

RoadMap: [Ch-9]

Regular Preparation

Notebook = Read complete NB

<u>ICAI Module :-</u>	<u>Pgno.</u>	<u>Category</u>
General Requirement	9.4	C
Accrual Basis	9.4	C
Place of keeping	9.4	A
Books in E-form (LBH)	9.5	A
Branch Books	9.6	B
Inspection by Director	9.6	B
Assistance	9.6	C
Preservation of Books	9.7	A
Persons Responsible	9.7	A
Penalty	9.7	C
Financial statement	9.8	B
Consolidation	9.11	C
(Read only 1 st 2 para)		
Can to prescribe AS (Sec 133)	9.23	C
Sec. 134 [Pg 9.23 & 9.24]		(B)
Test your knowledge	9.57	

Day Before Exam:-

Note book : Read complete & proper

Module : Only 'A' Category Topics

Accounts + Audit Based Topics

Refer following topics from NDI App video lectures & ensure.

You refer after completion of that topic in accounts & audit subject.

And also write concepts in notebook from NDI video videos.

Basics of Accounting Lec 1
[Sec 128 + 129]

Circulation of FS Lec 4
[Sec 136]

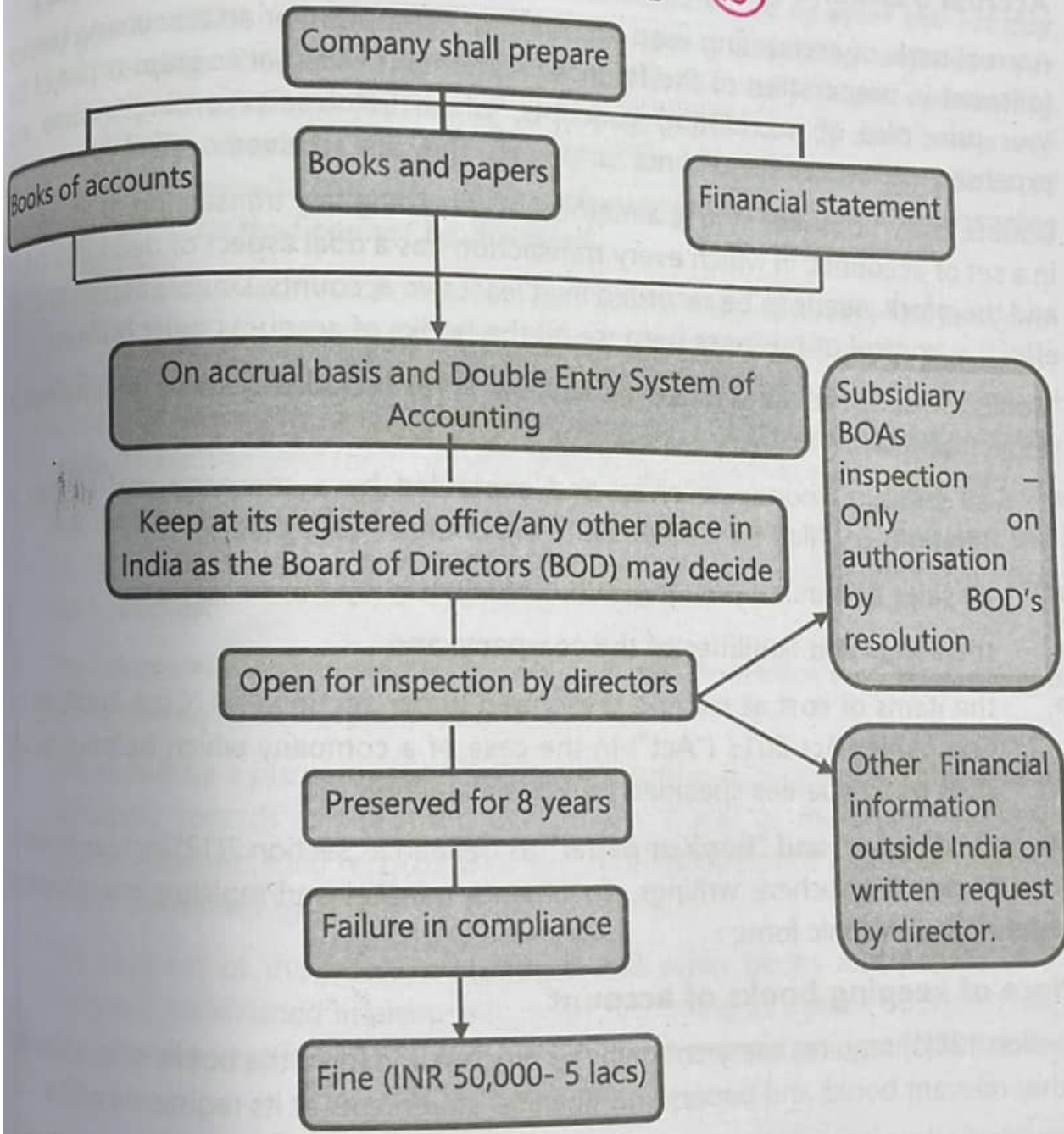
CSR
[Sec 135]

New Video
(Amendment)

1. INTRODUCTION

There is a need for disclosing the annual information to the shareholders by the directors about the working and financial position of the company so that the shareholders are aware of the affairs of the company. The Companies Act, 2013, lays down various provisions related to maintenance of proper books of account of the companies.

2. BOOKS OF ACCOUNTS, ETC., TO BE KEPT BY COMPANY [SECTION 128] B



General requirement

Every company shall prepare books of accounts and other relevant books and records and financial statement for every financial year.

These books of accounts should give a true and fair view of the state of the affairs of the company, including that of its branch office(s) and explain the transactions effected both at the registered office and its branches

These books of accounts must be kept on accrual basis and according to the double entry system of accounting.

Accrual basis and double-entry system of accounting

Accrual basis of accounting is an accounting assumption or an accounting concept followed in preparation of the financial statements. Accrual concept is one of the four principles of accounting concepts, which involves recording income and expenses as they accrue; distinct from when they are received or paid.

Double entry book-keeping is a method of recording any transaction of a business in a set of accounts, in which every transaction has a dual aspect of debit and credit and therefore, needs to be recorded in at least two accounts. Double aspect enables effective control of business because all the books of accounts must balance.

"Books of account" as defined in Section 2(13) includes records maintained in respect of—

- all sums of money received and expended by a company and matters in relation to which the receipts and expenditure take place;
- all sales and purchases of goods and services by the company;
- the assets and liabilities of the company; and
- the items of cost as may be prescribed under section 148 (Cost Audit) of the Companies Act 2013 ("Act") in the case of a company which belongs to any class of companies specified under that section.

"Book and paper" and "book or paper" as defined in Section 2(12) include books of account, deeds, vouchers, writings, documents, minutes and registers maintained on paper or in electronic form;

(A) Place of keeping books of account

Section 128(1) requires every company to prepare and keep the books of account and other relevant books and papers and financial statements at its registered office.

Provided all or any of the books of accounts may be kept at such other

India as the Board of directors may decide. Where such a decision is taken by the Board the company shall within seven days thereof file with the registrar a notice in writing in form AOC-5 giving full address of that other place.

Maintenance of books of account in electronic form

A company has an option of keeping books of account or other relevant papers in electronic mode as per Rule 3 of the Companies (Accounts) Rules, 2014. Rule 3 lays down the manner of books of account to be kept in electronic mode.

- (1) The books of account and other relevant books and papers maintained in electronic mode shall remain accessible in India so as to be usable for subsequent reference.

