SPARTA COMMERCIAL SERVICES, INC.
Form 10-Q
March 21, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended January 31, 2016

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from ________ to ___________.

Commission file number: 0-9483

SPARTA COMMERCIAL SERVICES, INC.
(Exact name of registrant as specified in its charter)

Nevada	30-0298178
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

370 Lexington Ave., Suite 1806, New York, NY 10017
(Address of principal executive offices) (Zip Code)

(212) 239-2666
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 504 of Regulation S-T (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to file such files). x Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). o Yes x No

As of March 17, 2016, we had 339,936,798 shares of common stock issued and outstanding.

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SPARTA COMMERCIAL SERVICES, INC.

FORM 10-Q

FOR THE QUARTER ENDED January 31, 2016

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SPARTA COMMERCIAL SERVICES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	January 31, 2016 (unaudited)	April 30, 2015
ASSETS		
Current Assets		
Cash and cash equivalents	$22,929	$14,034
Accounts receivable	39,064	10
Other current assets	1,629	5,706
Total Current Assets	63,622	19,750
Property and equipment, net of accumulated depreciation and amortization of $205,743 and $203,215, respectively	7,519	10,047
Goodwill	10,000	10,000
Other assets	9,628	9,628
Deposits	79,776	79,776
Total Long Term Assets	106,923	109,451
Total assets from continuing operations	170,545	129,201
ASSETS FROM DISCONTINUED OPERATIONS	-	13,955
Total assets	$170,545	$143,156
LIABILITIES AND DEFICIT		
Liabilities:		
Current Liabilities		
Accounts payable and accrued expenses	$1,972,058	$1,382,598
Current portion notes payable net of beneficial conversion feature of $447,794 and $762,426, respectively	2,371,653	1,374,786
Derivative liabilities	1,707,998	1,605,535
Total Current Liabilities	6,051,709	4,362,919
Long term portion notes payable net of beneficial conversion features of $5,719 and $0, respectively	1,053,149	1,263,369
Loans payable-related parties	395,853	385,853
Total Long Term Liabilities	1,449,002	1,649,222
Total liabilities from continuing operations	7,500,711	6,012,141
LIABILITIES FROM DISCONTINUED OPERATIONS	32,797	70,117
Total liabilities	7,533,508	6,082,258
Deficit:		
Preferred stock, $0.001 par value; 10,000,000 shares authorized of which 35,850 shares have been designated as Series A convertible preferred stock, with a stated value of $100 per share, 125 and 125 shares issued and outstanding, respectively	12,500	12,500
Preferred stock B, 1,000 shares have been designated as Series B redeemable preferred stock, $0.001 par value, with a liquidation and redemption value of	-	-

$10,000 per share, 0 and 0 shares issued and outstanding, respectively		
Preferred stock C, 200,000 shares have been designated as Series C redeemable, convertible preferred, $0.001 par value, with a liquidation and redemption value of $10 per share, 0 and 0 shares issued and outstanding, respectively	-	-
Common stock, $0.001 par value; 750,000,000 shares authorized, 245,603,052 and 43,238,320 shares issued and outstanding, respectively	245,603	43,238
Common stock to be issued 11,962,162 and 2,356,598, respectively	11,962	2,356
Additional paid-in-capital	44,974,871	42,528,909
Accumulated deficit	(53,323,003)	(49,178,453)
Deficit attributable to shareholders of Sparta Commercial Services, Inc.	(8,078,067)	(6,591,450)
Non-controlling interest	715,104	652,348
Total Deficit	(7,362,963)	(5,939,102)
Total Liabilities and Deficit	$170,545	$143,156

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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SPARTA COMMERCIAL SERVICES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF LOSSES
FOR THE THREE AND NINE MONTHS ENDED JANUARY 31, 2016 AND 2015
(UNAUDITED)

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2016	2015	2016	2015
Revenue				
Information technology	$153,202	$164,419	$487,773	$435,300
Cost of goods sold	17,431	49,461	99,233	135,507
Gross profit	135,771	114,958	388,540	299,792
Operating expenses:				
General and administrative	669,276	949,993	2,057,498	2,172,942
Depreciation and amortization	667	897	2,477	2,690
Total operating expenses	669,943	950,890	2,059,975	2,175,632
Loss from operations	(534,172)	(835,932)	(1,671,435)	(1,875,840)
Other (income) expense:				
Other income	(3,030)	(1,205)	(20,974)	(16,984)
Financing cost	218,847	159,908	969,245	406,558
Amortization of debt discount	422,420	240,503	1,285,873	554,568
Loss in changes in fair value of derivative liability	271,782	56,287	191,687	47,583
Total other expense	910,019	455,493	2,425,831	991,725
Loss from continuing operations	$(1,444,191)	$(1,291,425)	$(4,097,266)	$(2,867,565)
Loss from discontinued operations	(3,509)	(98,017)	(33,955)	(210,988)
Net Loss	(1,447,700)	(1,389,442)	(4,131,221)	(3,078,553)
Net (gain) loss attributed to Non-controlling interest	3,998	(9,316)	(12,756)	9,935
Preferred dividend	(191)	(191)	(573)	(573)
Net loss attributed to common stockholders	$(1,443,893)	$(1,398,950)	$(4,144,550)	$(3,069,192)
Basic and diluted loss per share	$(0.01)	$(0.06)	$(0.04)	$(0.13)
Basic and diluted loss per share attributed to Sparta Commercial Services, Inc. common stockholders	$(0.01)	$(0.06)	$(0.04)	$(0.13)
Weighted average shares outstanding	193,147,912	22,669,672	114,882,077	23,746,293

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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SPARTA COMMERCIAL SERVICES, INC.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN DEFICIT
FOR THE NINE MONTHS ENDED JANUARY 31, 2016
(UNAUDITED)

	Series A Preferred Stock		Series B Preferred Stock		Series C Preferred Stock		Common Stock		Common Stock to be issued		Additional Paid in Capital	Accumulat Deficit
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount		
Balance April 30, 2015	125	$12,500	-	$-	-	$-	43,238,320	$43,238	2,356,598	$2,356	$42,528,909	$(49,178,4
Correcting							(30,060)	$(30)				
Rounding								1			329	
Derivative liability reclassification											1,153,310	
Sale of subsidiary preferred stock												
Sale of common stock							760,456	760			19,240	
Shares issued for financing cost							11,201,413	11,201	7,262,500	7,262	113,466	
Shares issued for conversion of notes, interest and accounts payable							164,916,867	164,917	2,343,064	2,344	989,107	
Stock compensation							25,481,000	25,481			170,481	
Employee stock & options expense							35,056	35			29	
Preferred dividend												(573
Net loss												(4,143,97
Balance January 31, 2016	125	$12,500	-	$-	-	$-	245,603,052	$245,603	11,962,162	$11,962	$44,974,871	$(53,323,0

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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SPARTA COMMERCIAL SERVICES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED JANUARY 31, 2016 AND 2015
(UNAUDITED)

