

Ch-IX Accounts of Companies

Sec 128 - Books of Accounts

Definition 2(12) :- Means ^{includes} record of MASC

M → Money earned and expended

A → Asset & liabilities

S → sales & purchase

C → Cost

Books & Paper Sec 2(12) :- includes BOA, vouchers, Bills, Agreements, documents, Register in physical or electronic form.

Place of keeping BOA :- At Regd office

• shift pass B.R + within 7 days Inform ROC (AOC-5)

Person responsible to maintain (- TQ/A) ~~★~~ ~~★~~

- M.D or W.T.D or (Finance)
- CFO or person authorise by BOB

Other Important Points :-

① Branch BOA to be maintained in branch but timely returns to R.O

② Preserve → sync Proceeding f.y
→ more C.G (R.D) Can direct

③ BOA → Accessible at all time in India.

④ Electronic Mode → Back up in Server in India
(daily Basis)

⑤ A/c Software → Audit trail facility

after 1.4.23 → Edit log facility

⑥ Maintain ^{Expense} Audit trail → cannot be disabled
P/C on accrual basis double entry system.

Q x Ltd was maintaining proper Books of A/C and all deeds and documents. However they were not maintaining vouchers of expenses & Income. Are they maintaining proper books and paper as per Co. Act 2013?

A. No, because books and paper not only include B&A but also all deeds, documents, vouchers, minutes, etc.

Inspection of B&A P-Q (B)

By ~~Board~~ any director

- Normally Company/branches/Dept yes
- By himself or agent/representative (except he maintains confidentiality + no objection)
- only in Business hours.

(→ Foreign Branch - Cannot inspect

- Can call for b/c/s
- they will send within 15 days
- that too personally / your agent/representatives cannot ask for inspection

(→ subsidiary → only if B.R passed in holding co

By members - Normally NO Except ABC

A → AOA specified

B → BOD Consent

C → Company authorize in G.M by passing O.R

Sec 129 → Financial Statements

Definition 2(40) (P) Balance sheet, P/L, CFS, Notes to A/c & Statement of changes in equity:

⊖ No CFS :- for DOPs

D = Dormant Co.

O = OPC

P = startup Pvt Co. (not default in sec 137/92)

S = Small Co.

⊖ Financial year 2(41) :- f.s for f.y

• Normally → 1st Apr to 31st Mar

• Co. incorporated from Jan to March :- from that date to next ^{31st} March

⊖ Other Imp points :- (1) Co having subsidiary, Associates or Joint venture also prepare consolidated financial statement and lay down at AGM + prepare AOC-1 and attach to f.s.

(12) No CFS + If Exempted by AS

(Consolidated financial statement) All 3 conditions satisfied → If unlisted Co. consent from members holding ultimate - already preparing CFS

~~(13) Can follow different f.y~~

~~(a) If applied to R.D~~

~~(b) Your holding~~

(14) If deviation from AS → (i) Deviation
mention (ii) Reason
(iii) financial effect.

Note If Indian Co. that is holding, subsidiary or Associate of Co. incorporated outside Indians in that case Co. can follow different f.y.

→ Apply to R.D inform RD-2 file permission of R.D
→ R.D reply within 30 days with Roc (Int-28)

What is financial year of following Co's

Date of incorporation → financial year

25 sep 23 → 25 sep 23 to 31st mar 24

2 feb 24 → 2 feb 24 to 31st mar 25

Normal Co → 1st April to 31st March

Sec 129A → Periodical financial Statement (A)

Central Govt may prescribe such class of unlisted Co.

- ① To prepare periodical f-s
- ② Complete Audit or review of such f-s.
- ③ file such periodical f-s and Audit (Review report) with ROC

Within 30 days from completion of period with fees as may be prescribed.

Q of Sec 131

X Ltd has already revised its f-s of 23-24 in f-y 24-25. Can it also revised following f-s in same year (ie 24-25)

- ① 22-23 → Yes (last 3 yrs → any year once in a year)
- ② 21-22 → Yes
- ③ 20-21 → No (only previous 3 yrs from f-y)
- ④ 23-24 → one more time → No it cannot revised one year more than one time.

