Frequently Asked Questions (FAQs) – Revised Schedule VI

The Institute of Chartered Accountants of India as on 22-05-2012 issued FAQ's on Revised Schedule VI to aid professionals and corporate to comply with this new regulation. Given the importance of Schedule VI we have tried to reproduce these FAQ's as are released by ICAI here.

GENERAL

If the requirements of Company Act and/or Accounting Standards are different from that of Revised Schedule VI, what is the treatment to be given? If requirements of a regulatory authority like RBI are different from that of Revised Schedule VI, what treatment should be given?

Para 4.1.1 of the Revised Schedule VI necessitates that if compliance with the requirements of the Act and/or accounting standards requires a change in the treatment or disclosure in the financial statements, the requirements of the Act and/or accounting standards will prevail over the Schedule VI.
As per the general instruction for preparation of the balance sheet, the regulatory authority requirements that override Schedule VI and Schedule VI shall automatically stand modified to that extent.

A company is preparing its financial statements in accordance with the Revised Schedule VI for the first time. For certain information required to be disclosed in the notes, the current year amounts are nil. For example, let us assume that there is no default in repayment of loan and interest existing as at the end of current year. Is the company required to present previous year figures for such notes? Alternatively, can it omit the previous year information since no disclosure is required in the current year?

Revised Schedule VI requires that "Except in the case of the first financial statements laid before the company (after its incorporation), the corresponding amounts (comparatives) for the immediately preceding reporting period for all items shown in the financial statements including notes shall also be given."
The objective of presenting comparative information is to help users of financial statements in understanding the trends and key changes vis -à-vis the previous period financial statements. The inter-period comparability of information assists users in taking their economic decisions. Hence, a company needs to present comparative information for disclosures required under Revised Schedule VI even if their current period amount is nil.

Can a company prepare abridged financial statements (AFS) in accordance with the Revised Schedule VI?

Companies, where they are permitted / allowed to publish abridged financial statements, are not precluded from doing so using the format recently prescribed for this purpose.

A company having a December year -end will prepare its first Revised Schedule VI financial statements for statutory purposes for the period 1 January to 31 December 2012. Should such a company prepare its tax financial statements for the period from 1 April 2011 to 31 March 2012 in accordance with Revised Schedule VI or pre-Revised Schedule VI?

It is only proper that accounts for tax filing purposes are also pre pared in the Revised Schedule VI format for the year ended 31 March 2012.

According to the MCA circular, presentation of financial statements for the limited purpose of IPO / FPO during the financial year 2011–12 may be made in the pre-Revised Schedule VI format. However, for periods beyond 31 March 2012, they need to present financial statements only in the Revised Schedule VI format. This gives rise to the following questions:

(a) **A company having 31 March year-end is going for IPO/FPO in May 2012. In the offer document, it will include restated financial information for the period ending 31 January 2012. Can it prepare the said financial information using pre -Revised Schedule VI format?**

(b) **A company having 31 December year -end is going for IPO/FPO i n September 2012 and its IPO process is expected to close by 30 November 2012. In the offer document, it will include restated financial information for the stub-period ending 30 June 2012. Can it prepare the said financial information using the pre- Revised Schedule VI format?**

(c) **Also, for inclusion in Qualified Institutional Placement (QIP) document, is a company required to prepare its financial statements in accordance with Revised Schedule VI?**

As explained in the Circular dated 5 September 2011, the one-time exemption is available only if the IPO / FPO gets closed before 31 March 2012. For any IPO/ FPO, which will get closed after 31 March 2012, the company will prepare its restated financial information in accordance with Revised Schedule VI, irrespective of the period for which the information is being included in the offer document.

Revised Schedule VI requires a balance to be maintained between excessive detail and too much aggregation. Can a company use this principle to avoid giving disclosures specifically required by Revised Schedule VI / Guidance Note on the Revised Schedule VI, say, security details for each loan?

A company should not use this principle to avoid making material disclosures, which are specifically required under Revised Schedule VI, accounting standards, guidance notes and so on. Since disclosure regarding security for each loan is required by Revised Schedule VI and Guidance Note on the Revised Schedule VI, a company cannot avoid making this disclosure.

Any clarification, which is not covered or sufficiently covered in Accounting Standards or Revised Schedule VI, can it be referred to as in IND AS?

Reference can be made only to such material, which is official and recognized. Thus, clarification may have to be sought in this regard within the framework of the Companies Act, Accounting Standards, Revised Schedule VI and ICAI publications.