Provided that for the financial year commencing on or after the 1st day of April, 2022, every company which uses accounting software for maintaining its books of account, shall use only such accounting software which has a feature of recording audit trail of each and every transaction, creating an edit log of each change made in books of account along with the date when such changes were made and ensuring that the audit trail cannot be disabled.

- (2) The books of account and other relevant books and papers referred to in sub-rule (1) shall be retained completely in the format in which they were originally generated, sent or received, or in a format which shall present accurately the information generated, sent or received and the information contained in the electronic records shall remain complete and unaltered.
- (3) The information received from branch offices shall not be altered and shall be kept in a manner where it shall depict what was originally received from the branches.
- (4) The information in the electronic record of the document shall be capable of being displayed in a legible form.
- (5) There shall be a proper system for storage, retrieval, display or printout of the electronic records as the Audit Committee, if any, or the Board may deem appropriate and such records shall not be disposed of or rendered unusable, unless permitted by law.

of the books of account and other books and papers of the maintained in electronic mode, including at a place outside India, if in servers physically located in India on a periodic basis.

9.6
(6) The company shall intimate to the Registrar on an annual basis at the time of filing of financial statement following relevant information related to service provider—

- (a) the name of the service provider;
- (b) the internet protocol (IP) address of service provider;
- (c) the location of the service provider (wherever applicable);
- (d) where the books of account and other books and papers are maintained on cloud, such address as provided by the service provider.

(B) Books of account - Branch Office

Where a company has a branch office in or outside India, it shall be deemed to have complied with the provisions of sub-section (1), if proper books of account relating to the transactions effected at the branch office are kept at that office.

The summarised returns of the books of account of the company kept and maintained outside India shall be sent to the registered office at quarterly intervals, which shall be kept and maintained at the registered office of the company and kept open to directors for inspection.

Inspection by Directors

As per Section 128 (3), any director can inspect the books of account and other books and papers of the company during business hours. Such inspection may be done by any type of director - nominee, independent, promoter or whole time.

The proviso to sub-section 3 provides that a person can inspect the books of account of the subsidiary, only on authorisation by way of the resolution of Board of Directors.

(A) Assistance by officers and Employees

As per Section 128 (4), where an inspection is made under sub-section (3), the officers and other employees of the company shall give to the person making such inspection all assistance in connection with the inspection which the company may reasonably be expected to give.

Other financial information: Where any other financial information maintained outside the country is required by a director, the director shall furnish a request to the company setting out the full details of the financial information sought, the period for which such information is sought.

COMPANIES 9.7
The company shall produce such financial information to the director within fifteen days of the date of receipt of the written request.

The Director can seek the information only individually and not by or through his attorney holder or agent or representative with respect to financial information maintained outside the country [Rule 4(4) of the Companies (Accounts) Rules, 2014].

Period for preservation of books [Section 128(5)] (A)

The books of accounts, together with vouchers relevant to any entry in such books, are required to be preserved in good order by the company for a period of not less than eight years immediately preceding the relevant financial year.

In case of a company incorporated less than eight years before the financial year, the books of accounts for the entire period preceding the financial year together with the vouchers shall be so preserved.

~~As per proviso to sub-section 5, where an investigation has been ordered in respect of a company under Chapter XIV of the Act related to inspection, inquiry or investigation, the Central Government may direct that the books of account may be kept for such period longer than 8 years, as it may deem fit and give directions to that effect.~~

Persons responsible and Penalty (A)

As per Section 128 (6) the person responsible for the maintenance of books of account etc. shall be:

- (i) Managing Director,
- (ii) Whole-Time Director, in charge of finance
- (iii) Chief Financial Officer
- (iv) Any other person of a company charged by the Board with duty of complying with provisions of section 128.

Penalty for contravention (A) LBH

In case the aforementioned persons fail to take reasonable steps to secure compliance, they shall in respect of each offence, be punishable with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees.

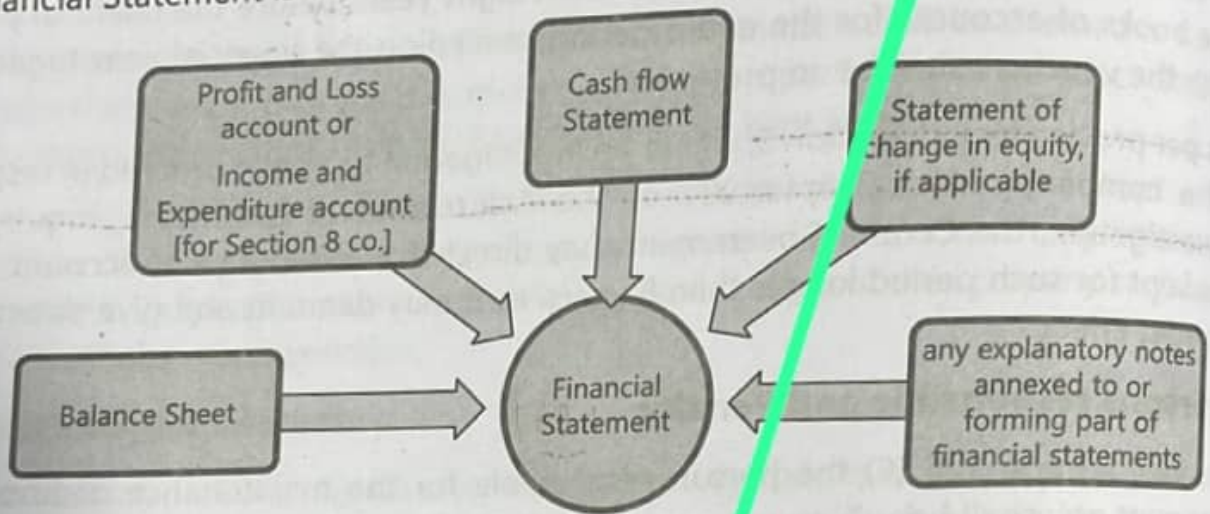
Example 1: XYZ Ltd. wants to maintain its books of account on cash basis. Is this a valid act of XYZ Ltd?

Answer: The Companies Act 2013 vide section 128(1) requires every company to prepare books of account and other relevant books and papers and financial statement for every financial year on accrual basis and double entry system of accounting. No exception has been given by the Act to any class or classes of companies from the above requirement. Hence XYZ Ltd. cannot maintain its books of accounts on cash basis.

3. FINANCIAL STATEMENT [SECTION 129]¹

Financial Statement — Definition

Financial Statement is defined under Section 2 (40), to include—



However, the financial statement with respect to one Person Company, small company and dormant company, may not include the cash flow statement.

Exemption: For private companies, the proviso to section 2(40) shall be read as follows:

"Provided that the financial statement, with respect to one person company, small company, dormant company and private company (if such private company is a start-up) may not include the cash flow statement;

Explanation – For the purposes of this Act, the term "start-up" or "start-up company" means a private company incorporated under the Companies Act, 2013 or the Companies Act, 1956 and recognized as start-up in accordance with

