

of accounts
ial statement
ing of accounts
annual
ing of accounts
ntary

ing standards
il statement,
report etc

members
of Audited FS

financial st
with ROC
Audit

official
regulator

given by ICAI

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 - C 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 → allowed

↓ e.g. Goa

Board resolⁿ

↓
Inform ROC within
7 days in form

No. ADC 5
with Address.

Outside India

↓
NO → not allowed

Chapter 9 - 8-10 marks
Swagnil Singh
Kamran Notes

Page No.:

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inspect = access

(e) Books of accounts can be inspect by Shareholders (X)

Directors (✓) in business hours.

Other's → Board resolⁿ

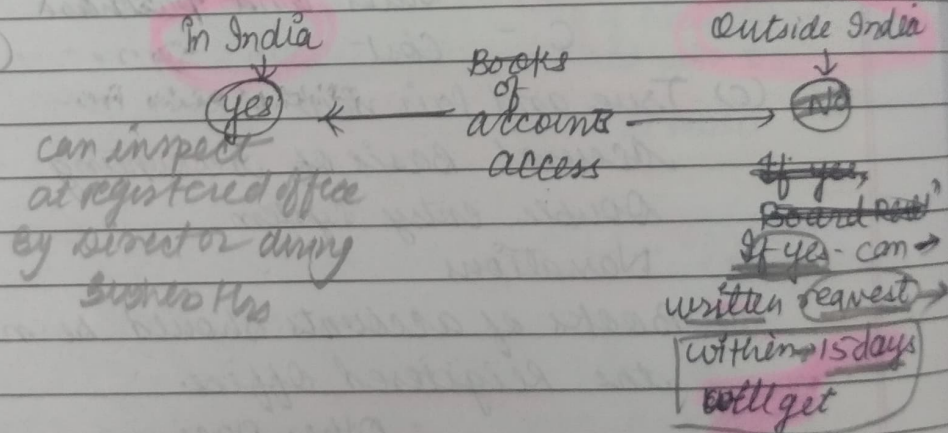
e.g. - an director in ICU

(f). Indian Branch & foreign Branch →

Summary of Books of accounts should be given to Headquarter office.

• foreign Branches have to give Books & accounts Quarterly.

• Branches - full information



(g)

Holding Co & Subsidiary Co.

Directors of Holding Co cannot inspect the data of Subsidiary Co.

If yes → BOD approval → Board resolⁿ

the Person Chosen by Directors authorized

Other Person can give assistance to person making inspection

(h) Books of accounts can be maintained electronically e.g. cloud, Tally

(a) But should be accessible in India.

• Every company which uses accounting software for maintaining 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 servers which are Physically Present in India.

(c) legible format — Understandable

(d) format — like Physical

(e) Accessible to govt department

(f) Branch data should not be altered

(g) If in Cloud — Should give

e.g. amazon cloud
google cloud

info to govt
about

Country

Place

IP address

(h) Proper system of storage,

← retrieval, display or printout

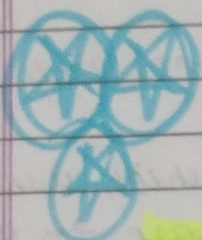
Penalty for not maintained Books of Accounts

