

**Attempt All MCQs (1 marks each X 18 MCQs = 18 Marks)**

- Q1: As per the provisions of the Companies Act, 2013, which of the following statement is correct with respect to the surplus arising out of the CSR activities:**
- (a) The surplus cannot exceed five percent of total CSR expenditure of the company for the financial year.
  - (b) The surplus shall not form part of the business profit of a company
  - (c) The surplus cannot exceed 10 percent of total CSR expenditure of the company for the financial year.
  - (d) The surplus shall form part of the business profit of a company
- Q2: ABC Limited dealing in FMCG has its registered office at Mumbai. The composition of the Board of Directors and Key Managerial Personnel are -**
- Mr. P (Managing Director), Mr. Q (Director), Mr. R (Director), Mr. S (Nominee Director), Mr. V (Chief Financial Officer), Mr. W (Whole Time Company Secretary).**
- If any compliance relating to maintenance and keeping of books of accounts of Companies Act, 2013 is not followed by the company then penalty for contravention will be imposed on the following persons –**
- (a) Mr. P and Mr. V
  - (b) Mr. P, Mr. Q, Mr. R and Mr. S
  - (c) Mr. P, Mr. S, Mr. V and Mr. W
  - (d) Mr. P, Mr. Q, Mr. R, Mr. S, Mr. V and Mr. W
- Q3: Ganesh Company Ltd, a public company incorporated under the Companies Act, 2013 has Mr. Jay- Director, Mr. Sagar – Independent Director, Mr. Abhishek – Nominee Director and Mr. Yash – Whole time director. Mr. Abhishek wants to inspect the books of accounts of Shankar Company Limited, the subsidiary of Ganesh Company Limited. You are required to state whether Mr. Abhishek is eligible to inspect the books of accounts of Ganesh Company Limited?**
- (a) Yes, Mr. Abhishek can inspect the books of accounts of Shankar Company limited only on authorization of the public financial institution on whose behalf he has been so appointed in the board of the Ganesh Company Ltd.
  - (b) No. Mr. Abhishek being a nominee director can only inspect the books of accounts of Ganesh Company Ltd and not its subsidiary company.
  - (c) Yes, Mr. Abhishek can inspect the books of accounts of Shankar Company limited only on authorization by way of resolution of the board of directors.
  - (d) Yes, Mr. Abhishek can inspect the books of accounts of Shankar Company limited only on authorization by way of resolution of the members holding not less than 25% of the paid up share capital of the company.
- Q4: One Person Company shall file a copy of the duly adopted financial statements to the Registrar in:**
- (a) 30 days of the date of meeting in which it was adopted.
  - (b) 90 days of the date of meeting in which it was adopted.
  - (c) 90 days from the closure of the financial year.
  - (d) 180 days from the closure of the financial year
- Q5: Adani Enterprises Limited has its shares listed on a recognized stock exchange in India. During the current financial year ending March 2020, the securities and exchange board of India (SEBI) has found some irregularities in the filings made by the company. Accordingly, SEBI proposes to make an application to the Tribunal for reopening of the books of accounts of the Company. You, as an expert, are called upon by SEBI to advise with which last financial year for reopening of books of accounts an application can be made?**
- (a) 2015-2016
  - (b) 2013-2014
  - (c) 2010-2011
  - (d) 2011-2012
- Q6: Perfect Ltd is a listed company. The company is in the business of manufacturing of steel and had its head office at Karnataka. The company's operations are spread out across India. The company appointed a firm of Chartered Accountants, N & Co LLP, as its internal auditors for the year ended 31<sup>st</sup> March 2019. However, for the financial year 2019-20, the company is planning to have an in-house internal audit system**

**commensurate with its size and operations. If the company does that then it is planning not to continue with N & Co LLP as its internal auditors. Please advise.**

- (a) The company being listed needs to have a firm of CA as its internal auditors and hence the company needs to continue with N & Co LLP or appoint some other firm.
- (b) The company being listed needs to have a firm of CA as its internal auditors and hence the company needs to continue with N & Co LLP or may appoint some other consultant which may not be a firm.
- (c) The company being listed should not change its internal audit process within a year and hence should continue with N & Co LLP.
- (d) If the internal audit function of the company is fine as per its size and operations then it may decide not to continue with N & Co LLP.