CLASSIFICATION

If during the lean period, there is some activity being carried out by the company, which is not in its normal course of business, and there is a receivable or outstanding from such activity, is it considered as "Trade Receivable"?

If the receivables arise out of sale of materials or rendering of services in the normal course of business, it should be treated as trade receivables. Otherwise, it is treated as other assets.

In accordance with Guidance Note on the Revised Schedule VI, a payable is classified as "trade payable" if it pertains to amount due towards goods purchased or services received in the normal course of business. Based on this principle, can a company include in trade payables the liability towards employees, leases or other contractual liabilities? What is the treatment for amounts due towards capital goods purchased?

Paragraph 8.4.1 of Guidance Note on the Revised Schedule VI provides the following information with regard to identification of trade payables:

"A payable shall be classified as trade payable if it is in respect of amount due on account of goods purchased or services received in the normal course of business. As per the old Schedule VI, the term sundry creditors included amounts due in respect of goods purchased or services received or in respect of other contractual obligations as well. Hence, amounts due under contractual obligations can no longer be included within trade payables and only commercial dues can be included under trade payables. Amounts due towards purchase of capital goods should also not be included in trade payables. They must be disclosed under other current liabilities with a suitable description.

What is the meaning of "for the purpose of being traded"? Does it mean those directly related to the operating activity?

It should be considered as related to the normal operating business activity of the entity.

Should a company classify the following items as other operating revenue or other income?

- **Liability written back (net)**
- **Insurance claim**
- **Bad debts recovery (net)**

If a company needs to classify one or more of these line items as "other income," should these items be included under the line "other non-operating Income" or presented as a separate line item in the "other income" note?

Whether an item should be classified as "other operating revenue" or "other income" is a matter of judgment and requires consideration of specific facts. In a number of cases, the dividing line between these two items may be very blur. It requires an exercise of significant judgment.

What is the definition of "Related Party"? Would the definition from the Accounting Standard prevail as the Companies Act does not have any definition of "Related Party" and has only "Relatives" defined u/s 6?

As per Para 4.1.1 of Guidance Note on the Revised Schedule VI, Accounting Standards will override Schedule VI and hence, related party shall be as defined in the Accounting Standard.

The Revised Schedule VI provides that in the 'Statement of Profit and Loss', the head "Other Income" includes interest income under which "Interest from customers on amounts overdue" is specifically included. However, under AS 17 (segment reporting – refer to "FAQ' published on AS 17), the same is treated as Operating Income and not as Other Income. Then, should interest income from customers on amounts overdue instead be classified under other operating income?

Accounting Standards override Schedule VI. In AS 17, segment reporting, particularly interest income and interest expense is not treated as segment revenue. Further, Revised Schedule VI has specifically included interest income as operating income for finance companies. Also, in specific cases of industries (such as power generation); interest could be part of the operating income as this also forms the basis for tariff setting.

In case of a manufacturing company, normally, interest income is not material and business is not done with an aim of earning interest. Practically, it is generally difficult to enforce the interest clause even though it is normally contained in all cases. Based on materiality and provisions in AS 17, the interest income on overdue outstanding is not an operating income. However, if a company, on the facts of its own case, determines that it would be appropriate to treat is as an operating income, it would have to disclose it as an accounting policy, if material.

If a third party gives a personal security for any borrowings and creates, by means of a legal deed, a charge on the assets held by such third party, can such borrowings be described as 'secured' instead of 'unsecured'?

If the deed properly conveys a security, it can be suitably disclosed in the terms of the loan. However, the loan itself is disclosed under unsecured loan because the assets of the company are not provided as a security for the loan.

CURRENT VS NON-CURRENT CLASSIFICATION

A company has classified the loan as non-current liability in the previous year. The loan becomes a current liability in the current year's financial statements. Is the company required to reclassify the loan as current liability in previous year also to match the current year classification?

Current / non -current classification of assets / liabilities is determined on a particular date, viz., the balance sheet date. Thus, the company should have determined the current / non-current classification of previous year balances based on the position existing as at the end of the previous year. If there is any change in the position at the end of current year resulting in different classification of assets / liabilities in the current year, it will not impact the classification made in the previous year. In other words, the company will continue to classify the loan as non - current liability in the figures of the previous period.

A company is preparing its financial statements in accordance with Revised Schedule VI for the first time. When identifying current / non -current assets / liabilities at the end of previous year, can a company apply hindsight based on the development that happened in the current year?