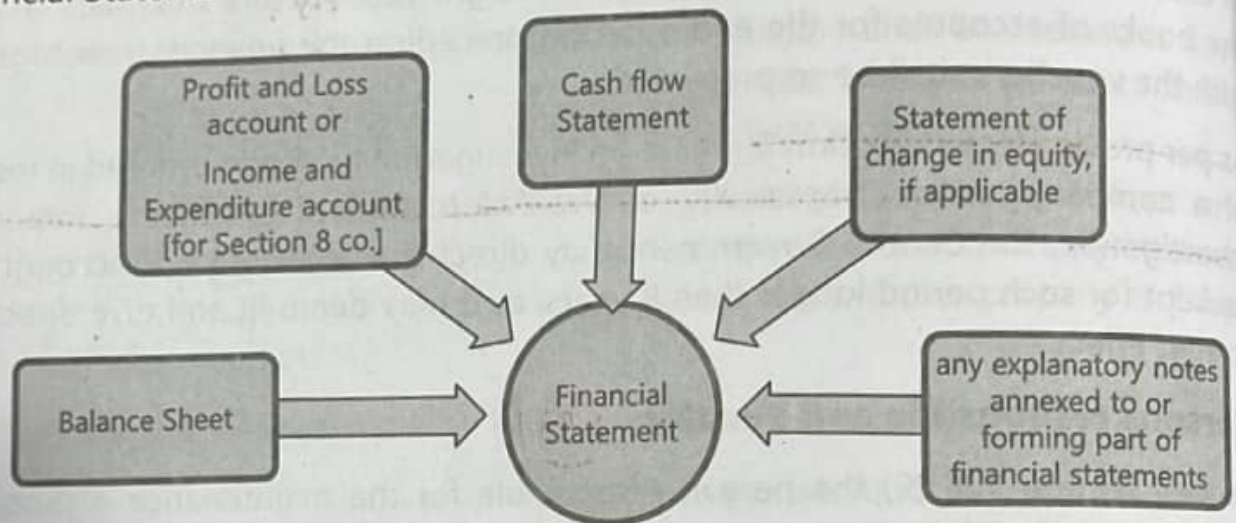
¹ Section 129 shall not apply to the Government Company engaged in production to the extent of application of relevant accounting standards reporting. [notification number G.S.R. 463(E) dated the 5th July]

Answer: The Companies Act 2013 vide section 128(1) requires every company to prepare books of account and other relevant books and papers and financial statement for every financial year on accrual basis and double entry system of accounting. No exception has been given by the Act to any class or classes of companies from the above requirement. Hence XYZ Ltd. cannot maintain its books of accounts on cash basis.

3. FINANCIAL STATEMENT [SECTION 129]¹

Financial Statement — Definition

Financial Statement is defined under Section 2 (40), to include—



However, the financial statement with respect to one Person Company, small company and dormant company, may not include the cash flow statement.

Exemption: For private companies, the proviso to section 2(40) shall be read as follows:

“Provided that the financial statement, with respect to one person company, small company, dormant company and private company (if such private company is a start-up) may not include the cash flow statement;

Explanation – For the purposes of this Act, the term “start-up” or “start-up company” means a private company incorporated under the Companies Act, 2013 or the Companies Act, 1956 and recognised as start-up in accordance with the

¹ Section 129 shall not apply to the Government Companies engaged in defence to the extent of application of relevant Accounting Standard on segment [notification number G.S.R. 463(E) dated the 5th June, 2015]

required

C True and fair view

As per section 129(1), the financial statements shall give a true and fair view of the state of affairs of the company or companies. It shall comply with the accounting standards notified under section 133 and shall be in the form or forms as may be provided for different class or classes of companies in Schedule III.

Provided that the items contained in such financial statements shall be in accordance with the accounting standards.

A Non-applicability

Provided further that nothing contained in this sub-section shall apply to any insurance or banking company or any company engaged in the generation or supply of electricity, or to any other class of company for which a form of financial statement has been specified in or under the Act governing such class of company:

Provided also that nothing in this rule shall apply in respect of consolidation of financial statement by a company having subsidiary or subsidiaries incorporated outside India commencing on or after 1st April 2014.

(2) The provisions applicable to the preparation, adoption and audit of the financial statements of a holding company shall, *mutatis mutandis*, also apply to the consolidated financial statements **[Section 129(4)]**.

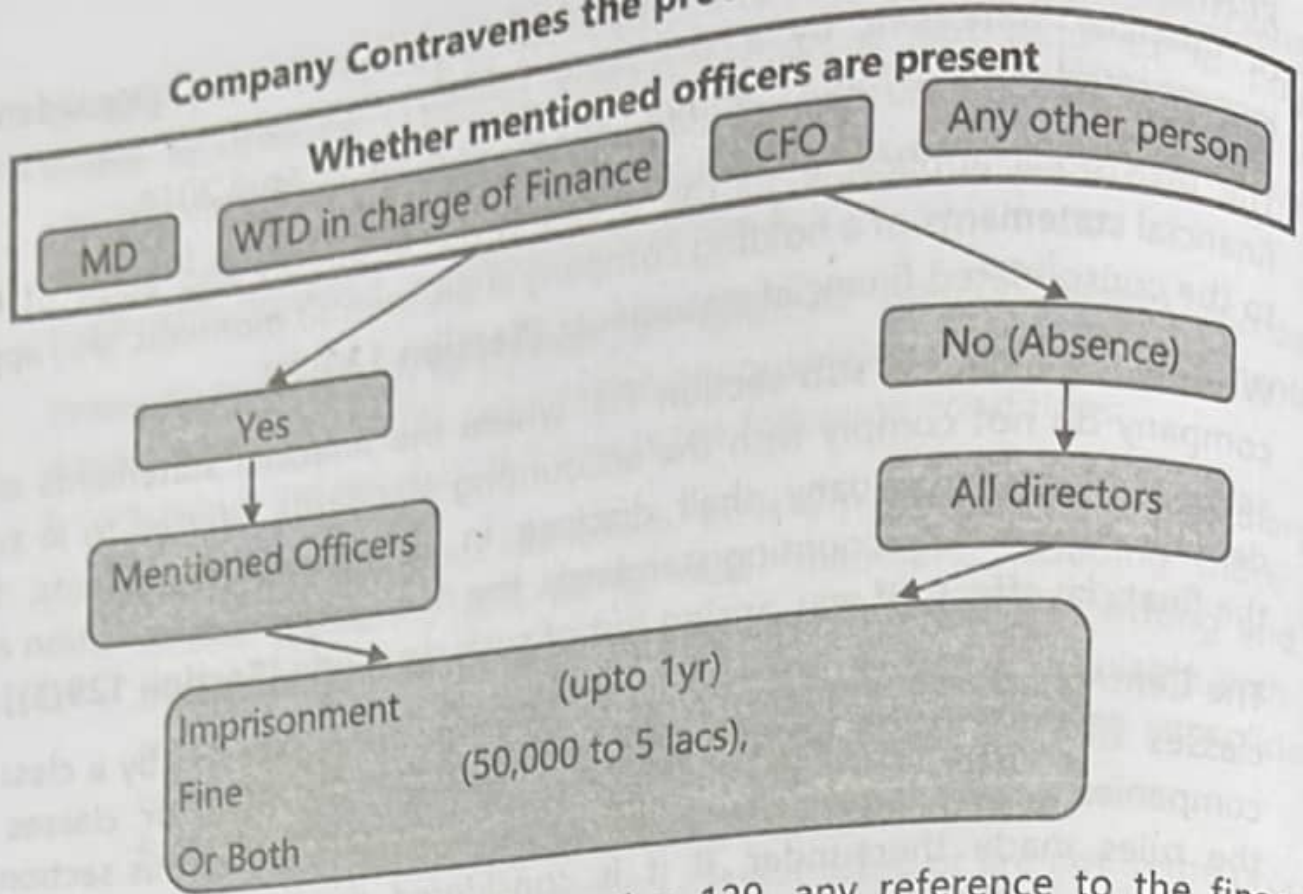
(3) Without prejudice to sub-section (1), where the financial statements of a company do not comply with the accounting standards referred to in sub-section (1), the company shall disclose in its financial statements, the deviation from the accounting standards, the reasons for such deviation and the financial effects, if any, arising out of such deviation **[Section 129(5)]**.

