Chapter→9

Accounts of Companies

Books of Accounts, etc to be kept by Company

Sec 128 :→

(a) It is compulsory to maintain Books of Accounts for 8 years. If investigation — CG may direct longer

(b) Books of Accounts includes or means

- M – Money inflow & outflow
- A – Assets and liabilities
- S – Sales and purchase
- C – Cost

(c) True and fair view
Accrual Basis of accounting
Double entry system
Narrations

(d) Books of accounts should be maintained at
the Registered Office

Other Place

- In India ↓ yes → allowded ↓ (e.g. → Goa) Board resoln ↓ Inform ROC within 7days in form no. AOC 5 with Address.
- Outside India ↓ NO → not allowded

inspect = Access

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(e) Books of accounts can be inspect by
- Shareholders ⊗
- Directors ✓ in business House.
- Other's ⟶ Board resolⁿ
  eg - an director in ICU

(f). Indian Branch & foreign Branch ⟶
Summary of Books of Accounts should be given to Headquater office
- foreign Branches have to give Books of accounts Quaterly.
- Branches - full informatin

In India → yes ← Books of accounts access → Outside India → No

can inspect at registered office by director during Busines Hrs

~~If yes, Board resolⁿ~~
If yes - can ⟶ written request ⟶ within 15 days will get

(g) Holding Co & Subsidary co.

Directors of Holding Co cannot inspect the data of Subsidary Co.
If yes ⟶ BOD approval ⟶ Board resolⁿ
Othe Person Choosed by Directors authorised

Other person can give assistance to person making inspection

(h) Books of Accounts can be maintained electronically eg- cloud, Tally

(a) • But should be accessible in India.

• Every company which uses accounting software for mainting Books of accounts.

Then the software should have feature of recording Audit Trail of each & every transaction

edit log — of each changes in entries with date

(b) Backup - In the serves which are Physically Present in India.

(c) legable fromat - Understanable

(d) foomat - like Physical

(e) Accessiable to govt department

(f) Branch data should not be altered

(g) If in Cloud → should give info to govt about → Country, Place, IP address

eg amazon cloud, google cloud

(h) Proper system of storage, retrieval, display or printout

खोजना ← retrieval

Penalty for not maintained Books of Accounts
Or
for not maintained financial Statements
Or
for not maintained FS as per Sec 129
FAI

MD | WTD ~~in charge~~ of finance | CFO | Any other Person appointed by Board

Yes → mentioned officers

No (Absence) → all directors

→ Jail (Imprisonment) max – 1yr
→ fine min = 50,000 max = 5,00,000
→ Both

is in financial statement only not in Books of A/cs

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of Accounts

l Statements

er Sec 129
FAT

Any other person appointed by Board

bsence)

ectors

Both

At every AGM BOD shall lay before the Company the financial statement for the FY

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Financial Statement Sec 129 :-

(a) F → form — Schedule III
A → Accounting standard
T → True & fair view

FS
Shall be
FAT

Exception : not apply to
B → Banking Companies
I → Insurance
G → Generation or supply of electricity

Before the Company AGM, BOD shall lay FS of the FY

CFS
→ Prepared according to FAT
→ applicable if there is one or more Subsidiary

(s) → Subsidiary
= Associate Co
Joint venture Co.

eg = State the Sailent feature in Form AOC I
लगाना है

- Financial statement of Foreign Branch / Subsidiary Act

* Convert them in English
* Applicable if not audited

(b) financial statement are
→ Balance sheet
→ Profit & Loss a/c
→ Notes to Accounts
→ Cash Flow Statement

should follow AS

deviation

(c) If financial statement is <u>not as</u> Per accounting standards.

↓

Then, the Company shall comply

(i) Which AS is not followed

(ii) Why, Reason for not following

(iii) What will be the Impact / effect financial effect

(d) Central Govt can grant exemption to some companies from complying to financial statement.

e.g → Not applicable to Govt Co — engaged in Defence.

(e) Financial statement should be maintained life time.

(f) financial statement is accessible to each & every person.

Financial
Sec 13

(a) Authen

Who can

OPC
only 1 director

Chairperson Or

(b) Au

Financial Statement, Board's Report etc
Sec 134

Important

(a) Authentication of financial statement

- Who can sign
  - OPC
    - only 1 director
  - Other
    - Chairperson [Or] 2 Directors out of which 1 shall be MD (if any)
      - CEO if he is director
    - [And]
      - CFO if appointed
      - CS if appointed
- What shall be Published?
  - Notes Annexed
  - Auditor's Report
  - Board Report

(b) Authentication of Board's Report

- Who Can Sign
  - Chairperson [Or]
  - 2 Directors out of which 1 shall be MD (if any)

when director is writing Board report कसम खाता है
कि company [illegible] नहीं होगी
हम वादा करते हैं AS को follow किया जाता है
हम वादा करते हैं AR Maintain है
AP follow होता है

Lawful & Internal ~~financial~~ Control

(c) Directors Responsibility statement :→

GAAALI

(i) G → Going Concern
(ii) A → Accounting standards
(iii) A → Accounting Policies
(iv) A → Accounting Records
(v) L → Lawful
(vi) I → Internal financial Control.

