

SPARTA COMMERCIAL SERVICES, INC.
Form 10-Q
September 19, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended July 31, 2011

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
(State or other jurisdiction of incorporation or organization)

30-0298178
(IRS Employer Identification No.)

462 Seventh Ave, 20th Floor, New York, NY 10018
(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. Yes 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

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(§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to file such files). Yes 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

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

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

As of September 14, 2011, we had 543,429,634 shares of common stock issued and outstanding.

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SPARTA COMMERCIAL SERVICES, INC.

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FOR THE QUARTER ENDED JULY 31, 2011

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SPARTA COMMERCIAL SERVICES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	Quarter Ended July 31, 2011 (unaudited)	Year end April 30, 2011
ASSETS		
Cash and cash equivalents	58,024	\$ 10,786
RISC loan receivables, net of reserve of \$34,500 and \$45,015, respectively (NOTE D)	657,255	855,278
Motorcycles and other vehicles under operating leases net of accumulated depreciation of \$194,784 and \$217,885 respectively, and loss reserve of \$9,560 and \$9,650, respectively (NOTE B)	232,025	231,564
Interest receivable	15,137	9,239
Purchased Portfolio (NOTE F)	23,330	24,544
Accounts receivable	34,869	66,387
Inventory (NOTE C)	22,369	13,126
Property and equipment, net of accumulated depreciation and amortization of \$179,671 and \$176,677, respectively (NOTE E)	11,576	14,570
Deferred Expenses	113,981	138,405
Good Will	10,000	10,000
Restricted cash	54,879	64,686
Other Assets		-
Deposits	48,967	48,967
Total assets	\$ 1,282,413	\$ 1,487,553
LIABILITIES AND DEFICIT		
Liabilities:		
Accounts payable and accrued expenses	1,190,233	1,133,721
Senior secured notes payable (NOTE F)	853,609	974,362
Notes payable net of beneficial conversion feature of \$75,090 and \$52,272, respectively (NOTE G)	1,387,399	1,377,065
Loans payable-related parties (NOTE H)	386,760	386,760
Other liabilities	67,691	75,409
Derivative liabilities	178,595	484,301
Deferred revenue	900	2,250

Total liabilities	4,065,188	4,433,868
Deficit:		
Preferred Stock, \$.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, \$.001 par value, with a liquidation and redemption value of \$10,000 per share, 157 and 157 shares issued and outstanding, respectively	1	1
Preferred Stock C, 200,000 shares have been designated as Series C redeemable, convertible preferred, \$.001 par value, with a liquidation and redemption value of \$10 per share, 0 and 42,000 shares issued and outstanding, respectively	-	-
Common stock, \$.001 par value; 740,000,000 shares authorized, 530,285,000 and 479,104,770 shares issued and outstanding, respectively	530,285	479,105
Common stock to be issued, 70,997,000 and 73,899,200 respectively	70,997	73,899
Preferred Stock B to be issued, 29.3 and 9.64 shares, respectively	-	-
Additional paid-in-capital	33,839,649	33,430,502
Subscriptions Receivable, preferred stock, Series B	(2,118,309)	(2,118,309)
Accumulated deficit	(35,480,272)	(35,114,801)
Total deficiency in stockholders' equity	(3,145,149)	(3,237,103)
Noncontrolling Interest	362,374	290,789
Total deficit	(2,782,775)	(2,946,314)
Total liabilities and deficit	\$ 1,282,413	\$ 1,487,553

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 MONTHS ENDED JULY 31, 2011 AND 2010
 (UNAUDITED)

	Three Months Ended July 31,	
	2011	2010
Revenue		
Rental Income, Leases	\$ 28,359	\$ 29,753
Interest Income, Loans	35,041	75,717
Other	86,599	26,677
	149,999	132,147
Operating expenses:		
General and administrative	575,431	718,668
Depreciation and amortization	17,023	19,561
Total operating expenses	592,454	738,229
Loss from operations	(442,455)	(606,082)
Other expense:		
Interest expense and financing cost, net	148,970	171,471
(Gain) loss in changes in fair value of derivative liability	(257,302)	534,242
Total finance related expenses	(108,333)	705,713
Net loss	\$ (334,122)	\$ (1,311,795)
Net loss attributed to noncontrolling interest	8,415	8,769
Preferred dividend	(39,764)	(39,758)
Net loss attributed to common stockholders	\$ (365,471)	\$ (1,342,784)
Basic and diluted loss per share	\$ (0.00)	\$ (0.01)
Basic and diluted loss per share attributed to common stockholders	\$ (0.00)	\$ (0.01)
Weighted average shares outstanding	507,308,272	300,447,151

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 DEFICIT
FOR THE THREE MONTHS ENDED JULY 31, 2011

	Series A Preferred Stock		Series B Preferred Stock		Series C Preferred Stock		Common Stock		Common Stock to be issued		Subscriptions Receivable	Addit Paid Cap
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount		
Balance April 30, 2011	125	12,500	157	12,782	-	-	479,104,648	479,105	73,899,200	73,899	(2,118,309)	33,43
Preferred Dividend to be issued												39,12
Beneficial conversion discount												71,22
Sale of Stock							19,839,340	19,839	(2,902,010)	(2,902)		74,31
Shares issued for financing cost							3,179,000	3,179				38,54
Shares issued for conversion of notes & interest							26,856,980	26,857				127,0
Stock Compensation							1,305,340	1,305				15,44
Employee options expense												43,46
Sale of Subsidiary's Preferred B stock												
Net Loss												
Balance July 31, 2011	125	12,500	157	12,782	-	-	530,285,308	530,285	70,997,190	70,997	(2,118,309)	33,83

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 THREE MONTHS ENDED JULY 31, 2011 AND 2010
(UNAUDITED)