(4) The Central Government may, on its own or on an application by a class or classes of companies, by notification,⁴ exempt any class or classes of companies from complying with any of the requirements of this section or the rules made thereunder, if it is considered necessary to grant such exemption in the public interest and any such exemption may be granted either unconditionally or subject to such conditions as may be specified in the notification **[Section 129(6)]**.

Penal provisions [Section 129(7)]

If a company contravenes the provisions of this section, the managing director, the whole-time director in charge of finance, the Chief Financial Officer or any other person charged by the Board with the duty of complying with the requirements of this section and in the absence of any of the officers mentioned above, all the directors shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees, or with both.

⁴ For exemptions granted to goods engaged in production of Defence Equipments Vide notification dated...



Explanation: For the purposes of section 129, any reference to the financial statement shall include any notes annexed to or forming part of such financial statement, giving information required to be given and allowed to be given in the form of such notes under this Act.



4. PERIODICAL FINANCIAL RESULTS [SECTION 129A]

(A) LBH

The Central Government may, require such class or classes of unlisted companies, as may be prescribed,—

- to prepare the financial results of the company on such periodical basis and in such form as may be prescribed;
- to obtain approval of the Board of Directors and complete audit or limited review of such periodical financial results in such manner as may be prescribed; and
- file a copy with the Registrar within a period of thirty days of completion of the relevant period with such fees as may be prescribed.

India as the Board of directors may decide. Where such a decision is taken by the Board the company shall within seven days thereof file with the registrar a notice in writing in form AOC-5 giving full address of that other place.

Maintenance of books of account in electronic form

(A) LBH [Based on EIS-SM]

A company has an option of keeping books of account or other relevant papers in electronic mode as per Rule 3 of the *Companies (Accounts) Rules, 2014*. Rule 3 lays down the manner of books of account to be kept in electronic mode.

- (1) The books of account and other relevant books and papers maintained in electronic mode shall remain accessible in India so as to be usable for subsequent reference.

Provided that for the financial year commencing on or after the 1st day of April, 2022, every company which uses accounting software for maintaining its books of account, shall use only such accounting software which has a feature of recording audit trail of each and every transaction, creating an edit log of each change made in books of account along with the date when such changes were made and ensuring that the audit trail cannot be disabled.

- (2) The books of account and other relevant books and papers referred to in sub-rule (1) shall be retained completely in the format in which they were originally generated, sent or received, or in a format which shall present accurately the information generated, sent or received and the information contained in the electronic records shall remain complete and unaltered.
- (3) The information received from branch offices shall not be altered and shall be kept in a manner where it shall depict what was originally received from the branches.
- (4) The information in the electronic record of the document shall be capable of being displayed in a legible form.
- (5) There shall be a proper system for storage, retrieval, display or printout of the electronic records as the Audit Committee, if any, or the Board may deem appropriate and such records shall not be disposed of or rendered unusable, unless permitted by law.

The back-up of the books of account and other books and papers of the company maintained in electronic mode, including at a place outside India, if any, shall be kept in servers physically located in India on a periodic basis.

(6) The company shall intimate to the Registrar on an annual basis at the time of filing of financial statement following relevant information related to service provider—

- (a) the name of the service provider;
- (b) the internet protocol (IP) address of service provider;
- (c) the location of the service provider (wherever applicable);
- (d) where the books of account and other books and papers are maintained on cloud, such address as provided by the service provider.

(B) Books of account - Branch Office

Where a company has a branch office in or outside India, it shall be deemed to have complied with the provisions of sub-section (1), if proper books of account relating to the transactions effected at the branch office are kept at that office.

The summarised returns of the books of account of the company kept and maintained outside India shall be sent to the registered office at quarterly intervals, which shall be kept and maintained at the registered office of the company and kept open to directors for inspection.

Inspection by Directors

As per Section 128 (3), any director can inspect the books of account and other books and papers of the company during business hours. Such inspection may be done by any type of director - nominee, independent, promoter or whole time.

The proviso to sub-section 3 provides that a person can inspect the books of account of the subsidiary, only on authorisation by way of resolution of Directors.

(A) Assistance by officers and Employees

As per Section 128 (4), where an inspection is made under sub-section (3), officers and other employees of the company shall be bound to produce to the person making such inspection all assistance in connection with the inspection which may reasonably be expected to give.

Other financial information: Where any other financial information outside the country is required by a director, the company shall provide to the company setting out the full details of the financial information for the period for which such information is sought.

Punishment in case of non-compliance - If a company or any officer of a company or an auditor or any other person contravenes any of the provisions of NFRA Rules, the company and every officer of the company who is in default or the auditor or such other person shall be punishable as per the provisions of section 450 of the Act.

8. **CENTRAL GOVERNMENT TO PRESCRIBE ACCOUNTING STANDARDS [SECTION 133]**

Section 133 of the Companies Act, 2013 deals with the power of the Central Government to prescribe the accounting standards.

The Central Government may prescribe the standards of accounting or any addendum thereto, as recommended by the ICAI in consultation with and after examination of the recommendations made by the NFRA.

Provided that until the NFRA is constituted under section 132 of the Companies Act, 2013, the Central Government may prescribe the standards of accounting or any addendum thereto, as recommended by the ICAI in consultation with and after examination of the recommendations made by the National Advisory Committee on Accounting Standards (NACAS) constituted under the previous company law.

9. **FINANCIAL STATEMENT, BOARD'S REPORT, ETC. [SECTION 134]**

Section 134 provides that the financial statement including consolidated financial statements should be approved by the Board of Directors before they are signed and submitted to auditors for their report. The auditor's report is to be attached to every financial statement. A report by the Board of Directors containing details on the matters specified including Director's responsibility statement shall be attached to every financial statement laid before the company. The Board's report and every annexure has to be duly signed. A signed copy of every financial statement shall be circulated, issued or published along with all notes or documents, the auditor's report and Board's report. The clause also provides for penal provisions for the company and every officer of the company in case of any contra

RE-OPENING of Accounts: [Sec. 130] (A)

A] Situation:

- ① The relevant earlier accounts were prepared in a fraudulent manner
- or
- ② The ^{working} affairs of Co. were mis-managed during the relevant FY casting a doubt on reliability of FS. (Financial Statement)

B] Application to: Court/Tribunal [NCLT]

C] " By:

- ① CG
- ② IT Authorities
- ③ SEBI
- ④ Statutory Regulatory Body like RBI, IRDA, TRAI, etc.
- ⑤ Any other concerned person - *any one*

D] Order:

- ① NCLT shall give notice to applicants to do re presentation.
- ② NCLT to consider " " if any, done by applicants
- ③ NCLT to pass an order to revise accounts
- ④ The " " so revised or re-casted shall be final

E] Restriction:

No order shall be passed in respect of re-opening of books of accounts relating to a period earlier than 8 years immediately preceding current FY.

Voluntary Revision: [Sec. 131] (A)

A] Scope. Voluntary Revision of:

→ Financial Statement u/s 129 w.r.t. any of

Voluntary Revision: [Sec. 131] (A)

A] Scope. Voluntary Revision of :

→ Financial Statement u/s 129
or
→ Board Report u/s 134 } w.r.t. any of
3 Preceding
FY

[Ch-9]
B] Applicability:

- It appears to BOD of Co.
- that FS or BR
- do not comply with Act
- needs a revision

C] Process:

- ① BOD to apply to NCLT.
- ② NCLT shall give notice to send representations to :
 - CG &
 - IT Authorities
- ③ CG & IT Authorities may represent

- inter ang 9
- ③ CG & IT Authorities may represent & NCLT to take it into consideration
 - ④ NCLT to pass an order as it deems fit.
 - ⑤ Such revised FS or BR shall not be prepared more than once in a FY.
 - ⑥ Detailed reasons for revision of FS or BR shall be disclosed in BR of current FY.
 - ⑦ Co. to lodge revised FS or BR along with copy of NCLT Order to ROC.