NCLT → National Corporate Law Tribunal
Sec 132 NFRA – National Financial Reporting Authority
125 IEPF – Investor Education Protection Fund

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sec 129 – financial statement (FAT)
sec 134 – financial st, Board's Report, etc

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~~Re-opening~~ of ~~Books~~ of Accounts

On court's or tribunal's Orders
Sec 130

- For re-opening of Books of Account or financial statements the application is given by → CG, IT, SEBI, or other regulatory body to → Tribunal or Court. Only after tribunal/court's order they can re-open. ← demand < Yes / No → opportunity of Being Heard
- Reason for Re-opening
  - (i) Accounts were prepared in fradulent manner.
  - (ii) Accounts and affairs of company were mismanaged.
- Books of Accounts can be opened in any 8 years preceding financial year.
  - * NO such limit
  - * Central Govt can direct for more than 8 years
- Books of Accounts or financial statements are revised after taking approval from NCLT | Court.
- Books of Accounts or financial statements are opened after the approval from NCLT | Court.

Voluntary revision of financial statement or Board Report
Sec 131

- for re-opening of Books of Accounts | FS | Board Report voluntary by company itself then in the case company has to take approval from NCLT | Court.
  - Before NCLT | Court decision – NCLT will ask IT | SEBI | CG
- Reason for Re-opening
  - (i) financial statement (ii) Board's Report of the company Does not comply with the Sec 129 or Sec 134
- Books of Accounts can be opened in any 3 years preceding financial year &
  - * once in a year. – revised FS or report shall not be prepared or filed more than once in a FY.
- Books of Account | FS | Board Report are revised after taking approval from NCLT | Court
- Books of Accounts | FS | Board Report are opened after the approval from NCLT | Court
- The reason for re-open shall also be disclosed in Board Report.
- Copy of NCLT's approval shall be filled with ROC.
- NCLT ask from IT | CG | SEBI before giving approval to ROC.

Central Govt Prescribe Accounting Standard

Sec 133

ICAI $\xrightarrow{\text{recommend}}$ AS

NFRA $\xrightarrow[\text{recommendation}]{\text{Examin + Give}}$ AS

ICAI $\xrightarrow[\text{Chang existing}]{\text{made}}$ AS

NFRA — approve & verify

Central Govt — जनहित में जारी

NFRA
|
ICAI
|
CA

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dard

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Constitution of NFRA (National financial Reporting Authority)
See 132

- Before NFRA there was NAC (National Advisory Committee)
- Works of NFRA

Accounting standards & ~~Auditing standards~~ ko लाना and Monitor करना।
↓
These are approved by
↓
NCLT

only in Delhi
No Branch till yet

Deal in Big Project

ICAI कि बजाना

CA कि बजाना

COP can be cancelled.

NFRA को ICAI भी सकता है।

Oversee quality of service of Professions (CA)

- Chairperson + 15 members.
  ↳ full-Part time

Having knowledge of CA inter subject.
↓
appointed By CG

- Chairperson & members — full time employed in NFRA shall not be associated with audit firm + Consultancy firms also after 2 yrs of Ceasing.

RA

CAI

A

- CBI, CID, Local Police, CA — NFRA — GIRT
  power to Investigate
  No Body Shall interfere in NFRA's investigation
- NFRA has same powers like COURT
- NFRA
  - Penalty
    - Directors → not less than 1 lakh to 5 times of fees received
    - firms → not less than ₹5 Lakh to 10 times of fees received
      - fees = 10 Lakh.
      - 5 Lakh to 10 x 10 Lakh
      - 5 Lakh – 1 Cr
  - Debarring → 6 month – 10 yrs.

- Not Happy / agreed with NFRA decision then Go to NCLT.

- NFRA should maintain Books of Accounts
- NFRA's Books audited by CAG
- Audited Books of NFRA goes to Central Govt
- CG reads in Both houses of Parliament

Audited FS $\xrightarrow[\text{give notice to public}]{\text{Before 21 days of AGM}}$ (AGM) $\xrightarrow[\text{file with}]{\text{within 30 days}}$ (ROC)

Right of Member to copies of Audited Financial Statement Sec 136

① Who are entitled?
- Every member
- Every trustee
- Other person entitled

② What to send?
① Copy of FS which to be laid Before GM
② CFS
③ Auditors
④ Every other document attached to FS.

③ What to send?
→ Incase of Sec 8 Co. → 14 days

④ How to send?

ECS ↓ ~~all companies~~.

~~Physically~~ ↓ all Co.