Current / non -current classification of assets / liabilities is determined on a particular date, viz., and the balance sheet date. If there is any new development in the current period, it should not impact the classification of assets and liabilities for the previous year. Hence, a company is not allowed to use hindsight in arriving at the cur rent / non-current classification of assets or liabilities at the end of previous year.

However, in our view, it is important to distinguish from hindsight the facts existing at the previous balance sheet date. In certain cases, the events happening in the current period may not be new developments. Rather, they may merely be an additional evidence of conditions existing as at the previous year balance sheet. Obviously, these events need to be incorporated in arriving at current / non -current classification of assets or liabilities at the end of previous year. In many cases, identification of the two events separately may not be straightforward and would require exercise of significant judgment.

How should "fixed assets held for sale" be classified in the balance sheet?

They should be classified as a current asset since the intent of the company to sell is established.

How will a company classify its investment in preference shares, which are convertible into equity shares within one year from the balance sheet date? Will it classify the investment as a current asset or a non-current asset?

In accordance with the Revised Schedule VI, an investment realisable within 12 months from the reporting date is classified as a current asset. Such realization should be in the form of cash or cash equivalents, rather than through conversion of one asset into another non-current asset. Hence, the company must classify such an investment as a non-current asset, unless it expects to sell the preference shares or the equity shares on conversion and realize cash within 12 months.

Revised Schedule VI requires that a company present trade receivables in the following format:

Trade receivable

Secured, considered good	**XX, XXX**

Unsecured, considered good	**XX, XXX**
Doubtful	**X, XXX**
Total	**XX, XXX**
Less: Provision for bad and doubtful debts	**X, XXX**
Trade receivables	**XX, XXX**

A company needs to disclose trade receivables under "current" and "non - current" assets depending on the Revised Schedule VI criteria. Should the company divide the "provision for bad and doubtful debts" also on the same basis?

Yes.

How should a slow moving stock of stores and spares be classified when it will neither be consumed within the normal operating cycle nor will be sold within 12 months from the balance sheet date?

Inventory should always be categorized as a current asset.

There is a breach of a major debt covenant as on the balance sheet date related to long-term borrowing. This allows the lender to demand immediate repayment of loan. However, the lender has not demanded repayment till authorization of financial statements for issue. Can the company continue to classify the loan as non-current? Will the classification be different if the lender has waived the breach before authorization of financial statements for issue?

As per the Guidance Note on the Revised Schedule VI, a breach is considered to impact the non-current nature of the loan only if the loan has been irrevocably recalled. Hence, in the Indian context, long-term loans, which have a minor or major breach in terms, will be considered as current only if the loans have been irrevocably recalled before authorization of the financial statements for issue.

What will be the scenario if a long-term loan has been classified as a non performing asset by the bank / financial institution? Can it still be classified as non-current?

The situation in case of a loan being classified as a non-performing asset will also be the same as the case of a performing asset. The essential ingredient to impair the long-term nature of the loan would be irrevocable recall of the loan by the lender.

How would a rollover / refinance arrangement entered for a loan, which was otherwise required to be repaid in six months, impact current / non-current classification of the loan? Consider three scenarios: (a) Rollover is with the same lender on the same terms, (b) Rollover is with the same lender but on substantially different terms, and (c) Rollover is w with a different lender on similar / different terms.

In general, the classification of the loan will be based on the tenure of the loan. Thus, in all the above cases, if the original term of the loan is short term, the loan would be treated as only current, irrespective of the rollover / refinance arrangement. However, in exceptional cases, there may be a need to apply significant judgment on substance over form. In such cases, categorization could vary as appropriate.

A company has taken a three-year loan specifically for a business whose operating cycle is four years. Hence, it needs to classify the three -year loan as current liability. This gives rise to the following issues:

a) **Should the loan be classified in the balance sheet under the head "long-term borrowing", "short-term borrowing" or "current maturities of long-term debt"?**
b) **Does the company need to make all the disclosures required for long-term borrowings for this loan also?**

Any borrowing whose repayment falls within the operating cycle will be only a current liability. Hence, it will be included under short-term borrowings. Disclosures will also be required accordingly.

Fixed deposits have a maturity of more than 12 months from the balance sheet date. Will they be classified as current or non-current?

They will be classified as non-current.

In case there is lien over FDs, thereby making it impossible to convert them into cash before the agreed period, how will the FDs be presented in the balance sheet? Moreover, will the interest accrued over such FDs be also classified as current and non-current?