	Three Months Ended July 31,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	\$ (334,122)	\$ (1,311,795)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and Amortization	17,023	13,298
Allowance for loss reserves	(10,515)	15,875
Amortization of deferred expenses	24,425	1,350
Amortization of Debt Discount	583	14,098
Shares issued for debt and accrued interest	3,646	15,648
Equity based compensation	60,214	146,007
Stock based finance cost	41,721	-
Non cash (gain) loss in fair value of derivative liabilities	(257,302)	534,242
(Increase) decrease in operating assets and liabilities:		
Inventory	(9,243)	7,482
Interest receivable	(5,898)	1,726
Accounts receivable	31,518	42,829
Prepaid expenses and other assets	-	3,628
Restricted cash	9,806	34,825
Portfolio	1,214	(17,553)
Increase (decrease) in:		
Accounts payable and accrued expenses	40,750	155,479
Net cash used in operating activities	(386,171)	(342,861)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net (Acquisition) liquidation of leased vehicles	(462)	16,550
Net Liquidation of RISC contracts	208,539	220,317
Net cash provided by investing activities	208,077	236,866
CASH FLOWS FROM FINANCING ACTIVITIES		
Sale of subsidiary stock	80,000	40,000
Net proceeds from sale of common stock	82,840	89,999
Proceeds from secured lender	112,766	-
Net payments to senior lender	(233,518)	(279,145)
Net proceeds from convertible notes	198,244	246,948
Payments on convertible notes	(15,000)	-
Net cash provided by financing activities	225,332	97,802
Net Increase (decrease) in cash	\$ 47,238	\$ (8,193)
Unrestricted cash and cash equivalents, beginning of period	10,786	\$ 11,994
Unrestricted cash and cash equivalents, end of period	\$ 58,024	\$ 3,801

Cash paid for:

Interest	\$	43,913	\$	55,513
Income taxes		-	\$	-

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

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SPARTA COMMERCIAL SERVICES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2011
(UNAUDITED)

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 July 31, 2011 and for the three month periods ended July 31, 2011 and 2010 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, 2011 as disclosed in the Company's Form 10-K for that year as filed with the Securities and Exchange Commission.

The Company is in the business as an originator and indirect lender for retail installment loan and lease financing for the purchase or lease of new and used motorcycles (specifically 550cc and higher) and utility-oriented 4-stroke all terrain vehicles (ATVs).

In May 2011, the Company formed Specialty Reports, Inc, a Nevada Corporation ("SRI"), for the purpose of acquiring all of the assets of Cyclechex, LLC, a Florida limited liability company ("Cyclechex"). Cyclechex's sole business was an e-commerce business which acquired the relevant motorcycle data and sold the data in the form of motorcycle history reports over the internet to consumers and dealers. As part of the transaction, the Company agreed to issue 24% of SRI common stock to the sole owner of Cyclechex.

The results of operations for the three months ended July 31, 2011 are not necessarily indicative of the results to be expected for any other interim period or the full year ending April 30, 2012.

New Accounting Requirements and Disclosures

Accounting Standards Codification and GAAP Hierarchy — Effective for interim and annual periods ending after September 15, 2009, the Accounting Standards Codification and related disclosure requirements issued by the FASB became the single official source of authoritative, nongovernmental GAAP. The ASC simplifies GAAP, without change, by consolidating the numerous, predecessor accounting standards and requirements into logically organized topics. All other literature not included in the ASC is non-authoritative. We adopted the ASC as of October 31, 2009, which did not have any impact on our results of operations, financial condition or cash flows as it does not represent new accounting literature or requirements. All references to pre-codified U.S. GAAP have been removed from this Form 10Q.

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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2011
(UNAUDITED)

Revenue Recognition

The Company originates leases on new and used motorcycles and other powersports vehicles from motorcycle dealers throughout the United States. The Company's 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 Company's 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.

Direct financing leases are recorded at the gross amount of the lease receivable (principal amount of the contract plus the calculated earned income over the life of the contract), and the unearned income at lease inception is amortized over the lease term.

The Company purchases Retail Installment Sales Contracts ("RISC") from motorcycle dealers. 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 the Company's balance sheet as RISC loan receivable current and long term. Interest income on these loans is recognized when it is earned.

The Company realizes 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 as a result 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, the Company receives the proceeds from either the resale or release of the repossessed motorcycle, or the payment by the lessee's insurer. The Company records a gain or loss for the difference between the proceeds received and the net book value of the motorcycle.

The Company charges fees to manufacturers and other customers related to creating a private label version of the Company's 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.

The Company evaluates its operating and retail installment sales leases on an ongoing basis and has established reserves for losses, based on current and expected future experience.

The sales of the reports and mobile applications by the Company's subsidiary, Specialty Reports, Inc., are recognized on a cash basis.

Inventories

Inventories are valued at the lower of cost or market, with cost determined using the first-in, first-out method and with market defined as the lower of replacement cost or realizable value.

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SPARTA COMMERCIAL SERVICES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2011
(UNAUDITED)

Website Development Costs

The Company recognizes website development costs in accordance with ASC 350-50, "Accounting for Website Development Costs." As such, the Company expenses all costs incurred that relate to the planning and post implementation phases of development of its website. Direct costs incurred in the development phase are capitalized and recognized over the estimated useful life. Costs associated with repair or maintenance for the website are included in cost of net revenues in the current period expenses.

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.

Income Taxes

Deferred income taxes are provided using the asset and liability method for financial reporting purposes in accordance with the provisions of ASC 740-10, "Accounting for Income Taxes". Under this method, deferred tax assets and liabilities are recognized for temporary differences between the tax bases of assets and liabilities and their carrying values for financial reporting purposes and for operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be removed or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statements of operations in the period that includes the enactment date.

ASC 740-10, "Accounting for Uncertainty in Income Taxes," prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 also provides guidance on derecognition, classification, treatment of interest and penalties, and disclosure of such positions. As a result of implementing ASC 740, there has been no adjustment to the Company's financial statements and the adoption of ASC 740 did not have a material effect on the Company's consolidated financial statements for the year ending April 30, 2011 or the three months ended July 31, 2011.