Public Co
Networth ≥ 1Cr $
T/O ≥ 10Cr
↓
~~demat for~~

Provisional – Reason

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Copy of Financial Statement to be filed with Registrar
Sec 137

Sec 136 $\xrightarrow[\text{Notice to members}]{\text{Before 21days}}$ $\boxed{AGM}$ $\xrightarrow{\text{within 30days}}$ $\boxed{ROC}$ → Sec 137

Meeting	Adopt	Date of Submission
① yes	yes Sec 137(1)	30days from AGM
② yes	NO meeting adjourned Sec 137(1)	Provisional within 30days* → reason why not adopted.
NO	NO Sec 137(2) Sec क्या होगी change थी उसके 30days के अंदर file with ROC	Financial statement with documents, duly signed with statement of facts and reasons for not holding AGM shall be filed with Registrar within 30days of last date before which AGM should have been held.

* When adjourned meeting will be conducted, then adopted financial statement to be submitted within 30days from adjourned meeting.

~~[illegible]~~ • Company incorporated outside India

FS
- unaudited — चलेगा
- ~~language~~ translate in English

- filing By OPC (One Person Company)
  - OPC file duly adopted FS with all documents within 180 days from closure of FY

    Bcz OPC में meeting कहां से होगा
    apne app के साथ ही होगा क्या?

- Company having Subsidiaries
  - Attach accounts of its subsidiaries incorporated outside India & not having Place of Business in India

- Penalty

NOT Important

On Company

fine – ₹1000 every day during which failure continues, But shall not more than ₹10,00,000

- On MD & CFO (if any)
- In absence of MD, CFO Other director charged by Board
- In ~~each~~ absence of such Director, all director

Imprisonment (Jail)
max – 6 months

fine
min = 10000
max = 50000

DPLT → Deepika Paduken Latak Gal

Accountant ⟶ Internal Auditor ⟶ BOD ⟶ External Auditor ⟶ Report
Statutory (Law)

Internal Audit Sec 138

(a) Applicability (Companies required to appoint)

~~Compulsory to these~~

Listed Companies	Unlisted Companies (DPLT)	Private Companies (LT)
	D → Deposits ₹25 Cr or more (Or)	L → Loan or Borrowings 100 Cr or more (Or)
	P → Paidup Share Capital ₹50 Cr or more (Or)	
	L → Loan or Borrowings ₹100 Cr or more (Or)	
	T → Turnover ₹200 Cr or more	T → Turnover ₹200 Cr or more.

कोई भी हो CY or PY limit देखना

(b) Who can become Internal Auditor.

CA — CWA — Any other Person decided by BOD e.g. – CS, MBA-finance

- He may or may not be employee – अपनी co का कर्मचारी भी
- He may or may not be practicing CA (Practicing or Job)

(C) Transition Period – 6 months

(d) Scope of Internal Auditor

Scope, functionality, Periodicity & methodology for Internal Audit decided by BOD of company.

company start 1st yr Profit → 2Cr
2nd yr → 10Cr.
3rd yr से CSR ✓
$2\% \times \left(\frac{2Cr + 10Cr}{2}\right)$
$2\% \times 6Cr = 12$ Lakhs

yr 2 से देख लो

~~Financial Statement, Board's Report etc~~

~~(a) Authentication of Financial Statement~~

CSR (Corporate Social Responsibility) Sec 135

(a) CSR – applicable to companies having (Before Tax)

Net Profit	5Cr	or	during immediately preceding FY
Net Worth	500Cr	or	
Turnover	1000Cr		
	1505Cr		

If any of the satisfied then company to constitute CSR Committee

(b) Amount of CSR should be spend by Co in 1 FY
= 2% of average net profit of 3 years immediately Preceding FY.

e.g
2021 (20-21) = 10Cr
2022 (21-22) = 20Cr
2023 (22-23) = 30Cr

$$2\% \times \left(\frac{10Cr + 20Cr + 30Cr}{3}\right)$$

CSR = 20 Lakhs

(c) BOD's in CSR Committee
public = 3 or more Director [1 - should be Independent]

* Not having Independent Director
Pvt & Foreign = 2 or more Director
Foreign → भारत का हो या विदेश का 2-2

(i) If Companies Amount of CSR is less than ₹50 Lakhs ⟶ not important to make CSR Committee

(j) Every company includes.
Subsidary, Holding, foreign Branch office, Project office] liable to Pay CSR

(K) If any entity is liable for CSR activity then, it shall register with CG in form CSR1

CSR 1

Signed & Certified ↓ CA, CS, Cost accountant in Practise

submitted ↓ digitally

(l) Engaged in international organisational for CSR project ⟵ designing, monitoring, evaluation
Tata + Reliance — Big Project — foreign Architect

(m) Being Human → Salman [illegible]
registered trust or soceity shall have track record of at least 3year in similar activities