or

for not maintained financial Statements

or

for not maintained FS as per Sec 129
FAT



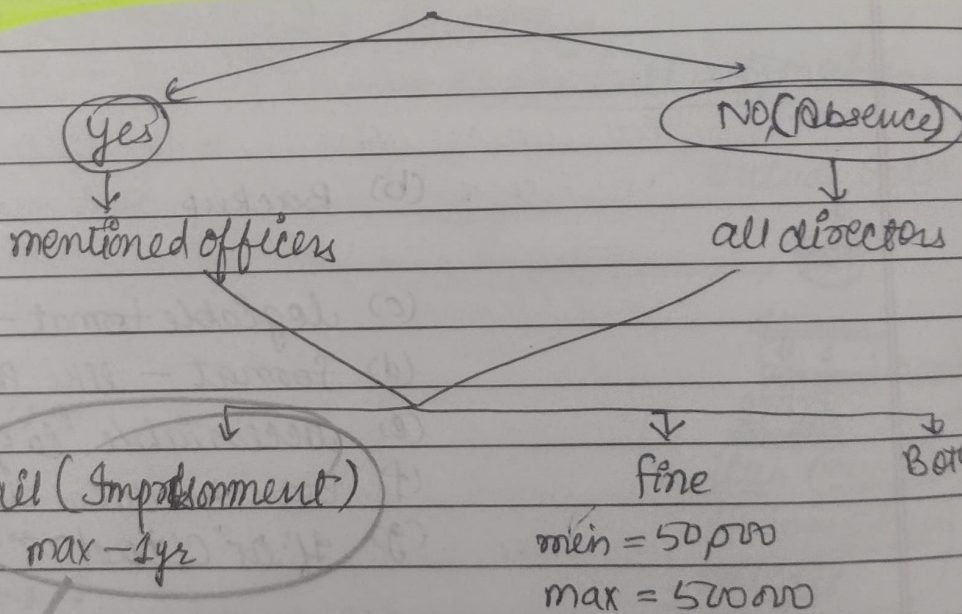
Q
Q
Q

MD

WTD
in charge
of finance

CFO

Any
other
person
appointed
by Board



is in
financial
statement
only not
in Books of
A/c's

Be
Comp
Pen, Bo
lay FS

Accounts

Statements

Sec 129
FAT

Any other person appointed by Board

(absence)

Directors

Both

At every year BOD shall lay before the company the financial statement of the FY

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
- C → Generation or supply of electricity

CFS

Prepared according to FAT

applicable if there is one or more subsidiary

① → Subsidiary = Associate or Joint venture Co.

Before the company AEM, BOD shall lay FS of the FY

State the salient feature in Form AOCI
eg =

Financial Statement of Foreign Branch / Subsidiary

- * 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

derivation

(c) If financial statement is not as 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.

Eg → 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) Author

who can

OPC
only 1 director

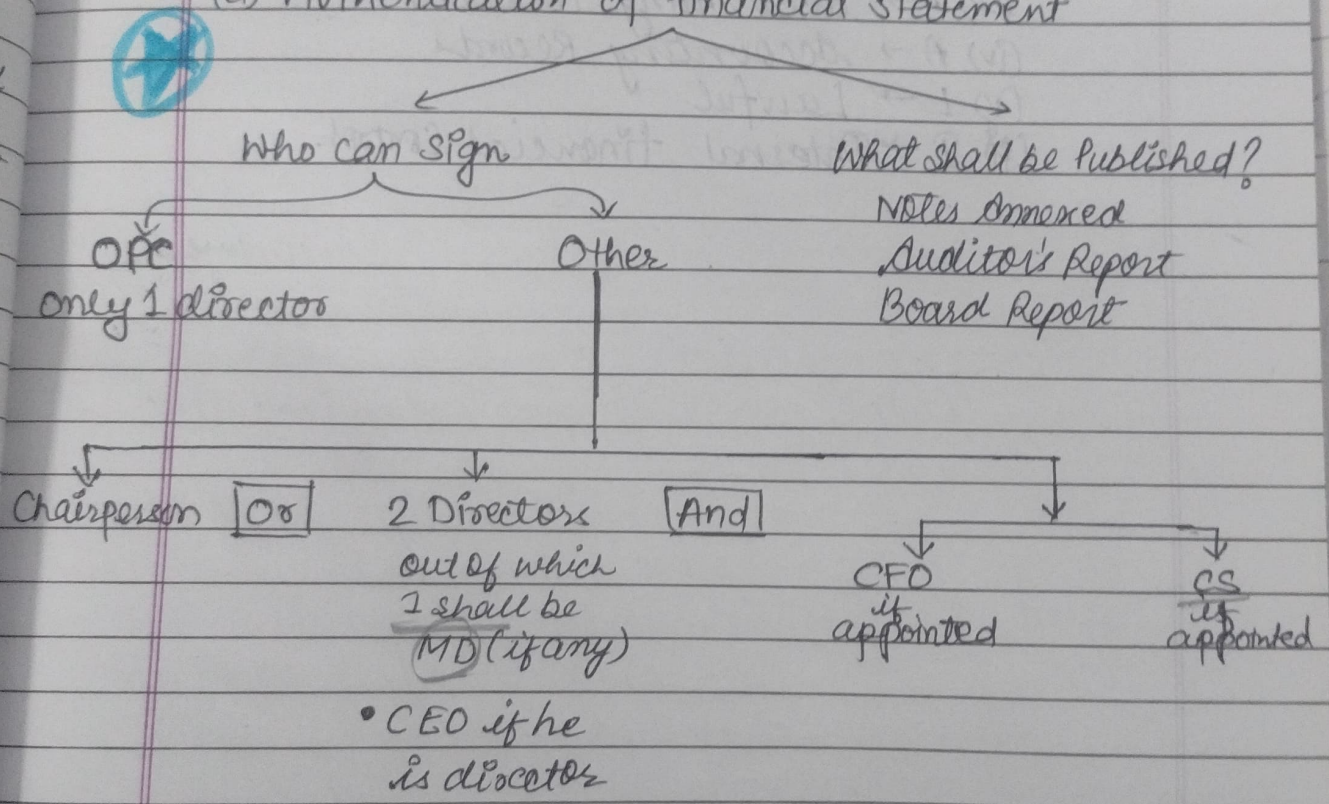
Chairperson [Or]