Fair Value Measurements

The Company adopted ASC 820, "Fair Value Measurements". 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.

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SPARTA COMMERCIAL SERVICES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2011
(UNAUDITED)

Impairment of Long-Lived Assets

In accordance ASC 360-10, "Impairment or Disposal of Long-Lived Assets," long-lived assets, such as property, equipment, motorcycles and other vehicles and purchased intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Recoverability of assets to be held and used is measured by comparing the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows or quoted market prices in active markets if available, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Comprehensive Income

In accordance with ASC 220-10, "Reporting Comprehensive Income," establishes standards for reporting and displaying of comprehensive income, its components and accumulated balances. Comprehensive income is defined to include all changes in equity except those resulting from investments by owners and distributions to owners. Among other disclosures, ASC 220-10 requires that all items that are required to be recognized under current accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. At July 31, 2011 and April 30, 2011, the Company has no items of other comprehensive income.

Segment Information

The Company does not have separate, reportable segments under ASC 280-10, "Disclosures about Segments of an Enterprise and Related Information". ASC 280-10 establishes standards for reporting information regarding operating segments in annual financial statements and requires selected information for those segments to be presented in interim financial reports issued to stockholders. ASC 280-10 also establishes standards for related disclosures about products and services and geographic areas. Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision maker, or decision making group, in making decisions how to allocate resources and assess performance. The information disclosed herein, materially represents all of the financial information related to the Company's principal operating segment.

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SPARTA COMMERCIAL SERVICES, INC.
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(UNAUDITED)

Stock Based Compensation

The Company adopted 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.

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.

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.

Property and Equipment

Property and equipment are recorded at cost. Minor additions and renewals are expensed in the year incurred. Major additions and renewals are capitalized and depreciated over their estimated useful lives. Depreciation is calculated using the straight-line method over the estimated useful lives. Estimated useful lives of major depreciable assets are as follows:

- 3 years

Leasehold improvements	
Furniture and fixtures	- 7 years
Website costs	- 3 years
Computer Equipment	- 5 years

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SPARTA COMMERCIAL SERVICES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2011
(UNAUDITED)

Advertising Costs

The Company follows a policy of charging the costs of advertising to expenses incurred. During the three months ended July 31, 2011 and the year ended April 30, 2011, the Company incurred \$920 and \$3,283 in advertising costs, respectively.

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.

Per share basic and diluted net loss attributable to common stockholders amounted to \$0.00 and \$0.01 for the three months ended July 31, 2011 and 2010, respectively. At July 31, 2011 and 2010, 189,751,620 and 98,589,643 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 consolidated financial statements, the Company has incurred a net loss of \$365,471 and \$1,342,784 during the three months ended July 31, 2011 and the year ended April 30, 2011, respectively. The Company had a negative net worth of \$2,782,775 at July 31, 2011.

Reclassifications

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

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SPARTA COMMERCIAL SERVICES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2011
(UNAUDITED)

Recent Accounting Pronouncements

In July 2010, the FASB issued Accounting Standards Update ASU 2010-20, Receivables (Topic 310) – Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses, which required more information about credit quality. The ASU introduces the term “financing receivables”, which includes loans, trade accounts receivable, notes receivable, credit cards, leveraged leases, direct financing leases, and sales-type leases. The term does not include receivables measured at fair value or the lower of cost of fair value and debt securities among others. It also defines two levels of disaggregation for disclosure: portfolio segment and class of financing receivables. A portfolio segment is defined as the level at which an entity determines its allowance for credit losses. A class of financing receivable is defined as a group of finance receivables determined on the basis of their initial measurement attribute (i.e., amortized cost of purchased credit impaired), risk characteristics, and an entity’s method for monitoring and assessing credit risk. The ASU requires an entity to provide additional disclosures including, but not limited to, a roll forward schedule of the allowance for credit losses (with the ending allowance balance further disaggregated based on impairment methodology) and the related ending balance of the finance receivable presented by portfolio segment, and the aging of past due financing receivables at the end of the period, the nature and extent of troubled debt restructurings that occurred during the period and their impact on the allowance for credit losses, the nature and extend of troubled debt restructurings that occurred within the last year, that have defaulted in the current reporting period, and their impact on the allowance for credit losses, the nonaccrual status of financing receivables, and impaired financing receivables, presented by class. The extensive new disclosures of information as of the end of a reporting period will become effective for both interim and annual reporting periods ending after December 15, 2010 for public companies. Specific items regarding activity that occurred before the issuance of the ASU, such as the allowance roll forward and modification disclosures will be required for periods beginning after December 15, 2010 for public companies. We adopted this pronouncement as disclosed in Note D.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the AICPA, and the SEC did not, or are not believed by management to, have a material impact on the Company’s present or future financial statements.

NOTE B – MOTORCYCLES AND OTHER VEHICLES UNDER OPERATING LEASES

Motorcycles and other vehicles under operating leases at July 31, 2011 and April 30, 2011 consist of the following:

	July 31, 2011	April 30, 2011
Motorcycles and other vehicles	\$ 436,459	\$ 459,099
Less: accumulated depreciation	(194,784)	(217,885)
Motorcycles and other vehicles, net of accumulated depreciation	241,675	241,214
Less: estimated reserve for residual values	(9,650)	(9,650)
Motorcycles and other vehicles under operating leases, net	\$ 232,025	\$ 231,564

Depreciation expense for vehicles for the three months ended July 31, 2011 and for the fiscal year ended April 30, 2011 was \$14,028 and \$60,216, respectively. Depreciation expense for vehicles for the three ended July 31, 2010 was

\$16,342.

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NOTE C – INVENTORY

Inventory is comprised of repossessed vehicles and vehicles which have been returned at the end of their lease. Inventory is carried at the lower of depreciated cost or market, applied on a specific identification basis. At July 31, 2011, the Company's inventory of repossessed or returned vehicles valued at market was \$22,369, which will be resold.