	Nine Months Ended January 31, 2016	Nine Months Ended January 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	$ (4,131,221)	$ (3,078,553)
Adjustments to reconcile net loss to net cash used in operating activities:		
Adjustments	331	13
Depreciation and amortization	2,477	2,690
Loss due to change in fair value of derivative liabilities	191,687	47,583
Amortization of debt discount	1,285,873	554,568
Equity based finance cost	96,090	94,142
Non-cash financing cost	332,135	-
Equity based compensation	196,026	382,377
Changes in operating assets and liabilities		
Accounts receivable	(39,054)	60,516
Other assets	4,077	2,452
Accounts payable and accrued expenses	711,733	152,659
Net cash used in operating activities	(1,349,846)	(1,781,553)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net cash (used in) investing activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from sale of common stock	20,000	725,892
Net proceeds from sale of subsidiary preferred stock	50,000	-
Net proceeds from convertible notes	1,898,718	1,022,625
Net payments on convertible notes	(676,663)	(177,500)
Net proceeds from subsidiary notes	80,000	155,000
Net proceeds from related party notes	10,000	-
Net cash provided by financing activities	1,382,055	1,726,017
Cash flows from discontinued operations:		
Depreciation of assets of discontinued operations	7,005	15,565
Cash used in operating activities of discontinued operations	(30,319)	-
Cash used in financing activities of discontinued operations	-	(23,303)
Net Cash flow from discontinued operation	(23,314)	(7,738)
Net increase (decrease) in cash	$ 8,895	$ (63,274)
Cash and cash equivalents, beginning of period	$ 14,034	$ 70,456
Cash and cash equivalents , end of period	$ 22,929	$ 7,182
Cash paid for:		

Interest	$	9,309	$	2,405
Income taxes	$	-	$	-

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

SPARTA COMMERCIAL SERVICES, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2016

NOTE A – SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements as of January 31, 2016 and for the three and nine month periods ended January 31, 2016 and 2015 have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission, including Form 10-Q and Regulation S-K. The information furnished herein reflects all adjustments (consisting of normal recurring accruals and adjustments), which are, in the opinion of management, necessary to fairly present the operating results for the respective periods. Certain information and footnote disclosures normally present in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such rules and regulations. The Company believes that the disclosures provided are adequate to make the information presented not misleading. These financial statements should be read in conjunction with the audited financial statements and explanatory notes for the year ended April 30, 2015 as disclosed in the Company’s Form 10-K for that year as filed with the Securities and Exchange Commission.

The condensed consolidated balance sheet as of April 30, 2015 contained herein has been derived from the audited consolidated financial statements as of April 30, 2015, but do not include all disclosures required by the U.S. GAAP.

The unaudited condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Specialty Reports, Inc. All significant inter-company transactions and balances have been eliminated in consolidation.

Business

Sparta Commercial Services, Inc. ("Sparta" "we," "us," or the "Company") is a Nevada corporation. We are a technology company that develops and markets mobile application tools, products and services. We also provide vehicle title history reports and a municipal leasing program.

Our roots are in the Powersports industry and our original focus was providing consumer and municipal financing to the powersports, recreational vehicle, and automobile industries (see Discontinued Operations). Presently, through our subsidiary, Specialty Reports, Inc. (SRI), we offer Mobile Application development, sales, marketing and support, and Vehicle Title History Reports.

Our mobile application (mobile app) offerings have broadened our base beyond vehicle dealers to a wide range of businesses including, but not limited to, racetracks, private clubs, country clubs, restaurants and grocery stores. We also offer a private label version of our mobile app framework to enable other businesses to offer custom apps to their customers.

Our vehicle history reports include Cyclechex (Motorcycle History Reports at www.cyclechex.com); RVchecks (Recreational Vehicle History Reports at www.rvchecks.com); CarVINreport (Automobile at www.carvinreport.com) and Truckchex (Heavy Duty Truck History Reports at www.truckchex.com). Our Vehicle History Reports are designed for consumers, retail dealers, auction houses, insurance companies and banks/finance companies.

Sparta also administers a Municipal Leasing Program for local and/or state agencies throughout the country who are seeking a better and more economical way to finance their essential equipment needs, including police motorcycles, cruisers, buses, and EMS equipment. We are continuing to expand our roster of equipment manufacturers and the types of equipment we lease.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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SPARTA COMMERCIAL SERVICES, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2016

Discontinued Operations

As discussed in Note C, in the second quarter of fiscal 2013, the Company's Board of Directors approved management's recommendation to discontinue the Company's consumer lease and loan lines of business and the sale of all of the Company's portfolio of performing RISCs, and a portion of its portfolio of leases. The sale was consummated in that quarter. The assets and liabilities have been accounted for as discontinued operations in the Company's consolidated balance sheets for all periods presented. The operating results related to these lines of business have been included in discontinued operations in the Company's consolidated statements of operations for all periods presented.

Revenue Recognition

The Company recognizes revenue when the following criteria have been met: persuasive evidence of an arrangement exists, no significant Company obligations remain, collection of the related receivable is reasonably assured, and the fees are fixed or determinable. The Company acts as a principal in its revenue transactions as the Company is the primary obligor in the transactions.

Information Technology:

Revenues from mobile app products are generally recognized upon delivery. Revenues from History Reports are generally recognized upon delivery / download. Prepayments received from customers before delivery (if any) are recognized as deferred revenue and recognized upon delivery. There were no deferred revenues at January 31, 2016 and April 30, 2015.

Discontinued Operations:

Revenues from RISCs and leases

The RISCs are secured by liens on the titles to the vehicles. The RISCs are accounted for as loans. Upon purchase, the RISCs appear on our balance sheet as RISC loans receivable current and long term. When the RISC is entered into our accounting system, based on the customer's APR (interest rate), an amortization schedule for the loan on a simple interest basis is created. Interest is computed by taking the principal balance times the APR rate then divided by 365 days to get the daily interest amount. The daily interest amount is multiplied by the number of days from the last payment to get the interest income portion of the payment being applied. The balance of the payment goes to reducing the loan principal balance.

Our leases are accounted for as either operating leases or direct financing leases. At the inception of operating leases, no lease revenue is recognized and the leased motorcycles, together with the initial direct costs of originating the lease, which are capitalized, appear on the balance sheet as "motorcycles under operating leases-net". The capitalized cost of each motorcycle is depreciated over the lease term, on a straight-line basis, down to the original estimate of the projected value of the motorcycle at the end of the scheduled lease term (the "Residual"). Monthly lease payments are recognized as rental income. An acquisition fee classified as fee income on the financial statements is received and recognized in income at the inception of the lease. Direct financing leases are recorded at the gross amount of the lease receivable, and unearned income at lease inception is amortized over the lease term.

We realize gains and losses as the result of the termination of leases, both at and prior to their scheduled termination, and the disposition of the related motorcycle. The disposal of motorcycles, which reach scheduled termination of a lease, results in a gain or loss equal to the difference between proceeds received from the disposition of the motorcycle and its net book value. Net book value represents the residual value at scheduled lease termination. Lease terminations that occur prior to scheduled maturity because of the lessee's voluntary request to purchase the vehicle have resulted in net gains, equal to the excess of the price received over the motorcycle's net book value.