National Financial Reporting Authority:

[NFRA] (A) [Sec 132]

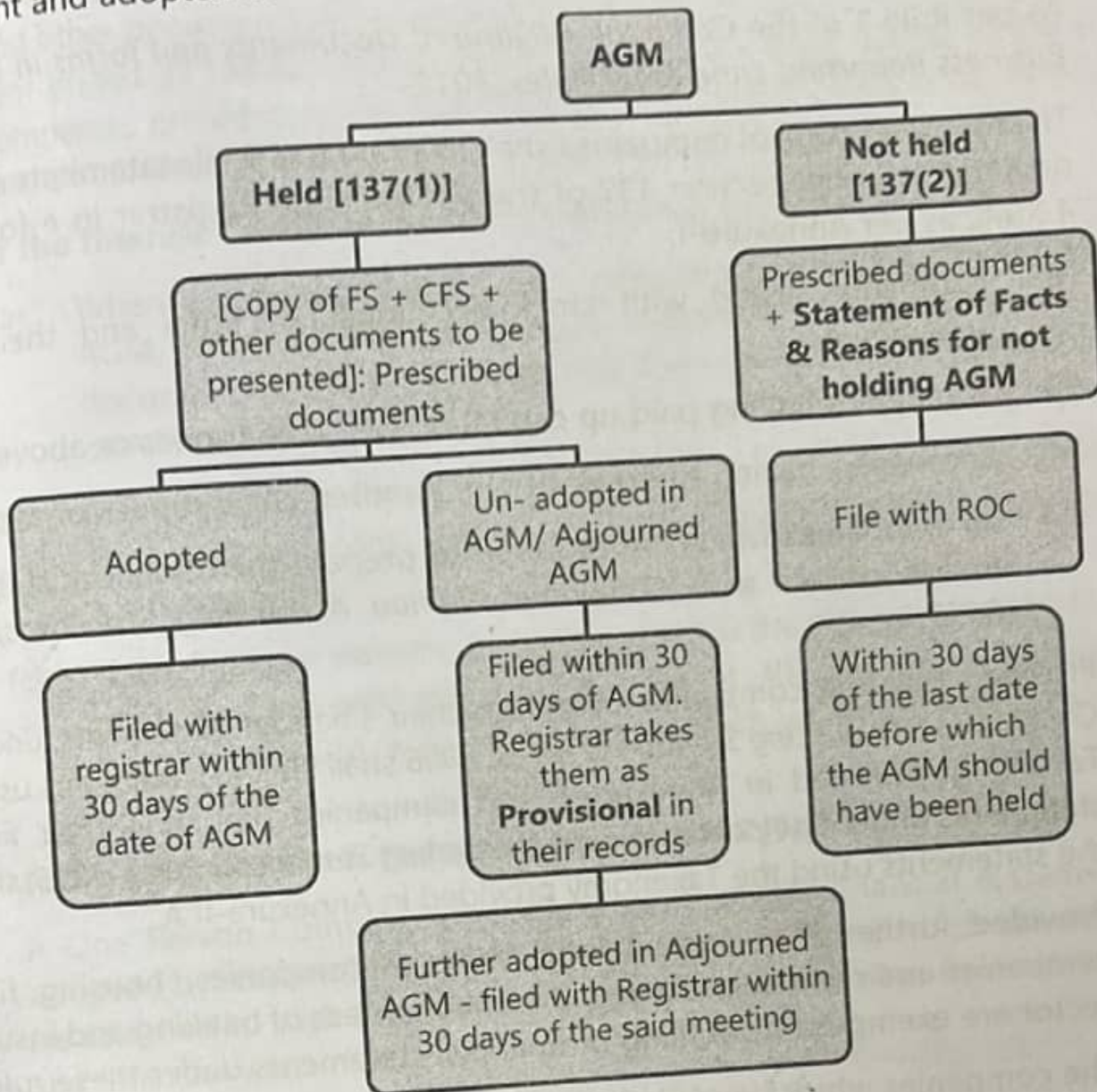
A] Constitution

B] Persons involved

C] Divisions

12. COPY OF FINANCIAL STATEMENT TO BE FILED WITH REGISTRAR [SECTION 137] (A)

This section provides that copies of financial statement including consolidated financial statement, if any, along with all the documents annexed to financial statement and adopted at AGM shall be filed with Registrar.



(i) Filing of financial statements [Section 137(1)]:

- (1) Section 137 read with Rule 12 of the Companies (Account Rules), 2014 states that - A copy of the financial statements with form AOC-4, including consolidated financial statement with form AOC-4 CFS, along with all the documents which are required to be or attached to such financial statements under this Act, duly adopted at the AGM of the company, shall be filed with

the Registrar within 30 days of the date of AGM in such manner, with such fees or additional fees as may be prescribed.

- (1A) Every Non-Banking Financial Company (NBFC) that is required to comply with Indian Accounting Standards (Ind AS) shall file the financial statements with Registrar together with FORM AOC-4 NBFC (Ind AS) and the consolidated financial statement, if any with FORM AOC-4 CFS NBFC (Ind AS).

As per Rule 1 of the *Companies (Filing of Documents and forms in Extensible Business Reporting Language) Rules, 2015-*

The following class of companies shall file their financial statements and other documents under section 137 of the Act with the Registrar in e-form AOC-4 XBRL as per Annexure-I:

- (i) companies listed with stock exchanges in India and their India subsidiaries;
- (ii) companies having paid up capital of five crore rupees or above;
- (iii) companies having turnover of one hundred crore rupees or above;
- (iv) all companies which are required to prepare their financial statements in accordance with *Companies (Indian Accounting Standards) Rules, 2015*.

Provided that the companies preparing their financial statements under the *Companies (Accounting Standards) Rules, 2006* shall file the statements using the Taxonomy provided in Annexure-II and companies preparing the statements under *Companies (Indian Accounting Standards) Rules, 2015* shall file the statements using the Taxonomy provided in Annexure-II A.

Provided further that non-banking financial companies, housing finance companies and companies engaged in the business of leasing and insurance sector are exempted from filing of financial statements under these rules.

- (2) The companies which have filed their financial statements under the provisions of sub-rule (1A) and erstwhile rules shall continue to file their financial statements and other documents though they may not fall under the class of companies specified therein in succeeding years.

The companies which have filed their financial statements under the provisions of the rules, namely the *Companies (Filing of Documents and forms in Extensible Business Reporting Language) Rules, 2011*, shall continue to file their financial statements

statements and other documents as prescribed in sub-rule (1) though they do not fall under the class of companies specified therein.

Example 8: Amazon Company Limited, a company incorporated under the Companies Act, 2013, has a turnover of Rs. 150 crores and Rs. 90 crores during the financial year ended 31st March 2019 and 31st March 2020 respectively. Now Amazon Company Limited shall continue to file the financial statements and other documents under section 137 in e-form AOC-4 XBRL for the financial year ended 31st March 2020 even if the company does not fall in the class of companies provided under Rule 3 of the Companies (Filing of documents and forms in Extensible Business Reporting Language) Rules, 2015.

(ii) **If the financial statements are not adopted [Section 137(1)]:**

- (a) Where the financial statements are not adopted at AGM or adjourned AGM, such unadopted financial statements along with the required documents shall be filed with the Registrar within 30 days of the date of AGM.
- (b) The Registrar shall take them in his records as provisional till the financial statements are filed with him after their adoption in the adjourned AGM for that purpose.
- (c) If the financial statements are adopted in the adjourned AGM, then they shall be filed with the Registrar within 30 days of the date of such adjourned AGM with such fees or such additional fees as may be prescribed.