Note: Agar 23-24 ki one more time revision karna hai so you can do it in next f-y i.e 25-26

Points	130 → Reopening of Accts	131 → Voluntary Revision of FS/BR
1) Who applies	<ul style="list-style-type: none"> • C.G, Income Tax Dept, SEBI • Regulators (NFRD) • Any other person means outsiders 	Directors pass B. R and apply to NCLT
2) Application to	Court/Tribunal (NCLT-9)	Application to NCLT in NCLT-1
3) Grounds	<ul style="list-style-type: none"> • A/c were prepared fraudulently or • Company was mismanaged during that period 	<ul style="list-style-type: none"> • FR was not prepared as per sec 129 or • Board Report was not prepared as per sec 134
4) Documents	Accounts & FS	FS or Board Report
5) Period	<ul style="list-style-type: none"> • upto previous 8 yrs or • longer period as specified by C.G 	<ul style="list-style-type: none"> • upto previous 3 yrs NOTE: F.S or B.R/Board Report revised only once in a year

Common points of 130 & 131

- 1) The A/c to be revised or re-cast of/s shall be final
- 2) NCLT seeks Representation from C.G and Income Tax department before granting approval

for Section 130 & Sec 131 → Refer Notes / Book

National financial reporting Authority (NFRA)

→ Recommends → AS, S.A to C.G (in consult with ICAI)

→ Investigate to Auditors of Body Corporate (as prescribed).

* Who are Body Corporates those are covered by NFRA? (Imp)

Ans (i) Listed Company

(ii) If unlisted Company

Any 1 of the following condition satisfied

(a) P.V.C ≥ 500 cr

(b) T/O ≥ 1000 cr

(c) O/sloan, deb, deposits ≥ 500 cr

(iii) Banking, insurance, electricity to Public Sector undertaking.

(iv) Such Co → in opinion of C.G. is imp for public interest

(v) foreign subsidiary / Associate Co. of Indian Co.

If its income / ~~assets~~ ^{Revenue} $> 20\%$ of Consolidation income of Indian Co.

Indian Co → foreign subsidiary / Associate → Rule bhi NFRA apply karega

If they are giving 20% of income giving to Indian Co.

findings with NFRA (C)

① Co → within 15 days → RoC → NFRA
ADT-1

② Other Body within 15 days of auditor appointment
Corporately NFRA-1

③ Auditors → till 30 Nov. file → NFRA
all details (NFRA-3)
of Audit

NFRA (Sec 132)

Composition :- 1 chairperson having knowledge
of Law, Audit, Accounts & finance
Full time / Part time Employee } not Exceeding
15

Disqualification :- No relation with Audit firm
directly or indirectly

① Full employment in NFRA

② Full 2 yrs after completion of employment
in NFRA.

Duties Powers
T.O/13) ROMIO

R = Recommended AS/SA to C.G. Auditing standards

O = Overseas quality of professionals related
to A/C & Audit

M = Monitor Compliance of AS/SA

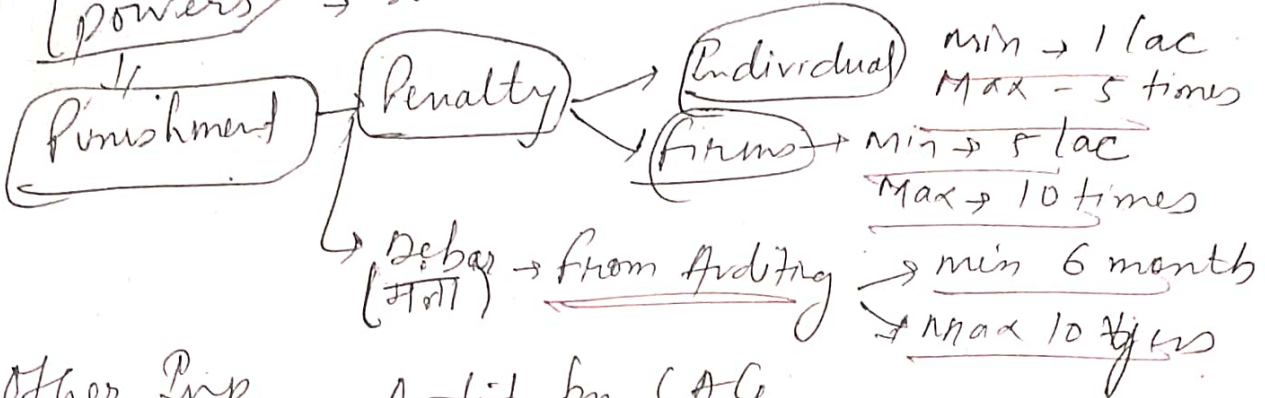
I = Investigate professionals

O = Other as prescribed.