Such fixed deposits will be coterminous with the liability. Current or non-current distinction will be applied based on the expectation to be realized within 12 months after the reporting date. Interest accrued on such deposit will also be treated on the same basis.

The company has received security deposit from its customers / dealers. Either the company or the customer / dealer can terminate the agreement by giving two months notice. The deposits are refundable within one month of termination. However, based on past experience, it is noted that deposits refunded in a year are not material, with 1% to 2% of the amount outstanding. The intention of the company is to continue long-term relationship with its customers / dealers. Can the company classify such security deposits as non-current liability?

As per Revised Schedule VI, a liability is classified as current if the company does not have an unconditional right to defer its settlement for at least 12 months after the reporting date. This will apply generally. However, in specific cases, based on the commercial practice, say for example electricity deposit collected by the department, though stated on paper to be payable on demand, the e company's records would show otherwise as these are generally not claimed in short term. Treating them as non-current may be appropriate and may have to be considered accordingly**.** A similar criterion will apply to other deposits received, for example, under cancellable leases.

The company has taken premises on operating leases for which it has paid a security deposit to the lessor. The lease term is five years. However, both parties can terminate the agreement after giving a three months' notice. The deposits are refundable immediately on termination of agreement. The intention of the company is to continue the lease agreement for 5 years. Further, the company has taken electricity connection for which it has paid security deposits. These deposits are repayable on demand on surrender of the electricity connection. Can the company classify these security deposits as current assets?

Classification of deposits paid depends on the expectation of its realization. Hence, a company will classify lease / electricity deposits given as a non-current asset, unless it expects to recover the same within 12 months after the reporting date, that is, by cancelling the lease contract or surrendering the electricity connection.

For funded defined benefit plans, Guidance Note on the Revised Schedule VI requires that amount due for payment to the fund within next 12 months be treated as current liability. Since a company will also recognize service cost in the next year, how should it determine the component of net deficit in the fund to be classified as current liability? For example, deficit is 500 and the LIC is expected to demand a payout of 300 in the next year. The expected cost for the next year is 200.

Current / non-current classification will depend on the relevant provisions of the Contract Act and Arrangement with LIC. If the LIC demand is known, then that portion will be reflected as a current liability. If the actuarial valuation is higher, then the difference between the actuarial valuation and the LIC demand will be treated as a long-term provision.

In case of Provision for Gratuity and Leave Encashment, can current and noncurrent portions be bifurcated on the basis of Actuarial valuation?

The actuary should be specifically requested to indicate the current and non-current portions, based on which the disclosure is to be made.

Guidance Note on the Revised Schedule VI requires deferred tax assets / liabilities to be classified as non-current. Does it imply that the provision for tax (net of advance tax) / advance tax (net of provision) also be classified as noncurrent?

Current year tax provision (net of advance tax) will generally be treated as current liability, as this will become due in the short term. Current year advance tax (net of provision) as well as past year's advance tax (net of provision) shall generally be classified as non-current as these are not likely to arise in the short term. Advance tax against which refund orders have been passed, and if not adjusted towards other liabilities, will only be treated as a current asset.

The Reserve Bank of India (RBI), vide its notification no. DNBS.223/CGM (US)-2011 dated 17 January 2011, has issued directions to all NBFCs to make a provision of 0.25% on standard assets. The RBI requires this provision to be shown as a liability and not netted from loan balance. Will the NBFC have to split the provision into "current" and "non-current" portions?

An NBFC creates provision on the standard assets at the rate prescribed by RBI. In accordance with the Revised Schedule VI, it will classify these standard assets into current and non-current portions. Since the provision is closely linked to the underlying asset, we believe that an NBFC should split the standard asset provision also into current and noncurrent portions by using the same criterion.

The issue is whether NCI (Minority Interest) must be broken up and classified as current and non-current. To the extent of the share of provision of dividend to subsidiary, should it be current?

The non-controlling interest is not subject to current and non-current distinction as it forms a part of the shareholders' funds.

OPERATING CYCLE

Should an operating cycle be disclosed?

Yes. As a matter of best practice, a company may disclose the same, especially if the same is more than 12 months. This disclosure will be particularly helpful to the users of financial statements, where determination of the operating cycle involves significant judgment and it is more than 12 months.

Should the operating cycle be calculated for each item separately, say for debtors, inventory or for the company as a whole?