(iii) **Filing by One Person Company [Section 137(1)]:**

A One Person Company shall file a copy of the financial statements duly adopted by its member, along with all the documents which are required to be attached to such financial statements, within 180 days from the closure of the financial year.

(iv) **Company having subsidiaries [Section 137(1)]:**

A company shall, along with its financial statements to be filed with the Registrar, attach the accounts of its subsidiary or subsidiaries which have been incorporated outside India and which have not established their place of business in India (fourth proviso to Section 137(1)).

Provided also that in the case of a subsidiary which has been incorporated outside India (herein referred to as "foreign subsidiary"), which is not required

to get its financial statement audited under any law of the country of its incorporation and which does not get such financial statement audited, the requirements of the fourth proviso shall be met if the holding Indian company files such unaudited financial statement along with a declaration to this effect and where such financial statement is in a language other than English, along with a translated copy of the financial statement in English.

It has also been clarified vide *General Circular no. 11/2015 dated 21 July 2015* that in case of foreign company which is not required to get its accounts audited as per the legal requirements prevalent in the country of its incorporation and which does not get such accounts audited, the holding or parent Indian company may place or file such unaudited accounts to comply with requirements of section 136(1) and 137(1) as applicable. These, however, would need to be translated in English, if the original accounts are not in English. Further, the format of accounts of foreign subsidiaries should be, as far as possible, in accordance with requirements under the Companies Act, 2013. In case this is not possible, a statement indicating the reasons for deviation may be placed/ filed along with such accounts.

Example 9: Vandana Ltd., based out of India, has many subsidiaries in India and outside India. It also had associates and joint ventures. For the purpose of finalization of the consolidated financial statements of the company for the year ended 31 March 2019, the company's management requested its foreign subsidiary, based out of Italy, to provide its standalone financial statements. The Italian subsidiary company prepares its financial statements in the local language of the country and the same is provided to the Indian parent company as unaudited as the audit is not required by the Italian subsidiary company. Please advise how should the Indian parent deal with this financial statement.

Answer: Vandana Ltd. would have to get the standalone financial statements of Italian subsidiary company translated in English language and also get those aligned as per the its accounting policies for the purpose of consolidation.

Further as per the requirements of section 137(1) of the Companies Act, Vandana Ltd. would need to file such unaudited financial statement of subsidiary company along with a declaration to this effect along with translated copy of the financial statement in English.

Further the format of accounts of Italian subsidiary company should be, as far as possible, in accordance with requirements under the Companies Act, 2013. In case this is not possible, a statement indicating the reasons for deviation may be placed/ filed along with such accounts.

(v) **Annual General meeting not held [Section 137(2)]:**

Where the AGM of a company for any year has not been held, the financial statements along with the documents required to be attached, duly signed along with the statement of facts and reasons for not holding the AGM shall be filed with the Registrar within thirty days of the last date before which the AGM should have been held and in such manner, with such fees or additional fees as may be prescribed.

(vi) **Penalty [Section 137(3)]:** If any of the provisions of this section are contravened-

(a) The company shall be liable to a penalty of **ten thousand rupees and in case of continuing failure, with a further penalty of one hundred rupees for each day during which such failure continues, subject to a maximum of two lakh rupees;** and

(b) The managing director and the Chief Financial Officer of the company, if any, and, in the absence of the managing director and the Chief Financial Officer, any other director who is charged by the Board with the responsibility of complying with the provisions of this section, and, in the absence of any such director, all the directors of the company, shall be liable to a penalty which shall not be less than **ten thousand rupees**, and in case of continuing failure, with further penalty of **one hundred rupees for each day after the first during which such failure continues, subject to a maximum of fifty thousand rupees.**

Person liable	Punishment for contravention of section 137
Company	with fine of ten thousand rupees and in case of continuing failure with a further penalty of one hundred rupees for each day during which such failure continues, subject to a maximum of two lakh rupees.

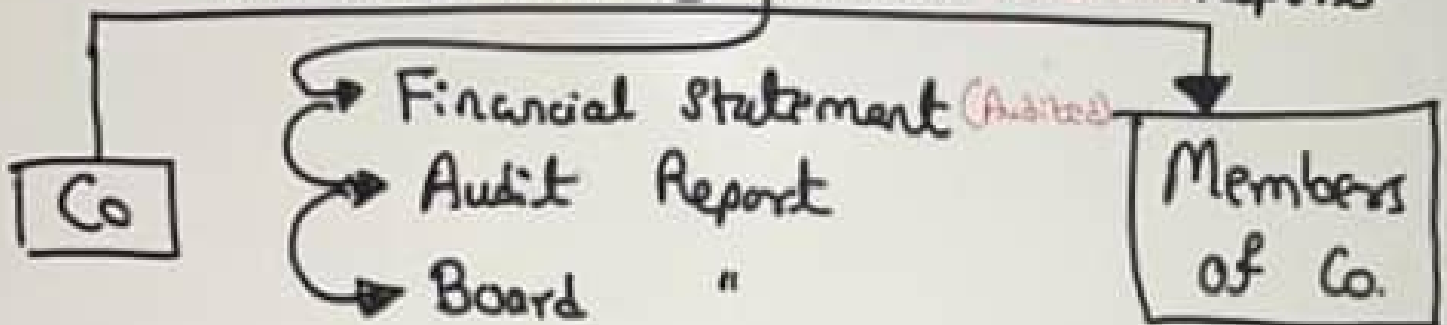
as that of Co.'s CSR Policy.

BOARD REPORT: (A) [Sec. 134]

A] Meaning:

- A Report
- Prepared by BOD of Co.
- Served to Members of Co.
- as a part of Annual Report along with Notice of AGM
- is known as Board Report.