Other Imp points → Powers of NFRA →

Investigate → Professionals for Mis-Conduct

Civil Court powers → produce, inspect BOD -
→ Summon → attendance



Other Imp points :- Audit by CAG
H.O → New Delhi.

* Sec 133 → Power to Issue Accounting Standard (M.G.O) ©

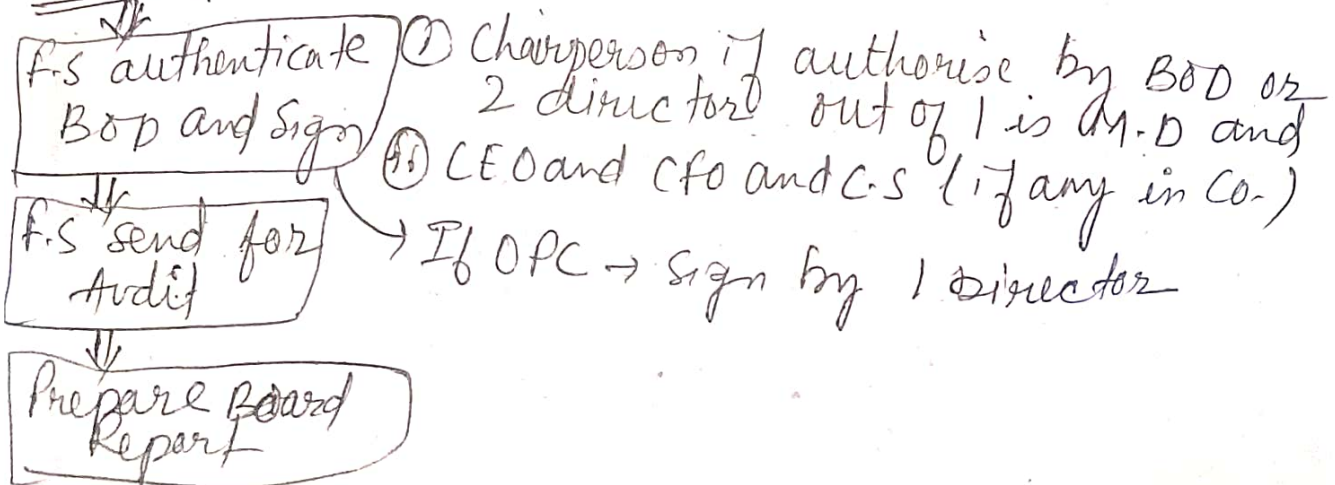
Recommend → ICAI or NFRA.

Issued by → C.G in Consultation with NFRA

* Sec 134 → Authentication of FS, Board Report & Contents

Year end

FS prepare



Board Report

Contents :- REAL-DIRECTORS

- (1) R = Risk management policy of Co.
- (2) E = exact no. of Board Meeting Held.
- (iii) A = Annual return placed on which website
- (iv) L = Loans, guarantee and investments + Particulars of
- (v) D = Dividend recommended
- (vi) I = Independent, director Comment
- (vii) R = Responsibility statements (DRS)
- (viii) E = Energy Conservation, technology absorption
- (ix) C = CSR policy
- (x) T = Tnf to reserves
- (xi) O = Others as prescribed in rule 8
- (xii) R = Response to qualifications by Auditors
- ~~(xiii)~~

Contents of Directors' Responsibility Statement

→ ISKE - AAAGE

(I) → Internal financial controls adequate or not
(only in listed Co.)