Early lease terminations also occur because of (i) a default by the lessee, (ii) the physical loss of the motorcycle, or (iii) the exercise of the lessee's early termination. In those instances, we receive the proceeds from either the resale or release of the repossessed motorcycle, or the payment by the lessee's insurer. We record a gain or loss for the difference between the proceeds received and the net book value of the motorcycle. We charge fees to manufacturers and other customers related to creating a private label version of our financing program including web access, processing credit applications, consumer contracts and other related documents and processes. Fees received are amortized and booked as income over the length of the contract.

SPARTA COMMERCIAL SERVICES, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2016

Cash Equivalents

For the purpose of the accompanying financial statements, all highly liquid investments with a maturity of three months or less are considered to be cash equivalents.

Fair Value Measurements

The Company adopted ASC 820, "Fair Value Measurements ("ASC 820")." ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets the lowest priority to unobservable inputs to fair value measurements of certain assets and Liabilities. The three levels of the fair value hierarchy under ASC 820 are described below:

- Level 1 — Quoted prices for identical instruments in active markets. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as certain securities that are highly liquid and are actively traded in over-the-counter markets.

- Level 2 — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model derived valuations in which all significant inputs and significant value drivers are observable in active markets.

- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value measurements. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques based on significant unobservable inputs, as well as management judgments or estimates that are significant to valuation.

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. For some products or in certain market conditions, observable inputs may not always be available.

Income Taxes

We utilize ASC 740 "Income Taxes" which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at year-end based on enacted laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income.

The Company recognizes the impact of a tax position in the financial statements only if that position is more likely than not of being sustained upon examination by taxing authorities, based on the technical merits of the position. Our practice is to recognize interest and/or penalties related to income tax matters in income tax expense.

Stock Based Compensation

The Company adopted ASC 718-10, "Compensation-Stock Compensation Overall" ("ASC 718-10"), which records compensation expense on a straight-line basis, generally over the explicit service period of three to five years.

ASC 718-10 requires companies to estimate the fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in the Company's Consolidated Statement of Operations. The Company is using the Black-Scholes option-pricing model as its method of valuation for share-based awards. The Company's determination of fair value of share-based payment awards on the date of grant using an option-pricing model is affected by the Company's stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to the Company's expected stock price volatility over the term of the awards, and certain other market variables such as the risk free interest rate.

SPARTA COMMERCIAL SERVICES, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2016

Concentrations of Credit Risk

Financial instruments and related items, which potentially subject the Company to concentrations of credit risk, consist primarily of cash, cash equivalents and receivables. The Company places its cash and temporary cash investments with high credit quality institutions. At times, such investments may be in excess of the FDIC insurance limit.

Net Loss Per Share

The Company uses ASC 260-10, "Earnings Per Share," for calculating the basic and diluted loss per share. The Company computes basic loss per share by dividing net loss and net loss attributable to common shareholders by the weighted average number of common shares outstanding. Common equivalent shares are excluded from the computation of net loss per share if their effect is anti-dilutive.

At January 31, 2016 and 2015, 1,192,253,489 and 1,925,853 potential shares, respectively, were excluded from the shares used to calculate diluted earnings per share as their inclusion would reduce net loss per share.

Liquidity

As shown in the accompanying unaudited condensed consolidated financial statements, the Company has incurred net losses of $4,131,221 and $3,078,553 during the nine months ended January 31, 2016 and 2015, respectively. The Company's current liabilities exceed its current assets by $5,988,087 as of January 31 2016.

Reclassifications

Certain reclassifications have been made to conform to prior periods' data to the current presentation. These reclassifications had no effect on reported losses.

Recent Accounting Pronouncements

There were various updates recently issued, most of which represented technical corrections to the accounting literature or applications to specific industries and are not expected to have a material impact on the Company's unaudited condensed consolidated financial position, results of operations or cash flows.

NOTE B – GOING CONCERN MATTERS

The accompanying unaudited condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As shown in the accompanying unaudited condensed consolidated financial statements, the Company has incurred recurring losses and generated negative cash flows from operating activities since inception. As of January 31, 2016, the Company had an accumulated deficit of $53,323,003 and a working capital deficit (total current liabilities exceeded total current assets) of $5,988,087. The Company's cash balance and revenues generated are not currently sufficient and cannot be projected to cover its operating expenses for the next twelve months from the filing date of this report. These factors among others raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

The Company's existence is dependent upon management's ability to develop profitable operations. Management is devoting substantially all of its efforts to developing its business and raising capital and there can be no assurance that the Company's efforts will be successful. No assurance can be given that management's actions will result in profitable operations or the resolution of its liquidity problems. The accompanying unaudited condensed consolidated financial statements do not include any adjustments that might result should the Company be unable to continue as a going concern.

In order to improve the Company's liquidity, the Company's management is actively pursuing additional equity financing through discussions with investment bankers and private investors. There can be no assurance that the Company will be successful in its effort to secure additional equity financing.

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SPARTA COMMERCIAL SERVICES, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2016

NOTE C – DISCONTINUED OPERATIONS

In the second quarter of fiscal 2013, the Company's Board of Directors approved management's recommendation to discontinue the Company's consumer lease and loan lines of business and the sale of all of the Company's portfolio of performing RISCs and a portion of its portfolio of leases. The sale was consummated in that quarter. The assets and liabilities have been accounted for as discontinued operations in the Company's consolidated balance sheets for all periods presented.

The operating results related to these lines of business have been included in discontinued operations in the Company's consolidated statements of loss for all periods presented. The following table presents summarized operating results for the discontinued operations.

	Nine Months Ended	
	January 31, 2016	January 31, 2015
Revenues	$ 35,195	$ 32,394
Net loss	$ (33,955)	$ (210,988)

As the Company sold all of its portfolio of performing RISCs, and a portion of its portfolio of leases with the remaining leases in final run-off mode, therefore no portfolio performance measures were calculated for the nine months ended January 31, 2016 and 2015.

ASSETS INCLUDED IN DISCONTINUED OPERATIONS

MOTORCYCLES AND OTHER VEHICLES UNDER OPERATING LEASES

Motorcycles and other vehicles under operating leases at January 31, 2016 and April 30, 2015:

	January 31, 2016	April 30, 2015
Motorcycles and other vehicles	$ 13,261	$ 22,086
Less: accumulated depreciation	(12,279)	(13,456)
Motorcycles and other vehicles, net of accumulated depreciation	982	8,630
Less: estimated reserve for residual values	(982)	(2,436)
Motorcycles and other vehicles under operating leases, net	$ -	$ 6,194

At April 30, 2015, motorcycles and other vehicles are being depreciated to their estimated residual values over the lives of their lease contracts. Depreciation expense for vehicles for the nine months ended January 31, 2016 was $3,959 and for the year ended April 30, 2015, it was $28,736. All of the assets are pledged as collateral for outstanding notes payable.