(b) Au

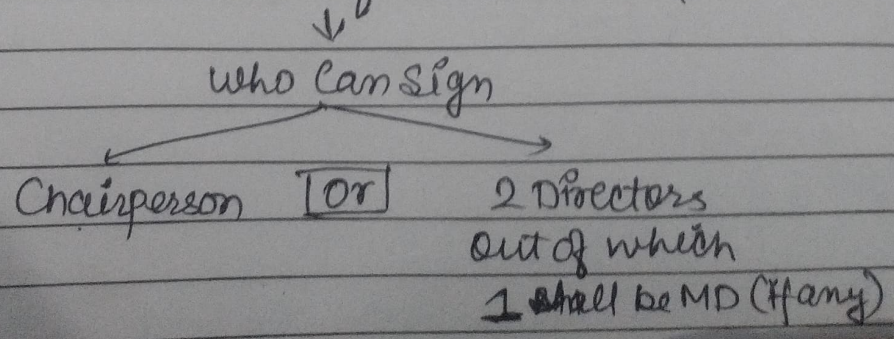
Financial Statement, Board Report etc Sec 134

Important

(a) Authentication of financial statement



(b) Authentication of Board's Report



when director is writing Board report कि कम्पनी का रिपोर्ट
 कि company का रिपोर्ट कि
 कि AS की फॉलो कि
 कि AR maintain कि
 कि AP follow कि

Lawful & Internal Financial Control
 Date: / /

(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
 NFA → National Financial Reporting Authority
 SEBI → Securities and Exchange Board of India
 IEPF → Investor Education and Protection Fund

Re-opening of

On court's or tribunal's Order 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. ^{Yes} ^{No} opportunity of being heard
- Reason for Re-opening
 - (i) Accounts were prepared in fraudulent manner.
 - (ii) Accounts and affairs of company were mismanaged.
- Books of Accounts can be opened in any 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.

Sec 129 - Financial Statement (FAT)
 Sec 134 - Financial St, Board Report, etc

Books of Accounts

Voluntary revision of Financial Statement Sec 131

- For re-opening of Books of Accounts / FS / Board Report voluntarily by company itself.
- Then in the case company has to take approval from NCLT/Court.
- Before NCLT/Court decision - NCLT will ask IT to be heard.
- 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 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 filed with ROC.
- NCLT ask from IT/Cert SEBI before giving approval to ROC.