Operating cycle should not be considered for each component separately but, at the same time, it may not be so for the company as a whole. It will have to be calculated for each business line separately.

Is the operating cycle to be considered customer wise, especially where a large customer is provided a significantly different credit period?

The Revised Schedule VI and the Guidance Note on the Revised Schedule VI contemplates the company to identify its operating cycle for each of its businesses and not based on each of its customers. Hence, the operating cycle must be defined in terms of each business.

What will be the basis for determining the operating cycle, where say the private sector clients and government sector clients have a significantly different credit period? Can the operating cycle be determined on the basis of customer category?

The Revised Schedule VI and the Guidance Note on the Revised Schedule VI contemplates that the company identify its operating cycle for each of its business and not based on each customer. Hence, the operating cycle must be defined in terms of each business and not customer category wise. The company needs to suitably determine the normal operating cycle for the business considering the significance of the different credit periods, among other matters.

Is the lead-time for procuring raw material (time taken by the supplier from the order to delivery) included in the operating cycle?

Operating cycle of a business should comprise the normal time required to complete its processes of (i) Acquiring raw material, (ii) Processing the same into finished goods, (iii) Making the sale, and (iv) Realizing the sale p proceeds in cash. Hence, in the given case, the normal lead -time to acquire raw material should be included in determining the operating cycle.

Is the credit period allowed by supplier reduced when determining the operating cycle?

In accordance with the Revised Schedule VI, operating cycle is the time between the acquisition of assets for processing and their realization in cash or cash equivalents. This suggests that the operating cycle should comprise the normal time spent on various activities, starting from purchase of raw material till realization of cash and there is no need to reduce the credit period allowed by supplier from the same. Further, though the company has not paid for the raw material during the first six months, it might have started incurring expenses on other items such as labour and overhead costs. Hence, the credit period allowed by the supplier need not be reduced when determining the operating cycle.

CASH FLOW STATEMENT

How will the Revised Schedule VI impact presentation of the cash flow statement? The following key issues need to be specifically considered for this:

i. **(Revised Schedule VI requires presentation of lines items, either on face or in the notes, which are different vis-à-vis those required under pre-Revised Schedule VI. For example, Revised Schedule VI requires presentation of trade receivables as against sundry debtors required by pre-Revised Schedule VI. Is it mandatory for a company to present revised line items in the cash flow statement also?**
ii. **As part of working capital movement, is it mandatory to present a separate movement for current and non -current components? For example, a company has segregated trade receivables into current and non-current components based on the Revised Schedule VI criteria. Is it mandatory for the company to disclose movement in current and non-current trade receivables separately?**

iii. **As part of investing and financing activities, is a company required to present cash inflows and outflows separately for current and non -current items? For example, a company has taken a loan of 10, 00,000. Out of this, 8, 00,000 is classified as non -current liability and 2, 00,000 is current liability.**

Is it mandatory for the company to disclose inflow from the current and noncurrent component of loan separately?

The line items / headings used in cash flow statement should be in sync with those used in other parts of the financial statements. In accordance with Guidance Note on the Revised Schedule VI, the terms "trade receivables" and "sundry debtors" can have different meanings. Hence, a company cannot present trade receivables in the balance sheet and show movement in "sundry debtors" in cash flow statement.

The cash flow statement should also refer to them as trade receivables. With respect to the issues (ii) and (iii), AS 3 Cash Flow Statements does not mandate such presentation. Nor is such presentation required in Revised Schedule VI or Guidance Note on the Revised Schedule VI. Hence, it is not mandatory for a company to present separate movement / inflows and outflows from current and noncurrent components of various line items separately.

OTHER DISCLOSURES

A company has a single class of equity shares. Is the company still required to disclose rights, restrictions and preferences with respect to the same?

Revised Schedule VI requires disclosures of rights, preferences and restrictions attached to each class of shares. If a company has only one class of equity shares, it is still required to make this disclosure.

Revised Schedule VI requires disclosures of rights, preferences and restrictions attached to each class of shares. Is a company required to make this disclosure separately for the ADR / GDR issued?

In case of ADR / GDR, a company typically issues its shares to a bank in a foreign country. Against such shares, the foreign bank issues depository receipts to investors in the foreign country. Hence, from the perspective of the company, it has issued shares for which disclosure of rights, preferences; restrictions and d soon are already disclosed. If there are any additional rights / restrictions attached to ADR / GDR, those rights and restrictions need to be disclosed. If there are no additional rights / restrictions attached to ADR / GDR, it will not be required to m make a separate disclosure for rights, preferences and restrictions attached to the ADR / GDR. In any case, it will disclose the fact of ADR / GDR issued by way of an appropriate note.