RETAIL (RISC) LOAN RECEIVABLES

All of the Company's RISC performing loan receivables were sold in August 2013. As of January 31, 2016 and April 30, 2015, the Company had: RISC loans net of reserves of $0 and $7,761, respectively.

As the Company sold all of its portfolio of RISCs, and a portion of its portfolio of leases with the remaining leases in final run-off mode, therefore no portfolio performance measures were calculated for the quarter or nine months ending January 31, 2016 or the year ending April 30, 2015.

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SPARTA COMMERCIAL SERVICES, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2016

LIABILITIES INCLUDED IN DISCONTINUED OPERATIONS

Included in liabilities from discontinued operations are the following:

SECURED NOTES PAYABLE

		January 31, 2016		April 30, 2015
Secured, subordinated individual lender	$	18,328	$	58,037
Secured, subordinated individual lender		12,080		12,080
Total	$	30,408	$	70,117

At January 31, 2016, the notes have maturities due within one year.

NOTE D – NOTES PAYABLE AND DERIVATIVES

The Company has outstanding numerous notes payable to various parties. The notes bear interest at rates of 5% - 20% per year and are summarized as follows:

Notes Payable		January 31, 2016		April 30, 2015
Notes convertible at holder’s option	$	2,240,815	$	2,707,080
Notes convertible at Company’s option		171,000		15,000
Notes with interest only convertible at Company’s option		260,000		285,000
Non-convertible notes payable		1,206,500		393,000
Subtotal		3,878,315		3,400,580
Less, Debt discount		(453,513)		(762,426)
Total	$	3,424,802	$	2,638,154

Certain of the notes payable contain variable conversion rates and the conversion features are classified as derivative liabilities. The conversion prices are based on the market price of the Company’s common stock, at discounts of 30% - 48% to market value.

Amortization of debt discount for the nine months ended January 31, 2016 and 2015 was $1,285,873 and $554,568, respectively.

The Company's derivative financial instruments consist of embedded derivatives related to the outstanding short term Convertible Notes Payable. These embedded derivatives include certain conversion features indexed to the Company's common stock. The accounting treatment of derivative financial instruments requires that the Company record the derivatives and related items at their fair values as of the inception date of the Convertible Notes Payable and at fair value as of each subsequent balance sheet date. In addition, under the provisions of Accounting Standards Codification subtopic 815-40, Derivatives and Hedging; Contracts in Entity's Own Equity ("ASC 815-40"), as a result of entering into the Convertible Notes Payable, the Company is required to classify all other non-employee stock options and warrants as derivative liabilities and mark them to market at each reporting date. Any change in fair value inclusive of modifications of terms will be recorded as non-operating, non-cash income or expense at each reporting date. If the fair value of the derivatives is higher at the subsequent balance sheet date, the Company will record a non-operating, non-cash charge. If the fair value of the derivatives is lower at the subsequent balance sheet date, the Company will record non-operating, non-cash income.

The change in fair value of the derivative liabilities at January 31, 2016 was calculated with the following average assumptions, using a Black-Scholes option pricing model are as follows:

Significant Assumptions:

Risk free interest rate	Ranging from	0.36 % to 0.54	%
Expected stock price volatility		411	%
Expected dividend payout		0	%
Expected options life in years	Ranging from	0.25 year to1.58	years

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During the nine months ended January 31, 2016 and 2015, the Company recorded expense of $191,687 and $47,583, respectively, related to the change in value of the derivative liabilities.

Changes in derivative liability during the nine months ended January 31, 2016 were:

		January 31, 2016
Opening balance, April 30, 2015	$	1,605,535
Derivative liability reclassified to additional paid in capital		(1,153,310)
Derivative financial liability arising on the issue of convertible notes		1,064,086
Fair value adjustments		191,687
Closing balance	$	1,707,998

NOTE E – LOANS PAYABLE TO RELATED PARTIES

As of January 31, 2016 and April 30, 2015, aggregated loans payable, without demand and with no interest, to officers and directors were $395,853 and $385,853, respectively.

NOTE F – EQUITY TRANSACTIONS

On May 18, 2014, the Company's Board of Directors declared effective a one for seventy-five reverse common stock split. All per share amounts in these unaudited condensed consolidated financial statements and accompanying notes have been retroactively adjusted to the earliest period presented for the effect of this reverse stock split.

The Company is authorized to issue 10,000,000 shares of preferred stock with $0.001 par value per share, of which 35,850 shares have been designated as Series A convertible preferred stock with a $100 stated value per share, 1,000 shares have been designated as Series B Preferred Stock with a $10,000 per share liquidation value, and 200,000 shares have been designated as Series C Preferred Stock with a $10 per share liquidation value, and 750,000,000 shares of common stock with $0.001 par value per share. The Company had 125 shares of Series A preferred stock issued and outstanding as of January 31, 2016 and April 30, 2015. The Company had no shares of Series B preferred stock issued and outstanding as of January 31, 2016 and April 30, 2015. The Company had no shares of Series C preferred stock issued and outstanding as of January 31, 2016 and April 30, 2015. The Company had 245,603,052 and 43,238,320 shares of common stock issued and outstanding as of January 31, 2016 and April 30, 2015, respectively.

Preferred Stock, Series A

Accrued dividends payable on the Series A Preferred were $8,135 and $7,562 at January 31, 2016 and April 30, 2015, respectively. At the Company's option, these dividends may be paid in shares of the Company's Common Stock.

Common Stock

During the nine months ended January 31, 2016, the Company expensed $196,026 for non-cash charges related to stock and option compensation expense.

During the nine months ended January 31, 2016, the Company:

- issued 2,356,598 shares of common stock which had been classified as to be issued at April 30, 2015,
- sold 760,456 shares of restricted common stock to an accredited investor for $20,000,
- issued 164,916,867 shares of common stock and accrued 2,343,064 shares of common stock for the conversion of $1,156,368 of note principal and accrued interest and accounts payable,
- issued 11,201,413 shares of common stock valued at $96,776 pursuant to terms of various notes,
- issued 25,481,000 shares of common stock valued at $195,962 pursuant to consulting agreements,
- issued 35,056 shares of common stock to three employees pursuant to vesting provisions of prior stock awards.

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NOTE G – FAIR VALUE MEASUREMENTS

The Company follows the guidance established pursuant to ASC 820 which established a framework for measuring fair value and expands disclosure about fair value measurements. ASC 820 defines fair value as the amount that would be received for an asset or paid to transfer a liability (i.e., an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 describes the following three levels of inputs that may be used:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets and liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable prices that are based on inputs not quoted on active markets but corroborated by market data.

Level 3: Unobservable inputs when there is little or no market data available, thereby requiring an entity to develop its own assumptions. The fair value hierarchy gives the lowest priority to Level 3 inputs.

