

## NOTICE



### **COUNCIL FOR THE INDIAN SCHOOL CERTIFICATE EXAMINATIONS**

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#### **ISC (Class XII) Accounts Syllabus: Clarification regarding Proposed Dividend** **(Changes applicable for the Examination Year 2019 onwards)**

As per the Ministry of Corporate Affairs Notification dated 6<sup>th</sup> April 2016, regarding Amended Schedule III to Companies Act 2013, in lieu of amendment in AS 4 by ICAI, the treatment of Proposed dividend in the Balance Sheet of a company prepared as per Schedule III of the Companies Act shall be a Contingency - Events Occurring after the Balance Sheet Date. The amendment states '*If an enterprise declares dividends to shareholders after the balance sheet date, the enterprise should not recognise those dividends as a liability at the balance sheet.*'

In keeping with this revision, the treatment of Proposed Dividend in the scope of **Section A: Unit 2 D- Final Accounts of Companies** has also been modified.

#### **Clarification regarding:**

(i) **Section A: Unit 2 D - Final Accounts of Companies:**

As per the amendment made in Accounting Standard 4, dividend proposed for a year is not a liability till it has been approved by the shareholders. Thus, proposed dividend is not shown as a short-term provision in the current Balance Sheet of a company but disclosed in Notes to Accounts under Contingent Liabilities.

(ii) **Section B: Unit 5 - Cash Flow Statement - effect of the amendment on the treatment of proposed dividend:**

(a) Dividend proposed for the previous year will be an outflow for cash, unless otherwise stated, on the assumption that the proposed amount has been approved by the shareholders in the AGM.

(b) No effect is given to Proposed Dividend for the current year as it is not provided for and is a contingent liability.

(c) Any unpaid dividend is transferred to Dividend Payable Account / Unpaid Dividend Account which is shown in the Balance Sheet of the current year as Other Current Liabilities under Current Liabilities.

**PLEASE NOTE:** The above shall be applicable from the examination year 2019 onwards