Atleast 21 clear Days before AGM [a-7]
Notice of AGM ⊕ Annual ~~Return~~ Report



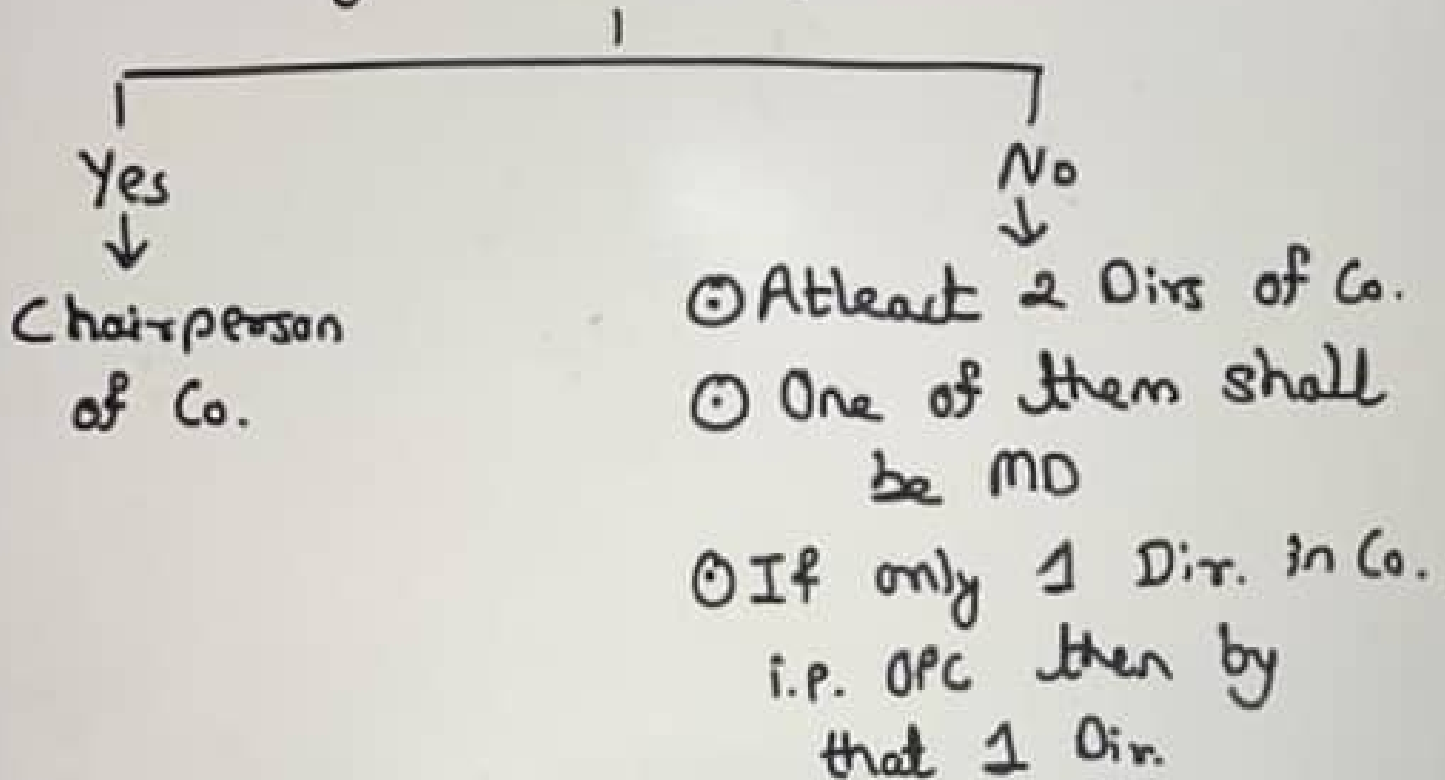
B] Legal Provision → The BR shall be prepared on the standalone financial statements of the Co.

→ BR shall highlight the performance and contribution to the overall performance of the Co. during the period of:

- Ch-2
- Subsidiary Co. ;
 - Associate Co. ; &
 - Joint Venture Co.

CJ Signing:

Is Chairperson of Co. authorised by BOD to sign the BR?



Contents:

- ① CG may prescribe Abridged Summarised BR format for - OPC - Ch-2
- Small Co. - Ch-1

Is Co. a OPC?

Yes



BR means a report explaining & commenting by BOB on every qualification, reservation or adverse remark or disclaimer made by auditor in his audit report. *read with*

Sec. 134(3) r.w. Rule 8 of Companies (Accounts) Rules, 2014 [LBH]

No



Detailed BR prepared in pursuance of

Sec. 134(3) r.w. *read with*

Rule 8 of

Companies (Accounts)

Rules, 2014

Bifurcation of content into:

- I Special
- II Director
- III Auditor
- IV Dividend
- V Accounts

DDOA (Logic of Ch-7)

I] Special Contents:

① Director Responsibility Statement

u/s 134(5) [Note 1] (Detailed in Audit)

② Web address, if any, where Annual Return of Co. is hosted [Ch-7] or

Else ^{Summary} extract of Annual Return in Form MGT-9 shall be part of BR.

③ Energy & Technology:

⊙ Disclosures w.r.t.:

- ^{Saving} Conservation of Energy

- Technological absorption (utilization)

- Foreign Exchange $\left\{ \begin{array}{l} \text{earnings (inflow)} \\ \text{outgo (outflow)} \end{array} \right.$

③ Govt. Co. engaged in producing defence equipments are exempted from such disclosure.

④ Other ^{highlighting} salient matters as prescribed by Rule 8. [Note 2]

II] Directors:

⑤ Policy w.r.t. appointment & remuneration

- It is prepared by Nomination and Remuneration Committee u/s 178. [CA Final]
- It contains rules w.r.t.:
 - Directors' appointment
 - " remuneration
 - criteria for determining qualification
 - positive attributes (qualities)

- independence of Dir., etc.

- ⑥ Exemption to Govt. Co.
- ⑥ A statement given w.r.t. independence to BOB by Independent Directors [CA Final]
- ⑦ Number of Board Meetings
- ⑧ Performance Evaluation [Note 3]

III] Auditor: *significant*

- ⑨ Material Charges & Commitments, if any, affecting financial position of Co.
- ⑩ Statement on Risk Management Policy including identification of elements of Risk.
- ⑪ Details w.r.t. Frauds reported by Auditors u/s 143(12) other than those which are reportable to CG [Audit - Ch-5]
- ⑫ Explanation or Comments by BOB:

- on every qualification ;
reservation ;
adverse remark ; or
disclaimer

- made by [PCA in audit report &
PCS = secretarial audit report.

IV Dividend: [Ch-8]

(13) Transfer to Reserves, if any

(14) ^{Suggested}
Recommended Dividend

V Accounts:

(15) State of ^{working} affairs of Co.

(16) Related Party Contracts uls 188 in

Form AOC-2 (Accounts Of

(17) Details uls 186 w.r.t: (Company)

- Loans given

- Guarantee furnished (given)

- Security provided [Charge]

[Sec 186 &
188 in
CA Act]

- Investment ~~is~~ done.

(18) CSR: [Ch-9] Corporate social responsibility

- " Policy

- Initiatives taken during year.

- Reason for not spending the required amount for CSR

Note 3: Performance evaluation: (B)

→ Specified Companies:

(1) Listed Companies

(2) Un-listed Public Co. ⇒ PUC of ₹ 25 Crores

→ Provision: To include report of performance evaluation in BR w.r.t. evaluation of performance of:

- Individual Dir.

- Committees of BOD

- BOD as a whole

and of individual directors has been

Note 1 [LBA] Same of Audit

Q-7

What are the contents which are need to be added in the Director's Responsibility statement as per the companies act 2013

- Directors' responsibility statement is aimed at heighlighting the accountability of the directors with a view to ensuring good corporate gaovernance.
- It will make the directors accountable to safeguard the asset of the company and to take positive steps in this regards.
- The directors' responsibility statement shall disclose the following particulars:
 - (a) Whether the applicable AS had been followed in the preparation of FS. In case of any material departures, proper explanation shall be given.
 - (b) Whether the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company and of the profit and loss of the company.

- (c) Whether the directors had taken proper and sufficient care –
- For the maintenance of adequate accounting records in accordance with the provisions of this Act;
 - For safeguarding the assets of the company; and
 - For preventing and detecting fraud and other irregularities.
- (d) Whether the directors had prepared the FS on a going concern basis.
- (e) Whether the directors had laid down internal financial controls to be followed by the company and whether such internal financial controls are adequate and were operating effectively, if the company is a listed company.
- The term “internal financial controls” means the policies and procedures adopted by the company for ensuring –
 - The orderly and efficient conduct of its business, including adherence to company’s policies,
 - The safeguarding of its assets,
 - The prevention and detection of frauds and errors,
 - The accuracy and completeness of the accounting records, and
 - The timely preparation of reliable financial information.
- (f) Whether the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and whether such systems were adequate and operating effectively.