### Case Study Based MCQ

Silver Private Limited was incorporated in 2016 having its registered office at Gurugram, Haryana. It is registered with an authorised share capital of ₹ 10 crore divided into 1 crore equity shares of ₹ 10/- each. The paid-up share capital of the company is ₹ 50 lakh divided into 5 lakh equity shares of ₹ 10/- each. The company is in manufacturing of rubber parts to be used in manufacturing of parts of passenger vehicles.

Mr. Raj and Mr. Pawan are directors of the company. Mr. Siddharth (son of Mr. Raj) on January 8, 2022 had advanced a loan of ₹ 50 lakh at an interest rate of 8% p.a. and the loan is expected to be repaid after a period of thirty six months.

Silver Private Limited intends to accept deposits of ₹ 60 lakh from its members for the purpose of expansion of its business. The financial particulars of the company are as below mentioned: -

S. No.	Particulars	Amount (₹)
1	Paid-up share capital	50 lakh
2	Free Reserves	20 lakh
3	Security premium	10 lakh
4	Borrowings from banks	65 lakh
5	Turnover	200 lakh

As on the date of acceptance of deposits, the company has not defaulted in repayment of borrowings along with interest thereon.

The Company Secretary of the company informed Board of Directors of the company that they need to appoint an internal auditor for audit of the company. The Board stated that statutory auditor is already performing audit function and there is no need to appoint internal auditor as it causes additional burden on the company.

The company require funds for the purpose of meeting working capital requirements. The company has approached the bank for meeting working capital requirements and has availed a loan of ₹ 65 lakh from bank. The loan is secured by the personal guarantee of the directors of the company.

**Q7: With respect to loan advances by Mr. Siddharth to Silver Private Limited, whether the same can be classified as deposit or not?**

- (a) It will be treated as deposit as the loan is advanced by Mr. Siddharth who is neither director nor shareholder of the company.
- (b) It will be treated as deposit as the loan is given by relative of the director.
- (c) It will not be treated as deposit as Mr. Siddharth has given loan to the company at an interest rate of 8% p.a.
- (d) It will not be treated as deposit if Mr. Siddharth gives a written declaration to the effect that loan is advanced by him from his own source of funds, not from borrowings or accepting loans or deposits from others and the company shall disclose the details of money so accepted in the Board's Report.

**Q8: With respect to acceptance of deposits from members, which of the below mentioned statement is correct:**

- (a) Silver Private Limited cannot accept deposits of more than paid-up share capital which is ₹ 50 lakh.
- (b) Silver Private Limited can accept deposits of ₹ 60 lakh from members, as it is less than twice of its paid up share capital or ₹ 50 crore, whichever is less.
- (c) Silver Private Limited cannot accept deposits of more than higher of aggregate of paid-up share capital and free reserves which is ₹ 70 lakh and borrowings which is ₹ 65 lakh.
- (d) Silver Private Limited cannot accept deposits of more than aggregate of paid-up share capital and free reserves, which is ₹ 70 lakh.

**Q9: Is Silver Private Limited required to appoint internal auditor in accordance with the provisions of the Companies Act, 2013?**

- (a) Silver Private Limited is not required to appoint internal auditor as private companies are not required to appoint internal auditor.
- (b) Silver Private Limited is required to appoint internal auditor as borrowings is below prescribed limited.
- (c) Silver Private Limited is required to appoint internal auditor as aggregate of paid-up share, free reserves and security premium is more than prescribed limited.
- (d) Silver Private Limited is not required to appoint internal auditor as turnover is less than prescribed limited.

**Q10: Which of the following statement is correct in respect of loan of ₹ 65 lakh availed by the company?**

- (a) Silver Private Limited needs to create and register charge within 30 days from the date of sanction of loan.
- (b) Silver Private Limited is not required to create and register charge as the loan is against the personal guarantee of directors.
- (c) Silver Private Limited needs to create and register charge within 15 days from the date of sanction of loan.
- (d) Silver Private Limited needs to create and register charge within 60 days from the date of sanction of loan.

**Q11: The management of Silver Private Limited for ease of doing business and reduce compliance burden, proposed, it to be registered as a small company. Within the provided information and the legal requirements under the Companies Act, 2013, recommend on the validity of the said proposal:**

- (a) Proposal is valid, as any private limited company can apply for the status of small company.
- (b) Proposal is invalid, as the Silver Private Limited is not fulfilling the requirement of turnover of ₹ 400 crore.
- (c) Proposal is valid, as the Silver Private Limited is fulfilling the requirement of paid up share capital and turnover which is within the prescribed limits.
- (d) Proposal is invalid, as Silver Private Limited is fulfilling the requirement of paid up share capital.