NOTE D – RETAIL (RISC) LOAN RECEIVABLES

RISC loan receivables, which are carried at cost, were \$691,755 and \$900,294 at July 31, 2011 and April 30, 2011, respectively, including deficiency receivables of \$13,565 and \$15,320, respectively. The following is a schedule by years of future principal payments related to these receivables. Certain of the assets are pledged as collateral for the note described in Note F.

Year ending July 31,	
2012	\$ 460,595
2013	228,653
2014	2,506
2015	-
	\$ 691,755

We consider our portfolio of retail (RISC) loan receivables to be homogenous and consist of a single segment and class. Consequently we analyze credit performance primarily in the aggregate rather than stratification by any particular credit quality indicator.

We consider an RISC contract delinquent when an obligor fails to make a contractually due payment by the following due date, which date may have been extended within limits specified in the servicing agreements. The period of delinquency is based on the number of days payments are contractually past due. Automobile contracts less than 31 days delinquent are not included. The following table summarizes the delinquency status of finance receivables as of July 31, 2011 and April 30, 2011:

Delinquency Status	July 31, 2011	April 30, 2011 Audited
Current	\$ 622,244	\$ 801,953
31-60 days past due	38,670	37,854
61-90 days past due	11,135	22,394
91-120 days past due	6,141	22,773
	678,190	884,974
Paying deficiency receivables*	13,565	15,320
	\$ 691,755	\$ 900,294

*Paying deficiency are receivables resulting from RISC contract terminations which were terminated for less than the required termination amount and on which the customer is making payments pursuant to written or oral agreements

with the Company. The Company's policy is to write-off any deficiency receivable over 120 days old and on which the customer has not made any payments in the last 120 days.

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RISC receivables totaling \$30,066 and \$40,855 at July 31, 2011 and April 30, 2011, respectively, have been placed on non-accrual status because of their bankruptcy status.

The following table presents a summary of the activity for the allowance for credit losses, for the three months and year ended July 31, 2011 and April 30, 2011, respectively:

	Three Months Ended July 31, 2011	Year Ended April 30, 2011 Audited
Balance at beginning of year	\$ 45,015	\$ 132,000
Provision for credit losses	(10,515)	9,179
Charge-offs	-	(96,164)
Recoveries*	-	-
Balance at end of period	\$ 34,500	\$ 45,015

* Recoveries are credited to deficiency receivables

Excluded from RISC receivables are contracts that were previously classified as RISC receivables but were reclassified as inventory because we have repossessed the vehicles securing the RISC Contracts. The following table presents a summary of such repossessed inventory together with the allowance for losses in repossessed inventory that is included in the allowance for credit losses:

	Three Months Ended July 31, 2011	Year Ended April 30, 2011 Audited
Gross balance of repossessions in inventory	\$ 26,741	\$ 14,138
Allowance for losses on repossessed inventory	(4,372)	(1,012)
Net repossessed inventory	\$ 22,369	\$ 13,126

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NOTE E – PROPERTY AND EQUIPMENT

Major classes of property and equipment at July 31, 2011 and April 30, 2011 consist of the followings:

	July 31, 2011	April 30, 2011
Computer equipment, software and furniture	\$ 191,247	\$ 191,247
Less: accumulated depreciation and amortization	(179,671)	(176,677)
Net property and equipment	\$ 11,576	\$ 14,570

Depreciation expense for property and equipment was \$2,994 and \$3,220, respectively for the three months ended July 31, 2011 and 2010, and \$12,853 for the year ended April 30, 2011.

NOTE F – PURCHASED PORTFOLIO AND SECURED SENIOR NOTE

(a) The Company finances certain of its leases through a third party. The repayment terms are generally one year to five years and the notes are secured by the underlying assets. The weighted average interest rate at July 31, 2011 is 10.48%.

(b) On October 31, 2008, the Company purchased certain loans secured by a portfolio of secured motorcycle leases (“Purchased Portfolio”) for a total purchase price of \$100,000. The Company paid \$80,000 at closing, \$10,000 in April 2009 and agreed to pay the remaining \$10,000 upon receipt of additional Purchase Portfolio documentation. Proceeds from the Purchased Portfolio started accruing to the Company beginning November 1, 2008.

To finance the purchase, the Company issued a \$150,000 Senior Secured Note dated October 31, 2008 (“Senior Secured Note”) in exchange for \$100,000 from the note holder. Terms of the Senior Secured Note require the Company to make semi-monthly payments in amounts equal to all net proceeds from Purchased Portfolio lease payments and motorcycle asset sales received until the Company has paid \$150,000 to the note holder.

The Company is obligated to pay any remainder of the Senior Secured Note by November 1, 2009 and has granted the note holder a security interest in the Purchased Portfolio. The due date of the note has been extended to May 1, 2011. Once the Company has paid \$150,000 to the lender from Purchased Portfolio proceeds, the Company is obligated to pay fifty percent of all net proceeds from Purchased Portfolio lease payments and motorcycle asset sales until the Company and the lender mutually agree the Purchase Portfolio has no remaining proceeds.

As of July 31, 2011, the Company carries the Purchased Portfolio at \$23,330 representing its \$100,000 cost, which is less than its estimated market value, less collections through the period. On January 31, 2011, the note holder converted \$50,000 principal amount of the note into 4,545,455 shares of the Company’s common stock which shares were classified as to be issued at July 31, 2011. The Company carries the liability for the Senior Secured Note at \$39,189, which is net of note reductions.

(c)

In July 2011, the Company borrowed \$100,842 from an investor and collateralized the loan with certain unpledged leases.

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At July 31, 2011, these notes payable to the three creditors mature as follows:

12 Months Ended	July 31,	Amount
2012	\$	494,949
2013		243,784
2014		114,876
2015		-
	\$	853,609

Notes payable to Senior Secured lender at April 30, 2011 were \$934,355.