The table below summarizes the fair values of financial liabilities as of January 31, 2016:

		Fair Value Measurement Using		
	Fair Value at January 31, 2016	Level 1	Level 2	Level 3
Derivative liabilities	$ 1,707,998	-	-	$ 1,707,998

The following is a description of the valuation methodologies used for these items:

Derivative liability — these instruments consist of certain variable conversion features related to notes payable obligations and certain outstanding warrants. These instruments were valued using pricing models which incorporate the Company's stock price, volatility, U.S. risk free rate, dividend rate and estimated life.

The Company did not identify any other non-recurring assets and liabilities that are required to be presented in the balance sheets at fair value in accordance with ASC Topic 825 "The Fair Value Option for Financial Issuances".

NOTE H – NON-CASH FINANCIAL INFORMATION

During the nine months ended January 31, 2016, the Company:

Issued 11,201,413 shares of common stock valued at $96,776 pursuant to the terms of the notes
Issued 164,916,867 shares of common stock and accrued 2,343,064 shares of common stock for the conversion of $1,156,368 of note principal and accrued interest
Issued 35,056 shares of common stock to three employees pursuant to vesting schedules of prior stock awards

Issued 2,356,598 shares of common stock which had been recorded as to be issued at April 30, 2015

NOTE I – SUBSEQUENT EVENTS

Subsequent to January 31, 2016 the Company:

Issued 87,641,657 shares of common stock upon the conversion of $70,666 of note principal and accrued interest.

Issued 1,432,089 shares of common stock for financing cost.

Issued 5,230,000 shares of common stock pursuant to consulting agreements.

Entered into new notes payable aggregating $81,000.

Made cash payments on notes payable aggregating $60,000.

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NOTE J – LEGAL PROCEEDINGS

The Company is subject to legal proceedings and claims which arise in the ordinary course of its business. Sparta can make no representations about the potential outcome of such proceedings.

As at January 31, 2016, we were not a party to any material pending legal proceeding except as stated below. From time to time, we may become involved in various lawsuits and legal proceedings, which arise in the ordinary course of business.

The Company was involved in three litigation matters in the Supreme Court of the State of New York wherein the Company had alleged that the respective lenders have charged the Company excessive and improper fees and penalties on its loans. These matters have since been discontinued.

On December 18, 2012, the Company filed suit in the United States District Court for the Southern District Court of New York against a former credit provider. The suit sought damages arising out of the credit provider's termination of the Company's credit line in 2009. The defendant counterclaimed for recovery of legal fees of $2 million under an indemnification clause contained in one of the loan documents. The matter proceeded to trial in May 2015, and the Court thereafter issued decisions dismissing the Company's claims and the defendant's counterclaim. On January 15, 2016 the complaint, the amended complaint and the defendant's counterclaim were dismissed. On February 12, 2016, the Company filed a Notice of Appeal to the United States Court of Appeals for the Second Circuit from the judgment dismissing the complaint and amended complaint. On February 18, 2016 the defendant filed a Notice of Cross-Appeal of the dismissal of its counterclaim. Sparta can make no representations about the potential outcome of the appeal or cross-appeal, but believes that the decision of the lower court dismissing the defendant's counterclaim was properly decided in holding that the indemnification clause did not apply to defendant's claim.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

The following discussion of our financial condition and results of operations should be read in conjunction with (1) our interim unaudited financial statements and their explanatory notes included as part of this quarterly report, and (2) our annual audited financial statements and explanatory notes for the year ended April 30, 2015 as disclosed in our annual report on Form 10-K for that year as filed with the SEC.

"Forward-Looking" Information

This report on Form 10-Q contains certain "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, which represent our expectations and beliefs, including, but not limited to statements concerning the Company's expected growth. The words "believe," "expect," "anticipate," "estimate," "project," a similar expressions identify forward-looking statements, which speak only as of the date such statement was made. These statements by their nature involve substantial risks and uncertainties, certain of which are beyond our control, and actual results may differ materially depending on a variety of important factors.

RESULTS OF OPERATIONS

Comparison of the Three Months Ended January 31, 2016 to the Three Months Ended January 31, 2015

For the three months ended January 31, 2016 and 2015, we have generated limited sales revenues, have incurred significant expenses, and have sustained significant losses.

Discontinued Operations

As discussed in Note C to the consolidated financial statements, in August 2012, the Company's Board of Directors approved management's recommendation to discontinue the Company's consumer lease and loan lines of business and the sale of the Company's entire portfolio of performing RISCs, and a portion of its portfolio of leases. The sale was consummated in that quarter. The assets and liabilities have been accounted for as discontinued operations in the Company's consolidated balance sheets for all periods presented.

The operating results related to these lines of business have been included in discontinued operations in the Company's consolidated statements of loss for all periods presented. The following table presents summarized operating results for those discontinued operations.

	Quarter Ended	
	January 31, 2016	January 31, 2015
Revenues	$ 6,939	$ 9,290
Net loss	$ (3,509)	$ (98,017)

RESULTS OF CONTINUING OPERATIONS

Revenues

Revenues totaled $153,202 during the three months ended January 31, 2016 as compared to $164,419 during the three months ended January 31, 2015. This $11,217 or 6.7% decrease was due to the leadtime required by the Company's decision to broaden the mobile application customer base.

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Costs and Expenses

General and administrative expenses were $669,276 during the three months ended January 31, 2016, compared to $949,993 during the three months ended January 31, 2015, a decrease of $280,717 or 29.5%, primarily due to overall reductions in expense due to management's efforts to reduce overhead. Expenses incurred during the current three month period consisted primarily of the following expenses: Compensation and related costs, $249,551; Accounting, audit and professional fees, $110,761; Consulting fees, $32,802; Rent, utilities and telecommunication expenses $96,682; Travel and entertainment, $12,413; stock and option based compensation, $87,848; and advertising, marketing and web expenses, $8,596. Expenses incurred during the comparative three month period in 2015 consisted primarily of the following expenses: Compensation and related costs, $467,890; Accounting, audit and professional fees, $86,548; Consulting fees, $107,150; Rent, utilities and telecommunication expenses $38,813; Travel and entertainment, $649; stock and option based compensation, $194,952; advertising, marketing and web expenses, $2,841.

Other (income) expense

Other (income) expense is comprised primarily of interest and financing costs and expense related to the change in fair value of our derivative liabilities. Net other expense was $910,019 for the three months ended January 31, 2016, compared to $455,493 for the three months ended January 31, 2015, an increase of $454,526 or 99.8%. The increase results from our borrowing activities and the related costs. The change in the fair value of our derivative liabilities resulted primarily from the changes in our stock price and the volatility of our common stock during the reported periods.

Loss from continuing operations

We incurred a loss from continuing operations, before preferred dividends and non-controlling interest of $1,444,191 for the three months ended January 31, 2016 as compared to $1,291,425 for the corresponding interim period in 2015, a $152,766 or 11.8% increase. This increase was attributable primarily to an increase in interest and other expense of $454,526, partially offset by an increase in gross profit of $20,813 and a decrease in operating expenses of $280,947. Our net loss attributable to common stockholders increased to $1,443,893 for the three month period ended January 31, 2016 as compared to $1,398,950 for the corresponding period in 2015. The $44,943 or 3.2% increase in net loss attributable to common stockholders for the three month period ended January 31, 2016 was due primarily to the factors described above and a $94,508 or 96.4% decrease in the loss from discontinued operations.

