
- (f) Other Current Assets [e.g. Prepaid Expenses]

Total

6

7

8

9

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11

12

13

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Notes To Accounts:

Note 1: SHARE CAPITAL

Particulars	₹	
	₹	₹
Authorised Capital	XXX	XXX
..... Shares of ₹ ... each		
Issued Capital	XXX	XXX
..... Shares of ₹ ... each		
Subscribed Capital and fully paid	XXX	XXX
..... Shares of ₹ ... each ₹ ... per share paid up		

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*Subscribed Capital but not fully paid

..... Shares of ₹ ... each ₹ ... per share paid up
 Less: Calls unpaid:
 (a) by Directors & Officers
 (b) by Others
 Add: Forfeited Shares

xxx	xxx
(xxx)	(xxx)
(xxx)	(xxx)
xxx	xxx
xxx	xxx

Notes:

- For the period of 5 years immediately preceding the date as at which the Balance Sheet is prepared
 - Aggregate Number and Class of **Shares** allotted as fully paid up pursuant to a contract **without payments being received in cash**
 - Aggregate Number and Class of **Shares** allotted as fully paid up by way of **Bonus Shares**
 - Aggregate Number and Class of **Shares bought back**
- Shares in the company held by each shareholder holding more than 5% shares specifying the number of shares
- Shares Reserved for issue under options and contracts/commitments for the sale of shares/disinvestment, including the terms and amounts
- Shares held by Holding Company/Ultimate Holding Company/Subsidiaries/Associates of Holding Company/Ultimate Holding Company.
- Reconciliation** of the No of shares outstanding at the beginning and at the end of the reporting period

Particulars	Figures for the Current Reporting Period	Figures for the Previous Reporting Period
A. Shares at the beginning of the year		
B. Add: Shares allotted as fully paid up pursuant to a contract without payments being received in cash		
C. Add: Shares issued on Right/Preferential/Private Placement basis		
D. Add: Shares allotted as fully paid up by way of Bonus Shares		
E. Add: Shares Issued on exercise of Employee Stock Options		
F. Add: Shares Issued on conversion/surrender of Debentures/Bonds/Term Loan.		
G. Less: Shares cancelled on buy back of Shares		
H. Less: Shares Foreited but not resued during the current year		
I. Shares at the end of the year		

***Note:** Subscribed and Paid up Share Capital will include Unpaid Amount on Shares subscribed by Subscribers to Memorandum of Association and such Unpaid Amount will be disclosed under the head **Current Assets** and sub-head **Other Current Assets**.

Note 2: RESERVES AND SURPLUS

Particulars	₹	₹
Capital Reserve		
Capital Redemption Reserve		
Securities Premium Reserve		
Debenture Redemption Reserve		
Revaluation Reserve		
Share Options Outstanding Account		
Other Reserves – (specify the nature and purpose of each reserve and the amount in respect thereof)		

General Reserve, Dividend Equalisation Reserve, Reserve for Contingent Liabilities, Reserve for bad debts, Tonnage Tax Reserve created under the Income-tax Act, 1961.

Surplus i.e. Balance in Statement of Profit & Loss

Opening Balance

Add: Profit for the period

Less: Transfer to Reserve

Less: Used for Bonus Shares

Less: Interim Dividend

Less: Proposed Preference Dividend

Less: Proposed Equity Dividend

Less: Dividend Distribution Tax

Closing Balance**Notes:**

1. Debit Balance of Profit & Loss A/c is to be shown as negative figure.
2. Similarly Debit Balance of Reserve & Surplus is shown as negative figure.
3. 'Fund' is to be used if Reserve is earmarked for specific purpose.

Note 3: LONG-TERM BORROWINGS

<i>Particulars</i>	₹	₹
Bonds/Debentures		
Term Loans from Banks		
Term Loans from Other Parties		
Deferred Payment Liabilities		
Deposits		
Loans and Advances from Related Parties		
Long term Maturities of Finance Lease Obligations		
Other Loans and Advances (specify nature)		

Notes:

1. Aggregate Amount of Secured Borrowings along with Nature of security .
2. Aggregate Amount of Unsecured Borrowings
3. Aggregate Amount of Loans guaranteed by Directors or Others under each head
4. Bonds/debentures (along with the Rate of Interest and particulars of redemption or conversion, as the case may be) in descending order of maturity or conversion, starting from farthest redemption or conversion date, as the case may be. Where bonds/debentures are redeemable by installments, the date of maturity for this purpose must be reckoned as the date on which the first installment becomes due.
5. Particulars of any Redeemed Bonds/Debentures which the company has power to reissue shall be disclosed.
6. Terms of Repayment of Term Loans and Other Loans
7. Period and amount of continuing default as on the Balance Sheet Date in repayment of Loans and Interest

NOTE 4: SHORT-TERM BORROWINGS

<i>Particulars</i>	₹	₹
Loans repayable on demand from Banks		
Loans repayable on demand from Other Parties		
Loans and Advances from Related Parties		
Deposits		
Other Loans and Advances (specify nature)		

Notes:

1. Aggregate Amount of Secured Borrowings along with Nature of security and Unsecured Borrowings.
2. Aggregate Amount of Unsecured Borrowings
3. Aggregate Amount of Loans guaranteed by Directors or Others under each head
4. Period and amount of continuing default as on the Balance Sheet Date in repayment of Loans and Interest

NOTE 5: TRADE PAYABLES

Particulars	₹	₹
Sundry Creditors		
Bills Payables		

NOTE 6: OTHER CURRENT LIABILITIES

Particulars	₹	₹
Current maturities of Long-term Debt		
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 e.g.)		
Bank Overdraft		
Outstanding Expenses		
Calls-in-Advance		

NOTE 7: SHORT-TERM PROVISIONS

Particulars	₹	₹
Provision for Employees' Benefit		
Provision for Income Tax		
Provision for Dividend Distribution Tax		
Proposed Equity Dividend		
Proposed Preference Dividend		

NOTE 8: TANGIBLE ASSETS

Asset	Original Cost in the beg	Additions	Disposal	Original Cost at the end	Total Depreciation in the beg	Depreciation for Current year	Depreciation on Asset Disposed off	Total Depreciation at the end	W.D.V at the end
A	B	C	D	E = B+C-D	F	G	H	I = F+G-H	J = E-I
Land									
Building									