NOTE G – NOTES PAYABLE

	July 31,	April 30,
	2011	2011
Notes Payable		
Convertible notes (a)	\$ 873,090	\$ 839,938
Notes payable (b)	60,000	60,000
Bridge loans (c)	206,000	206,000
Collateralized note (d)	220,000	220,000
Convertible note (e)	103,399	103,399
Sub Total	1,462,489	1,429,337
Less Beneficial Conversion Discount	(75,090)	(52,272)
Total	\$ 1,387,399	\$ 1,377,066

(a) As of July 31, 2011, the Company had outstanding convertible unsecured notes with an aggregate principal amount of \$873,090, which accrue interest at rates ranging from 8% to 15% per annum. The majority of the notes are convertible into shares of common stock, at the Company's option, ranging from \$0.006 to \$0.021 per share.

During the three months ended July 31, 2011, the Company sold to an accredited investor a \$45,000 note which is convertible at the note holder's option at a variable conversion price such that during the period during which the notes are outstanding, with one note convertible at 58% multiplied by the average of the three lowest closing bid prices for the common stock during the ten trading day period ending one trading day prior to the submission date of the conversion notice by the note holder to the Company (the "Discount Conversion Rate"), and the other note convertible at the lower of (i) \$0.02 per share or (ii) the Discount Conversion Rate; provided, however, that, the conversion rate is subject to adjustment upon a merger, consolidation or other similar event, and, if the Company issues or sells any shares of common stock for no consideration or for a consideration per share that is less than the conversion price of the note, or issues or grants convertible securities (including warrants, rights, and options but not including employee stock option plans), with an conversion price that is less than the conversion price of the note, then the conversion price of the note will immediately be reduced to the consideration per share received in such stock issuance or the conversion price of the convertible securities issuance. The Company has reserved up to 32,327,586 shares of its common stock for conversion pursuant to the terms of the note. In the event the note is not paid when due, the interest rate is increased to twenty-two percent until the note is paid in full. Also, during the three months ended July 31, 2011,

this investor converted \$72,000 principal amount of notes and accrued interest there on into 13,572,935 shares of the Company's common stock.

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During the three months ended July 31, 2011, the Company sold to an accredited investor four, one-year, unsecured notes in the aggregate amount of \$155,745. The notes bore 8% simple interest, payable in cash or shares, at the Company's option, with principal and accrued interest payable at maturity. At the Company's option, the notes are convertible into shares of common stock at prices ranging from \$0.00577 to \$0.0072 per share.

During the three months ended July 31, 2011, a note holder converted \$38,579 principal amount of notes and accrued interest thereon into 6,564,650 shares of the Company's common stock.

During the three months ended July 31, 2011, another note holder converted \$40,096 principal amount of notes into 6,564,650 shares of the Company's common stock.

During the three months ended July 31, 2011, the Company made a total of \$15,000 in payments on two notes pursuant to their terms.

(b) During the nine months ended July 31, 2010, the Company sold to seven accredited investors a total of \$95,000 two month loans bearing interest at 12% and issued a total of 850,000 shares of common stock valued at \$22,500 as inducements for the loans. All of the loans have been extended to September 30, 2011. The Company has issued an additional 1,600,000 shares of common stock for such extensions. In December 2010, two of the note holders converted a total of \$35,000 principal amount of notes into 7 shares of the Series B preferred stock of the Company's subsidiary, Specialty Reports, Inc., and converted the interest on the notes into 104,450 shares of the Company's common stock.

(c) During the year ended April 30, 2007, the Company sold to five accredited investors bridge notes in the aggregate amount of \$275,000. The bridge notes were originally scheduled to expire on various dates through November 30, 2006, together with simple interest at the rate of 10%. The notes provided that 100,000 shares of the Company's unregistered common stock are to be issued as "Equity Kicker" for each \$100,000 of notes purchased, or any prorated portion thereof. The Company had the right to extend the maturity date of notes for 30 to 45 days, in which event the lenders were entitled to "additional equity" equal to 60% of the "Equity Kicker" shares. In the event of default on repayment, the notes provided for a 50% increase in the "Equity Kicker" and the "Additional Equity" for each month that such default has not been cured and for a 20% interest rate during the default period. The repayments, in the event of default, of the notes are to be collateralized by certain security interest. The maturity dates of the notes were subsequently extended to various dates between December 5, 2006 to September 30, 2009, with simple interest rate of 10%, and Additional Equity in the aggregate amount of 165,000 unregistered shares of common stock to be issued. Thereafter, the Company was in default on repayment of these notes. During the year ended April 30, 2009, \$99,000 of these loans was repaid and during the fiscal year ended April 30, 2010, \$15,000 of these notes and accrued interest thereon was converted into approximately 463,000 shares of the Company's common stock. The holders of the remaining notes agreed to contingently convert those notes plus accrued interest into approximately 8,000,000 shares of the Company's common stock upon the Company's ability to meet all conditions precedent to begin drawing down on a senior credit facility. In July 2010, the Company sold to an accredited investor a one week 10%, \$25,000 note and issued 25,000 shares of common stock as inducement for the note. The note is convertible at the holder's option into shares of common stock at \$0.005 per share. In the event the note is not paid when due, the interest rate is increased to 20% until paid in full and the Company is required to issue 50,000 shares of common stock per month until the note is paid in full. During the quarter ending July 31, 2010, one \$20,000 note (which was classified as Notes Payable (see b above) has been reclassified as a Bridge Loan) was

due August 8, 2009 and is accruing interest at a default rate of 15% and is also accruing penalty shares at the rate of 20,000 shares per month. All of these notes have been extended to May 1, 2011.