Comparison of the Nine Months Ended January 31, 2016 to the Nine Months Ended January 31, 2015

Discontinued Operations

As discussed in Note C to the consolidated financial statements, in August 2012, the Company's Board of Directors approved management's recommendation to discontinue the Company's consumer lease and loan lines of business and the sale of the Company's entire portfolio of performing RISCs, and a portion of its portfolio of leases. The sale was consummated in that quarter. The assets and liabilities have been accounted for as discontinued operations in the Company's consolidated balance sheets for all periods presented.

The operating results related to these lines of business have been included in discontinued operations in the Company's consolidated statements of loss for all periods presented. The following table presents summarized operating results for those discontinued operations.

Nine Months Ended

		January 31, 2016		January 31, 2015
Revenues	$	35,195	$	32,394
Net loss	$	(33,955)	$	(210,988)

For the nine months ended January 31, 2016 and 2015, we have generated limited sales revenues, have incurred significant expenses, and have sustained significant losses.

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RESULTS OF CONTINUING OPERATIONS

Revenues

Revenues totaled $487,773 during the nine months ended January 31, 2016 as compared to $435,300 during the nine months ended January 31, 2015. This $52,473 or 12.1% increase was due to increased revenue from mobile apps.

Costs and Expenses

General and administrative expenses were $2,057,498 during the nine months ended January 31, 2016, compared to $2,172,942 during the nine months ended January 31, 2015, a decrease of $115,444, or 5.3% primarily due to overall reductions in expense due to management's efforts to reduce overhead. Expenses incurred during the current nine month period consisted primarily of the following expenses: Compensation and related costs, $965,125; Accounting, audit and professional fees, $385,352; Consulting fees, $152,038; Rent, utilities and telecommunication expenses $238,106; Travel and entertainment, $34,408; stock and option based compensation, $166,939, advertising, marketing and web expenses, $19,332. Expenses incurred during the comparative nine month period in 2015 consisted primarily of the following expenses: Compensation and related costs, $1,039,042; Accounting, audit and professional fees, $194,529; Consulting fees, $214,923; Rent, utilities and telecommunication expenses $152,692; Travel and entertainment, $11,939; stock and option based compensation, $382,377, advertising, marketing and web expenses, $22,568.

Other (income) expense

Other (income) expense is comprised primarily of interest and financing costs and expense related to the change in fair value of our derivative liabilities. Net other expense was $2,425,831 for the nine months ended January 31, 2016, compared to $991,725 for the nine months ended January 31, 2015, an increase of $1,434,106 or 144.6%. The increase results from our borrowing activities and the related costs. The change in the fair value of our derivative liabilities resulted primarily from the changes in our stock price and the volatility of our common stock during the reported periods.

Loss from continuing operations

We incurred a loss from continuing operations before preferred dividends and non-controlling interest of $4,097,266 for our nine months ended January 31, 2016 as compared to $2,867,565 for the corresponding interim period in 2015, an increase of $1,229,701 or 42.9%. This increase was attributable primarily to an increase in interest and other expense of $1,434,106, partially offset by an increase in gross profit of $88,748 and a decrease in operating expenses of $115,657.

Our net loss attributable to common stockholders increased to $4,144,550 for the nine month period ended January 31, 2016 as compared to $3,069,192 for the corresponding period in 2015. The $1,075,358 or 35.0% increase in net loss attributable to common stockholders for the nine month period ended January 31, 2016 was due primarily to the factors described above and a $177,033 or 83.9% decrease in the loss from discontinued operations.

LIQUIDITY AND CAPITAL RESOURCES

As of January 31, 2016, we had a deficit of $7,362,963. We generated a deficit in cash flow from operations of $1,349,846 for the nine months ended January 31, 2016. This deficit results primarily from our net loss of $4,131,221, partially offset by noncash expense of $2,104,288 and an increase of $711,733 in payables and accrued expenses.

We met our cash requirements during the nine month period as follows: through revenues generated: net proceeds of notes and convertible notes payable of $1,988,718; net proceeds from the sale of common equity in the amount of $20,000; and net proceeds from the sale of subsidiary preferred stock of $50,000. We made net payments on notes payable in the amount of $676,663.

Net cash used by discontinued operations was $23,314.

We do not anticipate incurring significant research and development expenditures, and we do not anticipate the sale or acquisition of any significant property, plant or equipment, during the next twelve months. At January 31, 2016, we had 14 full time employees. If we fully implement our business plan, we anticipate our employment base may increase by approximately 100% during the next twelve months. As we continue to expand, we will incur additional cost for personnel. This projected increase in personnel is dependent upon our generating revenues and obtaining sources of financing. There is no guarantee that we will be successful in raising the funds required or generating revenues sufficient to fund the projected increase in the number of employees.

While we have raised capital to meet our working capital and financing needs in the past, additional financing is required in order to meet our current and projected cash flow deficits from operations and development.

We continue seeking additional financing, which may be in the form of senior debt, subordinated debt or equity. We currently have no commitments for financing that aren't at the investor's election. There is no guarantee that we will be successful in raising the funds required to support our operations.

We estimate that we will need approximately $1,300,000 in addition to our normal operating cash flow to conduct operations during the next twelve months. However, there can be no assurance that additional private or public financing, including debt or equity financing, will be available as needed, or, if available, on terms favorable to us. Any additional equity financing may be dilutive to stockholders and such additional equity securities may have rights, preferences or privileges that are senior to those of our existing common or preferred stock. Furthermore, debt financing, if available, will require payment of interest and may involve restrictive covenants that could impose limitations on our operating flexibility. However, if we are not successful in generating sufficient liquidity from operations or in raising sufficient capital resources, on terms acceptable to us, this could have a material adverse effect on our business, results of operations, liquidity and financial condition, and we will have to adjust our planned operations and development on a more limited scale.

The effect of inflation on our revenue and operating results was not significant. Our operations are located in North America and there are no seasonal aspects that would have a material effect on our financial condition or results of operations.

GOING CONCERN ISSUES

The independent auditors report on our April 30, 2015 and 2014 financial statements included in the Company's Annual Report states that the Company's historical losses and the lack of revenues raise substantial doubts about the Company's ability to continue as a going concern, due to the losses incurred and its lack of significant operations. If we are unable to develop our business, we have to discontinue operations or cease to exist, which would be detrimental to the value of the Company's common stock. We can make no assurances that our business operations will develop and provide us with significant cash to continue operations.

In order to improve the Company's liquidity, the Company's management is actively pursuing additional financing through discussions with investment bankers, financial institutions and private investors. There can be no assurance the Company will be successful in its effort to secure additional financing.