**Q12: The financial particulars of ABC Limited in respect of immediately preceding financial year are as under:**

S. No.	Particulars	Amount in crore
1	Net worth	280
2	Turnover	550
3	Net Profit	5.50
4	Borrowings	60

**Choose the correct option in terms that whether the provisions of Corporate Social Responsibility are applicable to ABC Limited.**

- (a) No, as ABC Limited is having net worth of more than ₹ 250 crore in the immediately preceding financial year.
- (b) Yes, as ABC Limited is having turnover of more than ₹ 500 crore but less than ₹ 800 crore in the immediately preceding financial year.
- (c) Yes, as ABC Limited is having net profit of more than ₹ 5 crore in the immediately preceding financial year.
- (d) Yes, as ABC Limited is having loans and borrowings of more than ₹ 50 crore in the immediately preceding financial year.

**Q13: Under what circumstances is the requirement for constituting a Corporate Social Responsibility (CSR) Committee waived, and who is responsible for discharging the functions of the CSR Committee in such cases?**

- (a) When the amount to be spent by a company does not exceed fifty lakh rupees; the Board of Directors assumes the responsibility of the CSR Committee's functions.
- (b) When the amount to be spent by a company exceeds fifty lakh rupees; the Board of Directors assumes the responsibility of the CSR Committee's functions.
- (c) When the amount to be spent by a company does not exceed fifty lakh rupees; the shareholders assume the responsibility of the CSR Committee's functions.
- (d) When the amount to be spent by a company exceeds fifty lakh rupees; the shareholders assume the responsibility of the CSR Committee's functions.

### Case Study Based MCQ

Golden Limited is a listed company which is incorporated in 2013 having its registered office at Delhi and corporate office in Noida. It is registered with an authorised share capital of ₹ 20 crore divided into 2 crore equity shares of ₹ 10/- each. The paid-up share capital of the company is ₹ 10 crore divided into 1 crore equity shares of ₹ 10/- each. The company is in construction activities like construction of buildings, roads, etc.

On 8<sup>th</sup> January, 2022, the company incorporated a wholly owned subsidiary, D Limited which is involved in supplying of construction materials like steel, iron, cement, bricks, etc. D Limited elects to choose to prepare its first financial statements for the period from 8<sup>th</sup> January, 2022 to 31<sup>st</sup> March, 2022.

On 2<sup>nd</sup> January, 2022, Golden Limited incorporated a new wholly owned subsidiary, E Limited for providing project management consultancy service to its customers or to parent company. On 5<sup>th</sup> January, 2022, Golden Limited through its subsidiary, E Limited acquired 100% partnership interest in XYZ & Co., partnership firm. E Limited elects to choose to prepare its first financial statements for the period from 2<sup>nd</sup> January, 2022 to 31<sup>st</sup> March, 2023 and conducted its Annual General Meeting on 16<sup>th</sup> August, 2023.

On 1<sup>st</sup> July, 2022, the subsidiary company, D Limited incorporated a new wholly owned subsidiary, F Limited. Golden Limited prepared its standalone financial statements for the year 2021-22 and presented before the Board of Directors of the company on 25<sup>th</sup> August, 2022 for their approval and the same were adopted by the shareholders in the Annual General Meeting held on 2<sup>nd</sup> September, 2022.

Golden Limited prepared its standalone and consolidated financial statements for the year 2022-23 and presented before the Board of Directors of the company on 20<sup>th</sup> August, 2023 for their approval and the same were adopted by the shareholders in the Annual General Meeting held on 26<sup>th</sup> September, 2023.