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- (d) During the year ended April 30, 2009, the Company sold a secured note in the amount of \$220,000. The note bore 12.46% simple interest. The note matured on January 29, 2010 and has been extended to September 1, 2011 and is secured by a second lien on a pool of motorcycles. In July 2010, the note holder agreed to convert the note and all accrued interest thereon into approximately 12,000,000 shares of the Company's common stock upon the Company demonstrating that it can meet all conditions precedent to begin drawing down on a senior credit facility. As of July 31, 2011, the balance outstanding was \$220,000 since the Company has not met the conditions to precedent to convert the note to common shares.
- (e) On September 19, 2007, the Company sold to one accredited investor for the purchase price of \$150,000 securities consisting of a \$150,000 convertible debenture due December 19, 2007, 100,000 shares of unregistered common stock, and 400,000 common stock purchase warrants. The debentures bear interest at the rate of 12% per year compounded monthly and are convertible into shares of the Company's common stock at \$0.0504 per share. The warrants may be exercised on a cashless basis and are exercisable until September 19, 2007 at \$0.05 per share. In the event the debentures are not timely repaid, the Company is to issue 100,000 shares of unregistered common stock for each thirty day period the debentures remain outstanding. The Company has accrued interest and penalties as per the terms of the note agreement. In May 2008, the Company repaid \$1,474 of principal and \$3,526 in accrued interest. Additionally, from April 26, 2008 through April 30, 2009, a third party to the note paid, on behalf of the Company, \$41,728 of principal and \$15,272 in accrued interest on the note, and the note holder converted \$3,399 of principal and \$6,601 in accrued interest into 200,000 shares of our common stock. This note has been extended to May 1, 2011.

NOTE H – LOANS PAYABLE TO RELATED PARTIES

As of July 31, 2011, aggregated loans payable, without demand and with no interest, to officers and directors were \$386,760. At July 31, 2011 and April 30, 2011, included in accounts receivable, are \$10,190 and \$10,190, respectively, due from American Motorcycle Leasing Corp., a company controlled by a director and formerly controlled by the Company's Chief Executive Officer.

NOTE I – EQUITY TRANSACTIONS

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 per share, and 200,000 shares have been designated as Series C Preferred Stock with a \$10 per share liquidation value, and 740,000,000 shares of common stock with \$0.001 par value per share. The Company had 125 and 125 shares of Series A preferred stock issued and outstanding as of July 31, 2011 and April 30, 2011, respectively. The Company had 157 and 157 shares of Series B preferred stock issued and outstanding as of July 31, 2011 and April 30, 2011, respectively. The Company had no and no shares of Series C preferred stock issued and outstanding as of July 31, 2011 and April 30, 2011, respectively. The Company has 530,285,000 and 479,104,770 shares of common stock issued and outstanding as of July 31, 2011 and April 30, 2011, respectively.

Preferred Stock, Series A

During the quarter ended July 31, 2011, there were no transactions in Series A Preferred, however, at July 31, 2011, there were \$4,718 of accrued dividends payable on the Series A Preferred, compared to the accrual of \$4,527 at April 30, 2011. At the Company's option, these dividends may be paid in shares of the Company's Common Stock.

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Preferred Stock, Series B

During the quarter ended July 31, 2011, there were no transactions in Series B Preferred Stock, however, at July 31, 2011, there were \$39,573 of dividends accrued and re-classed as 3.96 shares of Series B Preferred Stock payable. There were 25.3 shares of Series B Preferred payable at April 30, 2011 representing a total of \$253,416 in accrued dividends.

Preferred Stock Series C

There were no shares of Series C Preferred Stock outstanding at July 31, 2011 or at April 31, 2011.

Common Stock

During the three months ended July 31, 2011, the Company expensed \$60,214 for non-cash charges related to stock and option compensation expense.

During the three months ended July 31, 2011, the Company:

issued 12,439,343 shares of common stock which had been classified as to be issued at April 30, 2011, sold 16,937,333 shares of common stock to five accredited investors for \$91,266, of which 9,537,333 shares remained to be issued at July 31, 2011, issued 26,856,980 shares of common stock upon the conversion of \$150,675 principal amount of convertible notes and accrued interest thereon, issued 3,179,000 shares of common stock valued at \$41,721 pursuant to terms of various notes, issued 1,305,340 shares of common stock valued at \$16,750 pursuant to consulting agreements, and the Company's majority owned subsidiary, Specialty Reports, Inc., sold 16 shares of its Series B Preferred stock to five accredited investors for \$80,000. The Series B Preferred stock does not pay a dividend. Each share has a liquidating value of \$5,000 and is redeemable by Specialty Reports at any time after one year. Each share is convertible at the holder's option at any time into either 2,222 shares of Specialty Reports, Inc common stock, or 200,000 shares of Sparta Commercial Services common stock.

NOTE J – NONCONTROLLING INTEREST

In May 2010, the Company formed Specialty Reports, Inc, a Nevada Corporation ("SRI"), for the purpose of acquiring all of the assets of Cyclechex, LLC, a Florida limited liability company. Cyclechex, LLC's sole business was an e-commerce business which acquired the relevant motorcycle data and sold the data in the form of Cyclechex Motorcycle History Reports© over the internet to consumers and dealers. As part of the transaction, the Company issued 24% of SRI common stock, valued at \$10,000, to the sole owner of Cyclechex, LLC.

For the three months ended July 31, 2011, the noncontrolling interest is summarized as follows:

	Amount
Balance at April 30, 2011	\$ 290,789

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Issuance of Series B Preferred Stock	80,000
Noncontrolling interest's share of losses	(8,415)
Balance at July 31, 2011	\$ 362,374

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NOTE K – 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 our financial liabilities as of July 31, 2011:

	Fair Value at July 31, 2011	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Derivative liabilities	\$ 178,595	-	-	\$ 178,595

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.

NOTE L – SUBSEQUENT EVENTS

In August 2011, the Company

- sold 2,520,000 shares of common stock for \$12,600 to a qualified investor,
- borrowed \$25,000 from a qualified investor pursuant to a 21 day 10%, note and agreed to issue the investor 800,000 shares of common stock as an inducement. Pursuant to the terms of the note, the Company is required to issue the investor 800,000 shares of common stock for each month or portion thereof the note is past due, and
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borrowed \$50,000 for one year at 8%, convertible at the company's option into common stock at \$0.00576 per share.