Note 2 v. **Other matters prescribed:**

- As per Rule 8(5) of the Companies (Accounts) Rules, 2014, following other matters shall also be disclosed in the Board's report of every company:
 - (a) The financial summary or highlights.
 - (b) The change in the nature of business, if any.
 - (c) The details of directors or KMP who were appointed or have resigned during the year.
 - (d) The names of companies which have become or ceased to be its Subsidiaries, joint ventures or associate companies during the year.
 - (e) The details relating to deposits, covered under Chapter V of the Companies Act, 2013 –
 - Accepted during the year;
 - Remained unpaid or unclaimed as at the end of the year;
 - Whether there has been any default in repayment of deposits or payment of interest thereon during the year and if so, number of such cases and the total amount involved
 - o At the beginning of the year;
 - o Maximum during the year;
 - o At the end of the year.
 - (f) The details of deposits which are not in compliance with the requirements of Chapter V of the Companies Act, 2013.
 - (g) The details of significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future.
 - (h) The details in respect of adequacy of internal financial controls with reference to the FS.

vi. **Scope of Board's Report:**

- Investment ~~is~~ done.

⑮ CSR: [Ch-9]

- " Policy

- Initiatives taken during year.

- Reason for not spending the required amount: for CSR

Note 3: Performance evaluation: ⑮

→ Specified Companies:

① Listed Companies

② Un-listed Public Co. \geq PUC of ₹ 25 Crore

→ Provision: To include report of performance evaluation in BA w.r.t. evaluation of performance of:

- Individual Dir.

- Committee of BOD

- BOD as a whole

→ Exemption: Not applicable to Dir.
evaluable by Govt. on its own
evaluation method.

Types of Questions:

① Descriptive que. w.r.t.:

- Contents of BR - write 18 points without Notes
- DRS - Note 1
- Salient Disclosures - Note 2
- Performance evaluation - Note 3

② Signing - imp. for Case Study.

Right of Members to Financial Documents:

(A) (Sec. 136)

I] What is to be circulated?

II] How " circulated?

III] When " " ?

I] Circulation of Specified Documents:

Extensible Business Reporting Language:

XBRL

(A) Based on SM-IT

A] Specified Co: [LBH]

- ① Listed Companies
- ② Subsidiaries of Listed Co.
- ③ Co. $\left\{ \begin{array}{l} \text{PUC} \geq 5 \text{ Crore } \text{₹} \text{ or} \\ \text{Turnover} \geq 100 \text{ Crore } \text{₹} \end{array} \right.$
- ④ All Co. which prepare FS as per Companies (Indian Accounting Standard) Rules, 2015

B] Form: e-form AOC-4 XBRL

C] Provisions: (LBH)

2015.

- c1 (Provided that the companies preparing their financial statements under the *Companies (Accounting Standards) Rules, 2006* shall file the statements using the Taxonomy provided in Annexure-II and companies preparing their financial statements under *Companies (Indian Accounting Standards) Rules, 2015*, shall file the statements using the Taxonomy provided in Annexure-II A.)
- c3 (Provided further that non-banking financial companies, housing finance companies and companies engaged in the business of banking and insurance sector are exempted from filing of financial statements under these rules.)
- (2) (The companies which have filed their financial statements under sub-rule (1) and erstwhile rules shall continue to file their financial statements and other documents though they may not fall under the class of companies specified therein in succeeding years.)

FS or BR shall be disclosed in BR of current FY.

Co. to lodge period FS or BR along with copy of NCL order to ROC.

National Financial Reporting Authority:

[NFRA] (A) [Sec 132]

A] Constitution

B] Persons involved

C] Divisions

D] Functions

E] Powers

F] Punishment

G] Appeal

H] Meetings

I] Books of Accounts

J] Audit

K] Annual Report

L] Regulatory Control.

A] Constitution:

- ⊙ It is an artificial person in form of regulatory authority.
- ⊙ It is constituted by CG by way of Notification in Official Gazette of India.
- ⊙ Its Head Office is at New Delhi.
- ⊙ It may sit at places in India which it deems fit. (Branches)
- ⊙ It has to provide for matters relating to
to [Accounting Standard } Under the Act
[Auditing " }

B] Personnel: (Individuals involved)

- ⊔ It consist of
 - Chairperson - Head
 - Members - Decision making
 - Secretary - Communication
 - Employees - Admin. work

2] All are appointed by CG on the t&c which CG deems fit.

3] There will be Maxi. 15 members consisting of part-time & full-time.

4] Chairperson shall be a person:

- of eminence ^{famous} &

- having expertise in accountancy, audit, finance and law.

C] Divisions:

Conceptually like BoD of NFRA

a) Executive Body: It consist of Chairperson and full-time members for efficient functioning of NFRA

⊙ It is mainly involved in decision-making & supervision.

b) Division / Department / Units:

⊙ NFRA to function through its various divisions

⊙ Each division shall be presided by:

(headed)

- Chairperson or
- any full-time Member authorised by Chairperson

0] Functions.

1] W.r.t. Accounting & Auditing Standard [AAS] :

- making recommendation to CG on:
 - Formulation
 - Policies for adoption by Co.
- Enforce compliance

- Monitor

Check / Supervise

" CA

2] Oversee the quality of service of professionals associated with Standards

3] Suggesting measures for improvement in quality of services

4] Other functions associated with above

" Override

E] Powers: Notwithstanding anything contained in any Law for time being in force,

NFRA has power to:

- To conduct investigation

legally available
- Vested with powers of Civil Court:

- Discovery of documents
- Summoning (legally inviting) & enforcing attendance of persons
- Examine person on oath
- Issuing commissions (orders) for examination of witnesses

- Conduct inspection. *(Check)*

F] Punishment:

a) Situation: Where it is proved to NFRA that a CA Member or CA Firm is involved in professional or other misconduct.

b) Imposing Penalty:

Person	Mini Penalty	Maxi. Penalty
Individual	1,00,000	Five times of fees received

Firm	5,00,000	Ten times of fees received
------	----------	----------------------------

c) Debarment : (Prohibition)

- ⊙ Functions : - Appointment as Auditor
 - " " " External Auditor
 - " " " Registered Valuer.

⊙ Period :

- Mini. 6 months
- Maxi. 10 years

g) Appeal: A CA or firm aggrieved (dissatisfied) by NFRA Order may prefer an appeal to Appellate Tribunal [NCFAT NCLAT].

l) Regulatory Control (LBH)

→ Specific Powers :

- a) To monitor & enforce compliance of AAS
- b) To oversee quality of service
- c) To investigate the auditors

Head office of NFRA

The head office of the National Financial Reporting Authority shall be at New Delhi and the National Financial Reporting Authority may, meet at such other places in India as it deems fit.

H] Maintenance of books by NFRA

The National Financial Reporting Authority shall cause to be maintained such books of account and other books in relation to its accounts in such form and in such manner as the Central Government may, in consultation with the Comptroller and Auditor-General of India prescribe.

I] Audit of account of NFRA

The accounts of the National Financial Reporting Authority shall be audited by the Comptroller and Auditor-General of India at such intervals as may be specified by him and such accounts as certified by the Comptroller and Auditor-General of India together with the audit report thereon shall be forwarded annually to the Central Government by the National Financial Reporting Authority.

J] Annual Report on working of NFRA

The National Financial Reporting Authority shall prepare in such form and at such time for each financial year as may be prescribed its annual report giving a full account of its activities during the financial year and forward a copy thereof to the Central Government and the Central Government shall cause the annual report and the audit report given by the Comptroller and Auditor-General of India to be laid before each House of Parliament.

In exercise of the powers conferred under sub-sections (2) and (4) of section 132, the Central Government made the National Financial Reporting Authority Rules, 2018 (NFRA Rules).

As per NFRA rules, NFRA shall have power to monitor and enforce compliance with accounting standards and auditing standards, oversee the quality of service under sub-section (2) of section 132 or undertake investigation under sub-section (4) of such section of the auditors. Rule 3 provides for the classes of companies and bodies corporate governed by the NFRA. These include:

- (a) companies whose securities are listed on stock exchanges outside India;