**Q14: What is the last date for conducting AGM for E Limited?**

- (a) 30<sup>th</sup> September, 2022
- (b) 31<sup>st</sup> December, 2022
- (c) 30<sup>th</sup> September, 2023
- (d) 31<sup>st</sup> December, 2023

**Q15: What is the due date for conducting AGM for Golden Limited for the year ended March 31, 2023?**

- (a) 30<sup>th</sup> September, 2023
- (b) 31<sup>st</sup> October, 2023
- (c) 30<sup>th</sup> November, 2023
- (d) 31<sup>st</sup> December, 2023

**Q16: The Companies Act, 2013 provides that in addition to standalone financial statement, the company shall also prepare consolidated financial statements which shall also be presented at AGM. Accordingly, the consolidated financial statements of Golden Limited for the financial year ended 31<sup>st</sup> March, 2022 includes, financial statements:**

- (a) Golden Limited and D Limited
- (b) Golden Limited, D Limited and E Limited
- (c) Golden Limited, D Limited, E Limited and XYZ & Co., partnership firm
- (d) Golden Limited, D Limited, E Limited, F Limited and XYZ & Co., partnership firm

**Q17: The Companies Act, 2013 provides that in addition to standalone financial statement, the company shall also prepare consolidated financial statements which shall also be presented before AGM. Accordingly, the consolidated financial statements of Golden Limited for the financial year ended 31<sup>st</sup> March, 2023 includes:**

- (a) Golden Limited and D Limited
- (b) Golden Limited, D Limited and E Limited
- (c) Golden Limited, D Limited, E Limited and XYZ & Co., partnership firm
- (d) Golden Limited, D Limited, E Limited, F Limited and XYZ & Co., partnership firm

**Q18: Please select which is the correct option/ which is the most correct statement:**

- (a) Golden Limited had given the notice for holding AGM in Mumbai on Monday, 26<sup>th</sup> September, 2023 at 11.00 A.M.
- (b) Golden Limited had given the notice for holding AGM in Delhi on Monday, 26<sup>th</sup> September, 2023 at 11.00 A.M.
- (c) Golden Limited had given the notice for holding AGM in Noida on Tuesday, 27<sup>th</sup> September, 2023 at 11.00 A.M.
- (d) Golden Limited had given the notice for holding AGM in Delhi on Monday, 26<sup>th</sup> September, 2023 at 8.30 A.M.

**All questions are compulsory**

- 1.
- (a) Altar Limited has on its Board, four Directors viz. W, X, Y and Z. In addition, the company has Mr. D as the Managing Director. The company also has a full time Company Secretary, Mr. Wise, on its rolls. The financial statements of the company for the year ended 31<sup>st</sup> March, 2017 were authenticated by two of the directors, Mr. X and Y under their signatures. Referring to the provisions of the Companies Act, 2013:
- Examine the validity of the authentication of the Balance Sheet and Statement of Profit & Loss and the Board's Report.
  - What would be your answer in case the company is a One Person Company (OPC) and has only one Director, who has authenticated the Balance Sheet and Statement of Profit & Loss and the Board's Report?

**(5 marks)**

- (b) State any four contents of a Director's Responsibility Statement as required under Section 134 of the Companies Act, 2013.

**(2 marks)**

- 2.
- (a) XYZ Ltd. received a communication from Central Government for preparation of periodical financial results and complete audit or limited review of such periodical financial results. The Board of Directors have raised an objection on the ground that as it is an unlisted company, periodical financial results need not to be prepared. Examine, referring the provisions of the Companies Act, 2013, in this regard.

**(2 marks)**

- (b) SKIP Limited (the Company) was incorporated on 01.04.2019. The balances extracted from its audited financial statement are as given below:

<b><u>Financial Year (FY)</u></b>	<b><u>Net Profit before tax</u></b>	<b><u>Net Profit after tax (Ignore Income Tax computation)</u></b>
2019-20	₹ 5.00 crore	₹ 3.75 crore
2020-21	₹ 7.00 crore	₹ 5.25 crore

The Company proposes to allocate the minimum required amount for CSR Activities to be undertaken during FY 2021-22, if it is mandatory. You are requested to advise the Company in this regard and compute the minimum amount to be allocated, if so required, taking into account the relevant provisions of the Companies Act, 2013.

**(3 marks)**

- 3.
- (a) The Board of directors of Bharat Ltd. has a practical problem. The registered office of the company is situated in a classified backward area of Maharashtra. The Board wants to keep its books of account at its corporate office in Mumbai which is conveniently located. The Board seeks your advice about the feasibility of maintaining the accounting records at a place other than the registered office of the company. Advise.

**(3 marks)**

- (b) The Governments of Tamil Nadu and Andhra Pradesh collectively hold 60% of the paid-up Equity Share Capital of Orange Limited. The audited financial statements of Orange Limited for the financial year 2022-23 were presented at its Annual General Meeting convened on 17th August, 2023. However, pending the comments of the Comptroller and Auditor General of India (CAG) on the said accounts the meeting was adjourned without adoption of the accounts. Therefore, the company did not file its financial statements with the Registrar of Companies. Afterwards, on receipt of CAG comments on the accounts, the adjourned annual general meeting was held on 20th September, 2023 whereat the accounts were adopted.