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NOTE M – 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, financial statements during the period July 1, 2001 (date of inception) through July 31, 2011, the Company incurred loss of \$35,480,272. Of these losses, \$365,471 was incurred in the three months ending July 31, 2011. These factors among others may indicate that the Company will be unable 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. However, there can be no assurance can be given that management's actions will result in profitable operations or the resolution of its liquidity problems. The accompanying 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 the Company will be successful in its effort to secure additional equity financing.

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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, 2011 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,” 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 July 31, 2011 to the Three Months Ended July 31, 2010

For the three months ended July 31, 2011 and 2010, we have generated limited sales revenues, have incurred significant expenses, and have sustained significant losses

Revenues

Revenues totaled \$149,999 during the three months ended July 31, 2011 as compared to \$132,147 during the three months ended July 31, 2010. Current period revenue was comprised of \$28,359 in lease revenue, \$35,041 in interest income from RISC loans, and \$86,599 in other income. Prior period revenue was comprised of \$29,753 in lease revenue, \$75,717 in interest income from RISC loans, and \$26,677 in other income. This increase in revenues was due to the continued run-off of our RISC loan portfolio which declined \$40,676 (54%) in the quarter and we had a nominal \$1,394 (5%) decrease in our lease portfolio both off-set by a \$59,921 (225%) increase in other income primarily from sales generated by our majority owned subsidiary. Prior period RISC portfolio run-off was \$63,148 (46%) while the lease portfolio declined \$23,315 (44%). Other income increased \$1,807 (7%). The run-off of our portfolios will continue until we are able to obtain one or more new credit facilities with which to commence underwriting and acquiring loans and leases for own account.

Costs and Expenses

General and administrative expenses were \$575,431 during the three months ended July 31, 2011, compared to \$718,668 during the three months ended July 31, 2010. The \$143,237 (20%) decline was primarily due to a reduction in payroll, consulting and professional fees, and cost conservation measures. Expenses incurred during the current three month period consisted primarily of the following expenses: compensation and related costs, \$273,111; accounting, audit and professional fees, \$61,273; consulting fees, \$62,436; rent, utilities and telecommunications expenses \$66,228; travel and entertainment, \$3,658; and stock based compensation, \$60,214. Expenses incurred during the comparative three month period in 2010 consisted primarily of the following expenses: compensation and

related costs, \$297,498; accounting, audit and professional fees, \$89,512; consulting fees, \$32,185; rent, utilities and telecommunication expenses \$88,269; travel and entertainment, \$14,135; and stock based compensation, \$146,007.

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Net Loss

We incurred a net loss before preferred dividends and non-controlling interest of \$334,122 for our three months ended July 31, 2011 as compared to a net loss of \$1,311,795 for the corresponding interim period in 2010, a \$977,673 or 74% decrease. The decrease in our net loss before preferred dividends for our three month interim period ended July 31, 2011 was attributable primarily to a \$791,544 or 148% change in the fair value of derivative liabilities, the \$17,852 (14%) increase in revenues and a \$145,776 (208%) decrease in other expenses.

The Company's policy is to repossess any loans or leases which are 90 days past due and to write off accounts which are over 120 days past due. At July 31, 2011, the Company's delinquent accounts 60 days or more past due were 3.5% of the outstanding balance as compared to 4.1% at July 31, 2010 and 5.1% at April 30, 2011. This level of delinquencies reflects both the continued run-off of the portfolios and the general economic climate.

During the quarter ended July 31, 2011, the Company charged off \$10,512 of accounts over 120 days representing a loss of 0.7% of the average outstanding combined lease and loan portfolios for the period. For the three months ended July 31, 2010 the equivalent charge offs were \$15,875 or 0.6% of the average outstanding combined lease and loan portfolios for the period. While comparable period charge-offs declined slightly on a percentage basis, the current period delinquencies over 60 days indicate that charge-offs may increase in subsequent periods. The Company maintains loss reserves of 5% and 4% for our RISC loan and lease portfolios, respectively, which we believe are adequate.

We also incurred non-cash preferred dividend expense of \$39,764 for our three month period ended July 31, 2011, compared with a similar dividend expense of \$39,758 in the corresponding interim period of 2010.

Our net loss attributable to common stockholders decreased to \$365,471 for our three month period ended July 31, 2011 as compared to a net loss of \$1,342,784 for the corresponding period in 2010. The \$977,313 or 73% decrease in net loss attributable to common stockholders for our three month period ended July 31, 2011 was due primarily to the 148% change in the fair value of derivative liabilities and the 20% decrease in operating expenses.

LIQUIDITY AND CAPITAL RESOURCES

As of July 31, 2011, we had a negative net worth of \$2,782,775. We generated a deficit in cash flow from operations of \$386,170 for the three months ended July 31, 2011. This deficit is primarily attributable to our net loss from operations of \$334,122, partially offset by, other non-cash charges totaling \$137,097, a non-cash credit of \$257,302 for the change in the fair value of derivative liabilities, and to changes in the balances of current assets and liabilities. Accounts payable and accrued expenses increased by \$40,750, receivables decreased \$25,620, inventory increased \$9,243, and portfolio assets increased by \$1,214.

Cash flows provided by investing activities for the three months ended July 31, 2011 was \$208,077 primarily due to the net proceeds of RISC contracts.

We met our cash requirements during the three month period through net proceeds from the sale of common and preferred equity in the amount of \$162,840, and net proceeds from convertible notes of \$183,244. We made payments on senior secured debt financing of \$233,518 and borrowed \$112,766 from a secured lender. Additionally, we have received limited revenues from leasing and financing motorcycles and other vehicles, fees from our municipal lease program, and from our subsidiary, Specialty Reports, Inc., and our Preferred Provider Program.

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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 July 31, 2011 we had 10 full time employees. If we are able to fully implement our business plan, we anticipate our employment base may increase by approximately 50% 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 obtaining sources of financing originating loans and leases and generating revenues there from. 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.

