DegreeLive

B.Com Honours | Semester II | Calicut University

Financial Accounting

Course Code: COM2CJ101 • Module 4 Notes

1. Final Accounts of Joint Stock Companies: Schedule III Standards

Joint Stock Companies in India must prepare their financial statements strictly in accordance with **Schedule III of the Companies Act, 2013**. The modern standards require a vertical presentation format and compliance with Indian Accounting Standards (Ind AS 1) to ensure global financial reporting transparency. This final module covers the structure of company financials, the Statement of Profit and Loss (SOPL), the Statement of Changes in Equity (SOCE), and the Statement of Financial Position (SOFP).

Ind AS 1 & Schedule III Presentation

Ind AS 1 sets out overall requirements for the presentation of financial statements, guidelines for their structure, and minimum requirements for their content. A complete set of financial statements comprises:

- **Statement of Financial Position (SOFP):** (The Balance Sheet).
- **Statement of Profit and Loss (SOPL):** Including Other Comprehensive Income (OCI).
- **Statement of Changes in Equity (SOCE):** Detailing equity capital movements.
- **Notes to Accounts:** Significant accounting policies and disclosures.

Statement of Profit and Loss (SOPL) Format

The Statement of Profit and Loss is prepared in a vertical format, categorizing revenues and expenses strictly as follows:

1. **Revenue from Operations:** Core business sales and service revenues.
2. **Other Income:** Interest earned, dividend income, rent, etc.
3. **Total Income:** Revenue from Operations + Other Income.
4. **Expenses:**
   - Cost of materials consumed.
   - Purchase of stock-in-trade.
   - Employee benefit expenses (salaries, wages, staff welfare).
   - Finance costs (interest on debentures/loans).

- Depreciation and amortization expense.
- Other expenses.

5. **Tax Expense:** Current Tax and Deferred Tax.
6. **Profit/Loss for the Period:** Total Income minus Expenses and Taxes.

Statement of Financial Position (SOFP) Classification

Under Schedule III, the Balance Sheet presents assets, equity, and liabilities vertically:

1. Equity and Liabilities

- **Shareholders' Funds:** Share Capital and Reserves & Surplus.
- **Non-Current Liabilities:** Long-term borrowings, deferred tax liabilities, long-term provisions.
- **Current Liabilities:** Short-term borrowings, trade payables, short-term provisions (debts due within 12 months).

2. Assets

- **Non-Current Assets:** Property, Plant & Equipment (PPE), Intangible Assets, Long-term loans and advances.
- **Current Assets:** Inventories, Trade Receivables, Cash and cash equivalents, Short-term loans and advances.

Statement of Changes in Equity (SOCE)

The SOCE forms a key link between the SOPL and the SOFP. It provides details of movements in equity share capital and reserves (such as Securities Premium, General Reserve, and Retained Earnings) over the financial year, tracking shares issued, dividends paid, and net profits transferred during the period.