Thereafter, Orange Limited filed its financial statements relevant to the financial year 2022-23 with the Registrar of Companies on 29<sup>th</sup> September, 2023. Examine, with reference to the applicable provisions of the Companies Act, 2013, whether, Orange Limited has complied with the statutory requirement regarding filing of accounts with the Registrar.

**(3 marks)**

- 4.
- (a) Adil is a student of CA Intermediate. His friend (who is also in CA Intermediate) has approached him to explain to him the provisions of the Companies Act, 2013, on the following -
1. Inspection of books of account and other books and papers of the company.
  2. Period of preservation of books of accounts.

**(3 marks)**

- (b) Geeta Private Limited is a start-up company. Mr. Prabodh has been appointed as Accounts Manager of Geeta Private Limited. The Board meeting for approval of accounts is to be held on 01.08.2022 and he has to prepare the financial statements for approval by the Board. Referring to section 2(40) of the Companies Act, 2013, advise Mr. Prabodh about the statements that are required to be prepared.

**(2 marks)**



## **CA Intermediate (Batch Aug 2024)**

### **SOLUTION – Test of Chapter 9**

#### **Part 1- MCQ questions**

Q1.	(b)	Q2.	(a)	Q3.	(c)	Q4.	(d)	Q5.	(d)
Q6.	(d)	Q7.	(d)	Q8.	(b)	Q9.	(d)	Q10.	(b)
Q11.	(c)	Q12.	(c)	Q13.	(a)	Q14.	(d)	Q15.	(a)
Q16.	(c)	Q17.	(d)	Q18.	(b)				

#### **Part II – Descriptive questions**

1.

- (a) In accordance with the provisions of the Companies Act, 2013, as contained under section 134(1), The financial statement, including consolidated financial statement, if any, shall be approved by the Board of Directors before they are signed on behalf of the Board by the chairperson of the company where he is authorised by the Board or by two directors out of which one shall be managing director, if any, and the Chief Executive Officer, the Chief Financial Officer and the company secretary of the company, wherever they are appointed, or in the case of One Person Company, only by one director, for submission to the auditor for his report thereon.

The Board's report and annexures thereto under section 134(3), shall be signed by its Chairperson of the company, if he is authorized by the Board and where he is not so authorized, shall be signed by at least two directors one of whom shall be a managing director or by the director where there is one director.

- i. In the given case, the Balance Sheet and Profit & Loss Account have been signed by Mr. X and Mr. Y, the directors. In view of the provisions of Section 134 (1), the Managing Director, Mr. D should be one of the two signatories. Since, the company has also employed a full-time Secretary, he should also sign the Balance Sheet and Profit & Loss Account. Therefore, authentication done by two directors is not valid.
- ii. In case of OPC, the financial statements should be signed by one director and hence, the authentication is in order.

(b) **Directors' Responsibility Statement –**

According to section 134(5) of the Companies Act, 2013, the Directors' Responsibility Statement shall state that -

- (1) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (2) 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 at the end of the financial year and of the profit and loss of the company for that period;
- (3) 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;
- (4) the directors had prepared the annual accounts on a going concern basis; and
- (5) the directors, in the case of a listed company, had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.

2.

(a) **Periodical Financial Results [Section 129A of the Companies Act, 2013]**

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

- a. to prepare the financial results of the company on periodical basis and in prescribed form

- b. to obtain approval of the Board of Directors and complete audit or limited review of such periodical financial results in the prescribed manner; and
- c. 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.

Therefore, the objection of the Board of Directors on the ground that as XYZ Ltd. is an unlisted company, periodical financial results need not be prepared, is not correct. Section 129A clearly specifies that even unlisted company has to prepare Periodical Financial Results.

(b) According to section 135(1) of the Companies Act, 2013, every company having

- net worth of rupees 500 crore or more, or
- turnover of rupees 1,000 crore or more or
- a net profit of rupees 5 crore or more

during the immediately preceding financial year shall constitute a Corporate Social Responsibility Committee of the Board.