Central Govt Prescribe Accounting Standard
Sec 133

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

NFRA $\xrightarrow[\text{Examine \& give recommendation}]{}$ AS

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

NFRA $\xrightarrow[\text{verify}]{\text{approve \&}}$ AS

Central Govt $\xrightarrow[\text{written \& order}]{}$ AS

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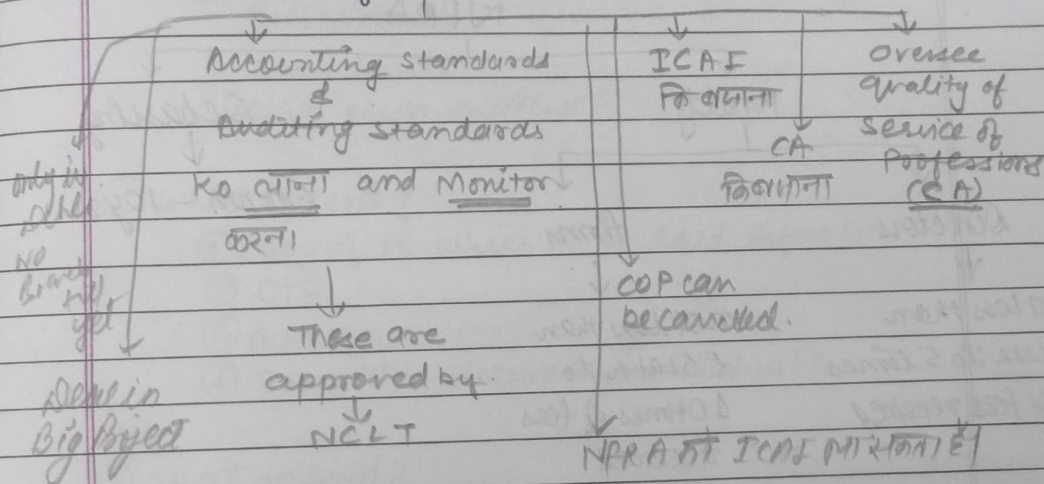
Constitution
See 133

- Before
- was

done in
Big Project

■ Constitution of NFRA (National Financial Reporting Authority) Sec 132

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



- Chairperson + 15 members.
↓
Having knowledge of CA in 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.

- CBI, CID, Local Police, etc.

NFRA

power to Investigate

No Body shall interfere in NFRA investigation

- ~~How~~ NFRA has some powers like COURT

NFRA

Penalty

Debaring

6 month - 10 yrs

Directors

Firms

not less than
1 Lakh to 5 times
of fees received

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

- 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 $\xrightarrow{\text{Before 21 days of passing notice to public}}$ AGM $\xrightarrow{\text{within 30 days of AGM}}$ ROC

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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 AGM
- ② CFS
- ③ Auditor's report
- ④ Every other document attached to FS.

③ what to send?

→ In case of Sec 8 Cor. → 14 days

④ How to send?

$\begin{matrix} \text{ECS} \\ \downarrow \\ \text{all members} \end{matrix}$
 $\begin{matrix} \text{Physically} \\ \downarrow \\ \text{all Co.} \end{matrix}$

Public Co

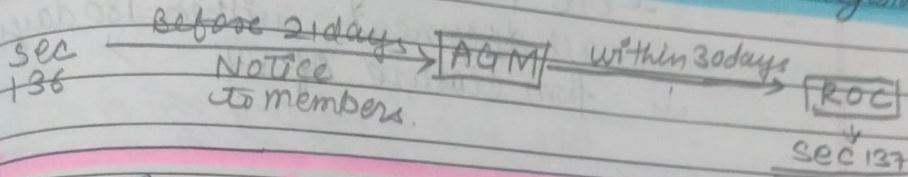
Network > 1 cr \$

TLO > 1 cr

↓
demand for

Provisional - Reason

Copy of Financial Statement to be filed with Registrar Sec 137



Meeting	Adopt	Date of Submission
yes	yes Sec 137(1)	30 days from AGM
yes	No meeting adjourned Sec 137(4)	Provisional within 30 days* reason why not adopted.
NO	NO	Financial Statement with documents, duly signed with statement of facts and reasons for not holding AGM shall be filed with Registrar within 30 days of last date before which AGM should have been held.

Sec 137(2)

Sec 137(2)
change the 30 days to 31 days

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

~~Company~~ Company incorporated outside India

unaudited
-अप्रमाणित
Es
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
 - BC2 OPC ki meeting aisi hi karti hai jaise ki public company ki

- 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

Impersonment (Jail)

max - 6 months

fine

min = 10000

max = 50000

DPLT → Deepika Padukon Latak Gal
 accountant → Internal Auditor → BOD → Statutory (Law)

