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*Status: Point in time view as at 31/03/1997. This version of this chapter contains provisions that are not valid for this point in time.*  
**Changes to legislation:** There are currently no known outstanding effects for the Companies Act 1985, Section A. (See end of Document for details)

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## SCHEDULES

### SCHEDULE 4

#### FORM AND CONTENT OF COMPANY ACCOUNTS

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**Modifications etc. (not altering text)**

- C1** Sch. 4 applied with modifications by S.I. 1985/680, regs. 4–6, **Sch.** and **Income and Corporation Taxes Act 1988 (c. 1, SIF 63:1)**, s. 176(9), **Sch. 8 para. 19(3)(4)(5)**
- C1** Sch. 4 applied by **Finance (No. 2) Act 1987 (c. 51, SIF 63:1)**, s. 7, **Sch. 1 para. 19(3)(4)(5)**

### PART I

#### GENERAL RULES AND FORMATS

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**Modifications etc. (not altering text)**

- C1** Sch. 4 Pt. I (paras. 1–8) extended by **Patents, Designs and Marks Act 1986 (c. 39, SIF 67A)**, s. 2, **Sch. 2 para. 1(k)(ii)**

### SECTION A

#### GENERAL RULES

- 1 (1) Subject to the following provisions of this Schedule—
- (a) every balance sheet of a company shall show the items listed in either of the balance sheet formats set out below in section B of this Part; and
  - (b) every profit and loss account of a company shall show the items listed in any one of the profit and loss account formats so set out;
- in either case in the order and under the headings and sub-headings given in the format adopted.
- (2) Sub-paragraph (1) above is not to be read as requiring the heading or sub-heading for any item to be distinguished by any letter or number assigned to that item in the format adopted.
- 2 (1) Where in accordance with paragraph 1 a company's balance sheet or profit and loss account for any financial year has been prepared by reference to one of the formats set out in section B below, the directors of the company shall adopt the same format in preparing the accounts for subsequent financial years of the company unless in their opinion there are special reasons for a change.

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- (2) Particulars of any change in the format adopted in preparing a company's balance sheet or profit and loss account in accordance with paragraph 1 shall be disclosed, and the reasons for the change shall be explained, in a note to the accounts in which the new format is first adopted.
- 3 (1) Any item required in accordance with paragraph 1 to be shown in a company's balance sheet or profit and loss account may be shown in greater detail than required by the format adopted.
- (2) A company's balance sheet or profit and loss account may include an item representing or covering the amount of any asset or liability, income or expenditure not otherwise covered by any of the items listed in the format adopted, but the following shall not be treated as assets in any company's balance sheet—
- (a) preliminary expenses;
  - (b) expenses of and commission on any issue of shares or debentures; and
  - (c) costs of research.
- (3) In preparing a company's balance sheet or profit and loss account the directors of the company shall adapt the arrangement and headings and sub-headings otherwise required by paragraph 1 in respect of items to which an Arabic number is assigned in the format adopted, in any case where the special nature of the company's business requires such adaptation.
- (4) Items to which Arabic numbers are assigned in any of the formats set out in section B below may be combined in a company's accounts for any financial year if either—
- (a) their individual amounts are not material to assessing the state of affairs or profit or loss of the company for that year; or
  - (b) the combination facilitates that assessment;
- but in a case within paragraph (b) the individual amounts of any items so combined shall be disclosed in a note to the accounts.
- (5) Subject to paragraph 4(3) below, a heading or sub-heading corresponding to an item listed in the format adopted in preparing a company's balance sheet or profit and loss account shall not be included if there is no amount to be shown for that item in respect of the financial year to which the balance sheet or profit and loss account relates.
- (6) Every profit and loss account of a company shall show the amount of the company's profit or loss on ordinary activities before taxation.
- (7) Every profit and loss account of a company shall show separately as additional items—
- (a) any amount set aside or proposed to be set aside to, or withdrawn or proposed to be withdrawn from, reserves; <sup>F1</sup> . . .
  - (b) the aggregate amount of any dividends paid and proposed.
  - [<sup>F2</sup>(c) if it is not shown in the notes to the accounts, the aggregate amount of any dividends proposed.]

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#### Textual Amendments

- F1** Word in *Sch. 4 para. 3(7)(a)* omitted (2.2.1996) by virtue of *S.I. 1996/189, reg. 14(1), Sch. 1 para. 2(a)* (with *reg. 16*)

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**F2** Sch. 4 para. 3(7)(c) inserted (2.2.1996) by S.I. 1996/189, reg. 14(1), Sch. 1 para. 2(b) (with reg. 16)

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- (1) In respect of every item shown in a company's balance sheet or profit and loss account the corresponding amount for the financial year immediately preceding that to which the balance sheet or profit and loss account relates shall also be shown.
  - (2) Where that corresponding amount is not comparable with the amount to be shown for the item in question in respect of the financial year to which the balance sheet or profit and loss account relates, the former amount shall be adjusted and particulars of the adjustment and the reasons for it shall be disclosed in a note to the accounts.
  - (3) Paragraph 3(5) does not apply in any case where an amount can be shown for the item in question in respect of the financial year immediately preceding that to which the balance sheet or profit and loss account relates, and that amount shall be shown under the heading or sub-heading required by paragraph 1 for that item.
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- Amounts in respect of items representing assets or income may not be set off against amounts in respect of items representing liabilities or expenditure (as the case may be), or vice versa.

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- 5A
- The directors of a company must, in determining how amounts are presented within items in the profit and loss account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles or practice

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