Further, according to section 135(5), the Board of every company referred to in subsection (1), shall ensure that the company spends, in every financial year, at least 2% of the average net profits of the company made during the three immediately preceding financial years or where the company has not completed the period of three financial years since its incorporation, during such immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy.

Here, the "Net Profit" shall not include such sums as may be prescribed, and shall be calculated in accordance with the provisions of section 198.

In the instant case,

1. Net Profit before tax of SKIP Limited for the FY 2020-21 is ₹ 7 crore, hence, SKIP Limited is required to constitute a CSR committee during FY 2021-22 as the Net profit before tax for the FY exceeds ₹ 5 crore.
2. Minimum contribution towards CSR will be - 2% of average net profits since incorporation (SKIP Limited was incorporated on 1.04.2019.)

Average Net Profit since incorporation:  $(₹ 5 \text{ crore} + ₹ 7 \text{ crore}) / 2 = ₹ 6 \text{ crore}$

Minimum contribution towards CSR will be:  $2\% \text{ of } ₹ 6 \text{ crore} = ₹ 0.12 \text{ crore or } ₹ 12 \text{ Lacs}$

3.

(a) According to section 128(1) of the Companies Act, 2013, every company is required to prepare and keep the books of accounts and other relevant books and papers and financial statement for every financial year which give a true and fair view of the state of the affairs of the company, including that of its branch office or offices, if any, and explain the transactions effected both at the registered office and its branches and such books shall be kept on accrual basis and according to the double entry system of accounting.

The proviso to section 128(1) further provides that all or any of the books of account aforesaid and other relevant papers may be kept at such other place in India as the Board of Directors may decide and where such a decision is taken, the company shall, within 7 days thereof, file with the Registrar a notice in writing giving the full address of that other place.

Therefore, the Board of Bharat Ltd. can keep its books of account at its corporate office in Mumbai by following the abovementioned procedure.

(b) According to first provision to section 137(1) of the Companies Act, 2013, where the financial statements are not adopted at Annual General Meeting (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 Annual General Meeting and the Registrar shall take them in his records as provisional till the financial statements are filed with him after their adoption in the adjourned Annual General Meeting for that purpose.

According to second proviso to section 137(1) of the Companies Act, 2013, financial statements adopted in the adjourned AGM 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.

In the instant case, the accounts of Orange Limited were adopted at the adjourned AGM held on 20<sup>th</sup> September, 2023 and filing of financial statements with Registrar was done on 29<sup>th</sup> September, 2023 i.e. within 30 days of the date of adjourned AGM. However, Orange Limited has not filed its unadopted financial statements within 30 days of the date of the Annual General Meeting held on 17<sup>th</sup> August, 2023.

Hence, Orange Limited has not complied with the statutory requirement regarding filing of unadopted accounts with the Registrar, but has certainly complied with the provisions by filing of adopted accounts within the due date with the Registrar.

4.

(a)

1. **Inspection by Directors**

As per Section 128(3) of the Companies Act, 2013, 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.

Further, a person can inspect the books of account of the subsidiary, only on authorisation by way of the resolution of Board of Directors.

**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.

2. **Period for preservation of books**

According to section 128(5) of the Companies Act, 2013, 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 8 years immediately preceding the relevant financial year.

In case of a company incorporated less than 8 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.

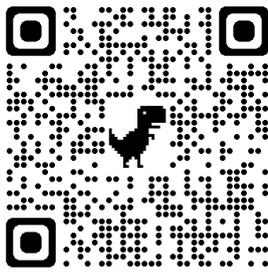
But where an investigation has been ordered in respect of a company under Chapter XIV of the Act related to inspection, inquiry or investigation, the Central Government may direct that the books of account may be kept for such period longer than 8 years, as it may deem fit and give directions to that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

- (b) As per section 2(40) of the Companies Act, 2013, Financial Statement in relation to a company, includes -
- a. a balance sheet as at the end of the financial year;
  - b. a profit and loss account, or in the case of a company carrying on any activity not for profit, an income and expenditure account for the financial year;
  - c. cash flow statement for the financial year;
  - d. a statement of changes in equity, if applicable; and
  - e. any explanatory note annexed to, or forming part of, any document referred to in sub-clause (i) to sub-clause (iv)

**Exemption** - As per the proviso to section 2(40), 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.

In the instant case, Mr. Prabodh has to prepare the above financial statements except Cash Flow Statement; since Geeta Private Limited is a start-up private company.

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