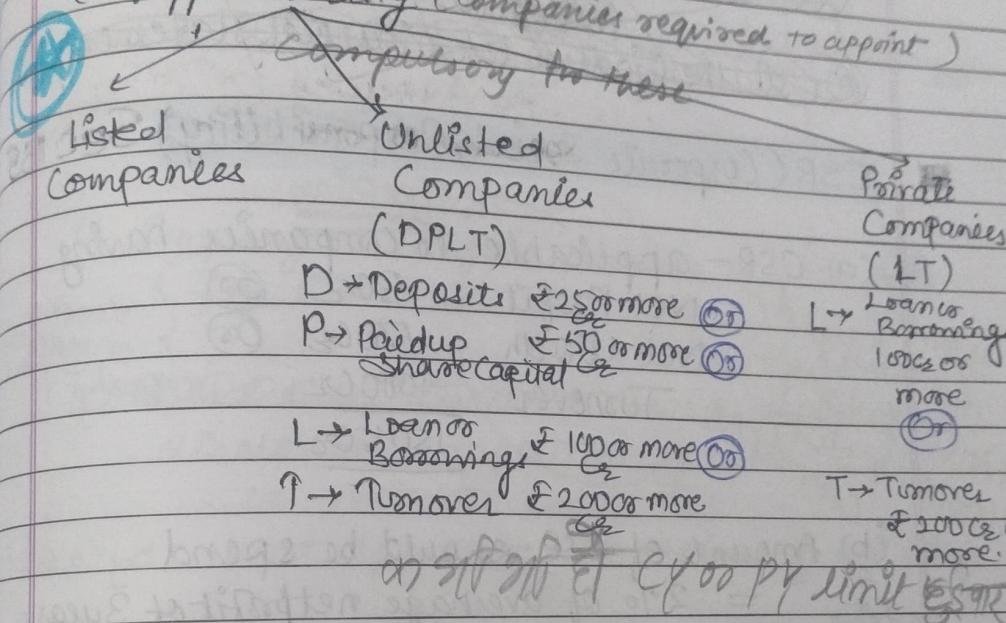
Statutory (Law)

External Auditor

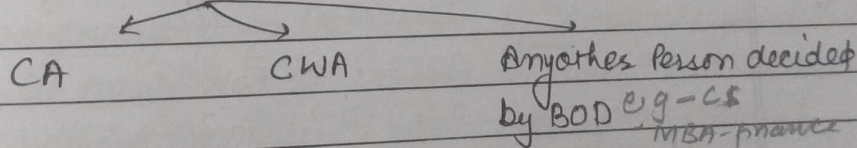
Profit

Internal Audit Sec 138

(a) Applicability (Companies required to appoint)



(b) Who Can become Internal Auditor.



- He may or may not be employee
- He may or may not be practicing CA (practicing or not)

(c) Transition Period — 6 months

(d) Scope of Internal Auditor
 Scope, functionality, Periodicity & methodology decided by BOD of company for Internal Audit

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Public Int
CSR

CSR C

(d) Con

(f)

2 x 2 = 4

$$2\% \times \left(\frac{10C_2 + 20C_2 + 30C_2}{3} \right)$$

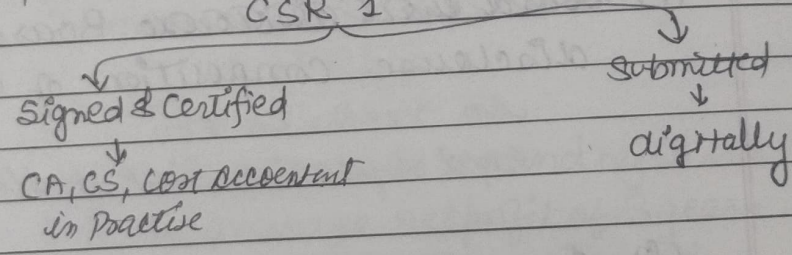
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* Not having Independent Director
Pvt & = 2 or more Director
Foreign → 2 or more Director 2-2

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

(j) Every Company includes.
Subsidiary, Holding, foreign } liable to pay CSR
Branch office, Project office

(k) If any entity is liable for CSR activity then, it shall register with CCR in form CSR 1



(l) Engaged in international organisational for CSR project — designing, mentoring, evaluation
Total + Balance — Big project — foreign interest

(m) Being Human → Salman Chandra Trust registered trust or society shall have track record of at least 3 year in similar activities