We continue to experience net operating losses. Our ability to continue as a going concern is subject to our ability to develop profitable operations. We are devoting substantially all of our efforts to developing our business and raising capital. Our net operating losses increase the difficulty in meeting such goals and there can be no assurances that such methods will prove successful.

The primary issues management will focus on in the immediate future to address this matter include: seeking additional credit facilities from institutional lenders; seeking institutional investors for debt or equity investments in our Company; short term interim debt financing: and private placements of debt and equity securities with accredited investors.

To address these issues, we have engaged a financial advisory firm to advise and assist us in negotiating and raising capital.

INFLATION

The impact of inflation on the costs of the Company, and the ability to pass on cost increases to its customers over time is dependent upon market conditions. The Company is not aware of any inflationary pressures that have had any significant impact on the Company's operations over the past quarter, and the Company does not anticipate that inflationary factors will have a significant impact on future operations.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not maintain off-balance sheet arrangements nor does it participate in non-exchange traded contracts requiring fair value accounting treatment.

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TRENDS, RISKS AND UNCERTAINTIES

We have sought to identify what we believe to be the most significant risks to our business, but we cannot predict whether, or to what extent, any of such risks may be realized nor can we guarantee that we have identified all possible risks that might arise.

Our annual operating results may fluctuate significantly in the future as a result of a variety of factors, most of which are outside our control, including: the demand for our products and services; seasonal trends in purchasing, the amount and timing of capital expenditures and other costs relating to the commercial and consumer financing; price competition or pricing changes in the market; technical difficulties or system downtime; general economic conditions and economic conditions specific to the consumer financing sector.

Our annual results may also be significantly impacted by the impact of the accounting treatment of acquisitions, financing transactions or other matters. Particularly at our early stage of development, such accounting treatment can have a material impact on the results for any quarter. Due to the foregoing factors, among others, it is likely that our operating results may fall below our expectations or those of investors in some future quarter.

Our future performance and success is dependent upon the efforts and abilities of our management. To a very significant degree, we are dependent upon the continued services of Anthony L. Havens, our President and Chief Executive Officer and member of our Board of Directors. If we lost the services of either Mr. Havens, or other key employees before we could get qualified replacements, that loss could materially adversely affect our business. We do not maintain key man life insurance on any of our management.

Our officers and directors are required to exercise good faith and high integrity in our management affairs. Our bylaws provide, however, that our directors shall have no liability to us or to our shareholders for monetary damages for breach of fiduciary duty as a director except with respect to (1) a breach of the director's duty of loyalty to the corporation or its stockholders, (2) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (3) liability which may be specifically defined by law or (4) a transaction from which the director derived an improper personal benefit.

The present officers and directors own approximately 1% of the outstanding shares of common stock, without giving effect to shares underlying convertible securities, and therefore are not in a position to elect all of our Directors and otherwise control the Company. However, they can authorize the sale of equity or debt securities of Sparta, the appointment of officers, and the determination of officers' salaries. Shareholders have no cumulative voting rights.

We may experience growth, which will place a strain on our managerial, operational and financial systems resources. To accommodate our current size and manage growth if it occurs, we must devote management attention and resources to improve our financial strength and our operational systems. Further, we will need to expand, train and manage our sales and distribution base. There is no guarantee that we will be able to effectively manage our existing operations or the growth of our operations, or that our facilities, systems, procedures or controls will be adequate to support any future growth. Our ability to manage our operations and any future growth will have a material effect on our stockholders.

If we fail to remain current on our reporting requirements, we could be removed from the OTC Bulletin Board which would limit the ability of broker-dealers to sell our securities and the ability of stockholders to sell their securities in the secondary market. Companies trading on the OTC Bulletin Board, such as us, must be reporting issuers under Section 12 of the Securities Exchange Act of 1934, as amended, and must be current in their reports under Section 13, in order to maintain price quotation privileges on the OTC Bulletin Board. If we fail to remain current on our reporting requirements, we could be removed from the OTC Bulletin Board. As a result, the market liquidity for our securities could be severely adversely affected by limiting the ability of broker-dealers to sell our securities and the ability of stockholders to sell their securities in the secondary market.

CRITICAL ACCOUNTING POLICIES

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and judgments that affect our reported assets, liabilities, revenues, and expenses, and the disclosure of contingent assets and liabilities. We base our estimates and judgments on historical experience and on various other assumptions we believe to be reasonable under the circumstances. Future events, however, may differ markedly from our current expectations and assumptions. While there are a number of significant accounting policies affecting our financial statements, we believe the following critical accounting policies involves the most complex, difficult and subjective estimates and judgments.

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Revenue Recognition

The Company recognizes revenue when the following criteria have been met: persuasive evidence of an arrangement exists, no significant Company obligations remain, collection of the related receivable is reasonably assured, and the fees are fixed or determinable. The Company acts as a principal in its revenue transactions as the Company is the primary obligor in the transactions.

Information Technology:

Revenues from mobile app products are generally recognized upon delivery. Revenues from History Reports are generally recognized upon delivery / download. Prepayments received from customers before delivery (if any) are recognized as deferred revenue and recognized upon delivery. There were no deferred revenues at January 31, 2016 and April 30, 2015.

Discontinued Operations:

Revenues from RISCs and leases

The RISCs are secured by liens on the titles to the vehicles. The RISCs are accounted for as loans. Upon purchase, the RISCs appear on our balance sheet as RISC loans receivable current and long term. When the RISC is entered into our accounting system, based on the customer's APR (interest rate), an amortization schedule for the loan on a simple interest basis is created. Interest is computed by taking the principal balance times the APR rate then divided by 365 days to get your daily interest amount. The daily interest amount is multiplied by the number of days from the last payment to get the interest income portion of the payment being applied. The balance of the payment goes to reducing the loan principal balance.

Our leases are accounted for as either operating leases or direct financing leases. At the inception of operating leases, no lease revenue is recognized and the leased motorcycles, together with the initial direct costs of originating the lease, which are capitalized, appear on the balance sheet as "motorcycles under operating leases-net". The capitalized cost of each motorcycle is depreciated over the lease term, on a straight-line basis, down to the original estimate of the projected value of the motorcycle at the end of the scheduled lease term (the "Residual"). Monthly lease payments are recognized as rental income. An acquisition fee classified as fee income on the financial statements is received and recognized in income at the inception of the lease. Direct financing leases are recorded at the gross amount of the lease receivable, and unearned income at lease inception is amortized over the lease term.

We realize gains and losses as the result of the termination of leases, both at and prior to their scheduled termination, and the disposition of the related motorcycle. The disposal of motorcycles, which reach scheduled termination of a lease, results in a gain or loss equal to the difference between proceeds received from the disposition of the motorcycle and its net book value. Net book value represents the residual value at scheduled lease termination. Lease terminations that occur prior to scheduled maturity because of the lessee's voluntary request to purchase the vehicle have resulted in net gains, equal to the excess of the price received over the motorcycle's net book value.