We continue seeking additional financing, which may be in the form of senior debt, subordinated debt or equity. 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 \$2,000,000 in addition to our normal operating cash flow to conduct operations during the next twelve months. In September 2010, we entered into a two year \$5 million master lease funding agreement. Under this agreement we originate and underwrite motorcycle leases pursuant to the credit criteria of the lender and sell the leases to the lender for a fee. This type of agreement is known as a pass-through. The company is liable for ten percent of the lender's losses on the leases sold to it up to \$500,000. There can be no assurances that we can underwrite a sufficient number of leases to fully utilize the initial amount of the agreement, and if we do there can be no assurance that this lender will increase the amount of the agreement. To date, we have not sold any leases to this lender as the yields required by the lender are not competitive in the current market for powersports financing. We are in discussion with this lender to modify their requirements. Based on the above, on capital received from equity financing to date, we believe that we have a reasonable chance to raise sufficient capital resources to meet projected cash flow deficits through the next twelve months. 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, 2011 and 2010 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 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.

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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 are negotiating the potential sale of securities with investment banking companies to assist us in raising capital. We are also presently in discussions with several institutions about obtaining additional credit facilities.

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.

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.

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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.

Revenue Recognition

We purchase Retail Installment Sales Contracts ("RISC") from motorcycle dealers and we originate leases on new and used motorcycles and other powersports vehicles from motorcycle dealers throughout the United States.

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.

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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 as a result 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.

Revenues in our Specialty Reports, Inc. subsidiary are recognized on a cash basis.

Stock-Based Compensation

The Company adopted 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 PRONOUNCEMENT

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.

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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

Not applicable.

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 that 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, 2011, filed August 15, 2011, and is incorporated herein by reference. Certain descriptions of those risk factors have been amended and are set forth below

We have an operating history of losses.

Through our fiscal year ended April 30, 2011, we have generated cumulative sales revenues of \$4,524,402, have incurred significant expenses, and have sustained significant losses. Our net loss for the year ended April 30, 2011 was \$3,663,867. As of April 30, 2011, we had a deficit net worth of \$2,946,315. Through our fiscal quarter ended July 31, 2011, we have generated cumulative sales revenues of \$4,674,401, have incurred significant expenses, and have sustained significant losses. Our net loss for the quarter ended July 31, 2011 was \$365,471. As of July 31, 2011, we had a deficit net worth of \$2,782,775.

We had an agreement for a credit line with an institutional lender, who has acquired preferences and rights senior to those of our capital stock and placed restrictions on the payment of dividends. This line had been terminated.

In July 2005, we entered into a secured senior credit facility with New World Lease Funding for a revolving line of credit. New World received a security interest in substantially all of our assets with seniority over the rights of the holders of our preferred stock and our common stock. Until the security interests are released, those assets will not be available to us to secure future indebtedness. New World has ceased all lending operations and its assets have been taken over by its creditors. As of July 31, 2011, we owed an aggregate of \$713,579 (which is secured by \$933,339 of consumer Retail Installment Sales Contracts and Leases and \$54,879 of restricted cash) to New World. In granting the credit line, New World also required that we meet certain financial criteria in order to pay cash dividends on any of our preferred shares and common shares. We may not be able to repay our outstanding indebtedness under the credit line.

We have an agreement for a master lease funding agreement.

In September 2010, we entered into a two year \$5 million master lease funding agreement. Under this agreement we originate and underwrite motorcycle leases pursuant to the credit criteria of the lender and sell the leases to the lender for a fee. This type of agreement is known as a pass-through. The Company is liable for ten percent of the lender’s losses on the leases sold to it up to \$500,000. There can be no assurances that we can underwrite a sufficient number of leases to fully utilize the initial amount of the agreement, and if we do there can be no assurance that this lender will increase the amount of the agreement. As of July 31, 2011, we have not utilized this line.

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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 July 31, 2011, the Company sold to an accredited investor four one-year, unsecured notes in the aggregate amount of \$155,745. The notes bare 8% simple interest, payable in cash or shares at the Company's option, with principal and accrued interest payable at maturity. At the Company's option, the notes are convertible into shares of common stock at prices ranging from \$0.00577 to \$0.0072 per share.

During the three months ended July 31, 2011, the Company sold to one accredited investor a \$45,000 nine month, 8% notes convertible at the holder's option into such number of shares of the Company's common stock as determined by a forty-two percent discount from the average of the three lowest closing prices of the Company's common stock for the ten trading days immediately preceding the day the holder notices the Company of its intent to convert. The conversion price is subject to standard anti-dilutive provisions. The Company has reserved up to 32,237,586 shares of its common stock in the event of conversion pursuant to the terms of the note. In the event the note is not paid when due, the interest rate is increased to twenty-two percent until the note is paid in full.

During the three months ended July 31, 2011, the Company sold to five accredited investors 16,937,333 shares of common stock for \$91,256 of which 9,537,333 shares were classified as to be issued at July 31, 2011

During the three months ended July 31, 2011, three note holders converted \$150,675 on notes and accrued interest thereon into 26,857,060 shares of common stock.

During the three months ended July 31, 2011, the Company issued 500,000 shares to existing note holders in consideration of the extension of the maturity dates of notes.

During the three months ended July 31, 2011, the Company's subsidiary, Specialty Reports, Inc, sold 16 shares of its Series B Convertible Preferred Stock to five accredited investor for \$80,000. Each Series B share is convertible at the holder's option at any time into either 2,222 shares of Specialty Reports, Inc. common stock, or 200,000 shares of Sparta Commercial Services common stock.

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ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. (REMOVED AND RESERVED)

Not applicable.

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*	<u>Certification of Chief Executive Officer pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a)</u>
31.2*	<u>Certification of Principal Financial Officer pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a)</u>
32.1*	<u>Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350</u>
32.2*	<u>Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350</u>
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: September 19, 2011

By: /s/ Anthony L. Havens
Anthony L. Havens
Chief Executive Officer

Date: September 19, 2011

By: /s/ Anthony W. Adler
Anthony W. Adler
Principal Financial Officer