Is a company required to make disclosure regarding shareholders holding more than 5% shares based on legal or beneficial ownership? Can a company include information regarding beneficial ownership on a selective basis?

Disclosure is to be on the basis of legal ownership, except where beneficial ownership is clearly available from the depositories. For instance, beneficial ownership of GDR / ADR may not be available.

Revised Schedule VI requires that a company disclose for a period of five years immediately preceding the balance sheet date information such as, aggregate number and class of shares (a) Allotted as fully paid up pursuant to contract(s) without payment being received in cash, (b) Allotted as fully paid up by way of bonus shares, and (c) Bought back. In accordance with Guidance Note on the Revised Schedule VI, a company is not required to give year-wise break-up of the shares allotted or bought back. Rather, the aggregate number for the last five financial years needs to be disclosed. Is a company required to give comparative information for this disclosure? If yes, how will the comparative information be presented?

Revised Schedule VI is clear that except for the first financial statements laid before a company (after its incorporation), it will disclose the corresponding (comparative) amounts for the immediately preceding reporting period for all items shown in the financial statements, including notes. The application of this principle requires the company to disclose corresponding figures for information related to shares allotted / bought back during the period of five years.

Typically, the comparative information disclosed in the current period financial statements is the figure disclosed in the previous period financial statements. Hence, the same information will be disclosed as the comparative number in the current period.

Thus, the current year figure will be for the current year and previous four years while the previous year figure will be for the previous five financial years.

Should calls unpaid be shown as a reduction in new Schedule VI?

As per Revised Schedule VI of Para 6.A.b of General Instructions, details of shares subscribed and fully paid up and details of shares subscribed, but not fully paid up, should be shown separately. The shares subscribed but not fully paid up should indicate the amount not paid up. Further, as per General Instructions 6.A.k, calls unpaid (showing aggregate value of calls unpaid by directors and officials) should be given by way of note under share capital. In view of this, the gross amounts should be discussed in the capital portion first and then the calls unpaid should be reflected as a deduction.

In accordance with the Revised Schedule VI read with Guidance Note on the Revised Schedule VI, a company needs to disclose repayment terms of loan liabilities. These terms, among other matters, include period of maturity with respect to the balance sheet date, number and amount of installments due, applicable interest rate and other significant relevant terms. Can a company make these disclosures under appropriate buckets / range? For example, can it state that all ECB loans carry interest rate in the range of LIBOR + 1% to LIBOR+3%"?

With regard to repayment terms, paragraph 8.3.1.17 of Guidance Note on the Revised Schedule VI states: "Disclosure of terms of repayment should be made preferably for each loan unless the repayment terms of individual loans within a category are similar, in which case, they may be aggregated."

From this, it is clear that aggregation is permissible for similar items (similar need not be exactly matching – it could be broadly within a range of closeness, which is reasonable for the given case and circumstance). Also, the intent is not to have all the interest terms explicitly stated because there could be operational sensitivities for companies to explicitly disclose such items. It is adequate in such cases to provide a range or an average as may be suitably appropriate in each case and circumstance.

Revised Schedule VI requires disclosure of the period and amount of continuing default / default as on the balance sheet date in the repayment of loans and interest. Will a company be required to make this disclosure if the default has been made good after the reporting date?

Revised Schedule VI requires disclosure of default in the repayment of loan and interest existing on the balance sheet date. We believe that a company needs to make this disclosure even if the default has been made good after the reporting date.

However, it may choose to also disclose the fact that default has been made good after the reporting date.

Where investment in LLP should be disclosed?

It is noted that a LLP is a body corporate and not a partnership firm as envisaged under the Partnership Act, 1932. Hence, disclosures pertaining to investment in partnership firms will not include the investment in LLP. The investment in LLP should therefore be disclosed separately under 'Other Investments'. Other disclosures prescribed for investment in a partnership firm need not be made for investment in an LLP.

Will arrear depreciation require separate disclosure?

Where material, arrears of depreciation, if any, provide needs disclosure in terms of Para 19 of AS 6. In case it is not provided, it requires a disclosure, as the accrual basis has not been complied with.

What are the additional disclosures to be made in case of special purpose entities?

No additional disclosures are necessary except normal disclosure requirements as per the provisions of the applicable accounting standards.

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