Early lease terminations also occur because of (i) a default by the lessee, (ii) the physical loss of the motorcycle, or (iii) the exercise of the lessee's early termination. In those instances, we receive the proceeds from either the resale or release of the repossessed motorcycle, or the payment by the lessee's insurer. We record a gain or loss for the difference between the proceeds received and the net book value of the motorcycle. We charge fees to manufacturers and other customers related to creating a private label version of our financing program including web access, processing credit applications, consumer contracts and other related documents and processes. Fees received are amortized and booked as income over the length of the contract.

Stock-Based Compensation

The Company adopted ASC 718-10, “Stock Compensation Overall” (“ASC 718-10”), which records compensation expense on a straight-line basis, generally over the explicit service period of three to five years.

ASC 718-10 requires companies to estimate the fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in the Company’s Consolidated Statement of Operations. The Company is using the Black-Scholes option-pricing model as its method of valuation for share-based awards. The Company’s determination of fair value of share-based payment awards on the date of grant using an option-pricing model is affected by the Company’s stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to the Company’s expected stock price volatility over the term of the awards, and certain other market variables such as the risk free interest rate.

Allowance for Losses

The Company has loss reserves for its portfolio of Leases and for its portfolio of Retail Installment Sales Contracts ("RISC"). The allowance for Lease and RISC losses is increased by charges against earnings and decreased by charge-offs (net of recoveries). To the extent actual credit losses exceed these reserves, a bad debt provision is recorded; and to the extent credit losses are less than the reserve, additions to the reserve are reduced or discontinued until the loss reserve is in line with the Company's reserve ratio policy. Management's periodic evaluation of the adequacy of the allowance is based on the Company's past lease and RISC experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, and current economic conditions. The Company periodically reviews its Lease and RISC receivables in determining its allowance for doubtful accounts.

The Company charges-off receivables when an individual account has become more than 120 days contractually delinquent. In the event of repossession, the asset is immediately sent to auction or held for release.

RECENT ACCOUNTING PRONOUNCEMENTS

See Note A to the Unaudited Condensed Consolidated Financial Statements for a description of recent accounting pronouncements, including the expected dates of adoption and estimated effects on our consolidated financial statements, which is incorporated herein by reference.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Our management, with the participation of our Chief Executive Officer and our Principal Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, and in light of the material weaknesses found in our internal controls, our Chief Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report were not effective.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. In our assessment of the effectiveness of internal control over financial reporting, we determined that control deficiencies existed that constituted material weaknesses, as described below:

- lack of documented policies and procedures;
- we have no audit committee;
- there is a risk of management override given that our officers have a high degree of involvement in our day to day operations.
- there is no effective separation of duties, which includes monitoring controls, between the members of management.

Management is currently evaluating what steps can be taken in order to address these material weaknesses.

There was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during the fiscal quarter to which this report relates that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all error and fraud. Any control system, no matter how well designed and operated, is based upon certain assumptions and can provide only reasonable, not absolute, assurance that its objectives will be met. Further, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is subject to legal proceedings and claims which arise in the ordinary course of its business. Sparta can make no representations about the potential outcome of such proceedings.

As at January 31, 2016, we were not a party to any material pending legal proceeding except as stated below. From time to time, we may become involved in various lawsuits and legal proceedings, which arise in the ordinary course of business.

The Company was involved in three litigation matters in the Supreme Court of the State of New York wherein the Company had alleged that the respective lenders have charged the Company excessive and improper fees and penalties on its loans. These matters have since been discontinued.

On December 18, 2012, the Company filed suit in the United States District Court for the Southern District Court of New York against a former credit provider. The suit sought damages arising out of the credit provider's termination of the Company's credit line in 2009. The defendant counterclaimed for recovery of legal fees of $2 million under an indemnification clause contained in one of the loan documents. The matter proceeded to trial in May 2015, and the Court thereafter issued decisions dismissing the Company's claims and the defendant's counterclaim. On January 15, 2016 the complaint, the amended complaint and the defendant's counterclaim were dismissed. On February 12, 2016, the Company filed a Notice of Appeal to the United States Court of Appeals for the Second Circuit from the judgment dismissing the complaint and amended complaint. On February 18, 2016 the defendant filed a Notice of Cross-Appeal of the dismissal of its counterclaim. Sparta can make no representations about the potential outcome of the appeal or cross-appeal, but believes that the decision of the lower court dismissing the defendant's counterclaim was properly decided in holding that the indemnification clause did not apply to defendant's claim.

ITEM 1A. RISK FACTORS

We are subject to certain risks and uncertainties in our business operations including those which are described below. The risks and uncertainties described below are not the only risks we face. Additional risks and uncertainties not presently known or which are currently deemed immaterial may also impair our business operations. A description of factors that could materially affect our business, financial condition or operating results were included in Item 1A "Risk Factors" of our Form 10-K for the year ended April 30, 2015, filed August 13, 2015, and is incorporated herein by reference.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Each of the issuance and sale of securities described below was deemed to be exempt from registration under the Securities Act in reliance on Section 4(2) of the Securities Act as transactions by an issuer not involving a public offering. No advertising or general solicitation was employed in offering the securities. Each purchaser is a sophisticated investor (as described in Rule 506(b) (2) (ii) of Regulation D) or an accredited investor (as defined in Rule 501 of Regulation D), and each received adequate information about the Company or had access to such information, through employment or other relationships, to such information. The Company applied proceeds from financing activities described below to working capital.

During the three months ended January 31, 2016 the Company:

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Entered into a convertible note in the principal amount of $13,200. The note bears interest at 10% per year and matures on December 18, 2016. The note is convertible at the note holder's option at the lower of 52% of low sale price of our common stock for the previous 20 days or $0.60.

- Entered into a convertible note in the principal amount of $10,000. The note bears interest at 10% per year and has a variable maturity date. The note is convertible at the note holder's option at 60% of the average closing price of our common stock for the previous 5 days.
- Issued 87,430,943 shares of common stock upon the conversion of $183,772 principal amount of convertible notes and $27,195 of accrued interest
  - Issued 7,891,980 shares of common stock valued at $47,934 pursuant to the terms of various notes
  - Issued 15,415,000 shares of common stock valued at $75,435 pursuant to consulting agreements

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURE

None.

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ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

The following exhibits are filed with this report:

Exhibit No.	Description
11	Statement re: computation of per share earnings is hereby incorporated by reference to "Financial Statements" of Part I - Financial Information, Item 1 - Financial Statements, contained in this Form 10-Q.
31.1*	Certification of Chief Executive Officer pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a)
31.2*	Certification of Principal Financial Officer pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a)
32.1*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase
101.DEF*	XBRL Taxonomy Extension Definition Linkbase
101.LAB*	XBRL Taxonomy Extension Label Linkbase
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase

* Filed herewith

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SPARTA COMMERCIAL SERVICES, INC.

Date: March 21, 2016

By: /s/ Anthony L. Havens
Anthony L. Havens, Chief Executive Officer,
Principal financial and accounting