A = AS - Comply

A = Accounting policies

↳ Consistently apply & Judgements by Mgt are reasonable

A - Accounting records → properly maintained

↳ Going Concern assumption → follow

E = Ensure all applicable laws are complied

→ Other Imp points

- ① Authentication/Sign :- chairperson or 2 direct-1 MD
- ② Unaudited FS are not circulated to members nor filled with ROC.
- ③ Listed Companies and other Co having F.V.C → 25 cr or more → evaluate BOD Performance

Note: Attach → ① Audit Report → to F.S
 ② Board Report
 ③ Notes to A/c

④ Sec 136 → Circulation of F.S

Annual Report

F.S C.F.S Attach Annexure AGM Notice AR & B.R.	Circulate atleast 21 clear days before AGM	① All members ② Deb trustees ③ Others who are entitled (bankers, lenders, STB)
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→ less than 21 days
95% consent

→ Sec 8 Co. 14 clear days

Manner of Circulation

full f.s → unlisted Co.

Abridged f.s → listed Co.

Email → ① listed Co, ② public Co → Net > 1 cr
 or
 +10 > 10 cr

Website → listed Co.

Financial statements

- Preparation → sec 129.
- Signing → sec 134
- Circulate → sec 136
- Filing with ROC → sec 137

Sec 137 → filing of F.S with ROC
whether AGM was conducted in time

→ YES :-

→ whether F.S was adopted in AGM :-

Yes :- file copy of F.S with ROC within 30 days of AGM

No :- (i) send Provisional F.S within 30 days
(ii) Once adopted send final F.S within 30 days of Adoption

→ NO :- (i) send Provisional F.S within 30 days of last date of holding AGM

(ii) once AGM held

send final F.S within 30 days of AGM

Note :- OPC should file within 180 days from

~~closure~~ closure of FY.

• If foreign subsidiary

Normally F.S - file with ROC

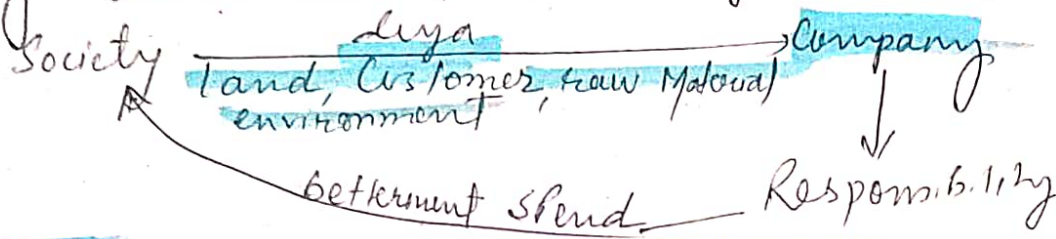
• If foreign subsidiary has no place in India we will (its holding) file its F.S also with ROC

• If foreign sub not required to audit F.S → file their unaudited F.S with ROC

If f.s is in other language \rightarrow file translated f.s (in english) with ROC.

Sec 135. Corporate Social Responsibility (A + P)

Why \rightarrow Law of Responsibility to Companies



Conditions :- Any 1 should comply

T = T/O should be greater or Equal to 1000 Cr

N = Net Profit _____ to 500 Cr

P = Net profit _____ to 5 Cr

then make CSR Committee & CSR Spend

Members in CSR Committee (A)

\rightarrow 3 or more directors (at least 1 Independent Dir)

\rightarrow No I.D/Pvt Co. \rightarrow 2 or more directors

function/Roles/Responsibility (B)

F = formulate CSR Policy

R = Recommend \rightarrow Amt Spend

M = Monitor \rightarrow CSR Compliances

No. CSR Committee if amt to be spend in CSR only upto 50 lacs.

CSR Spend :- How Much/where \rightarrow Schedule VII Act

\rightarrow Avg of Last 3 yrs profit \times 2% (As per sec 198)

Net Profit \Rightarrow PBT - Overseas Branch Profit - Dividend received from Co. covered u/s 135

As per sec (198)

PBT - Overseas Br Profit - Dividend from Co covered u/s 135

(C)

Cover :- CSR Activity

- (i) Basic needs
- (ii) Education & Skill develop
- (iii) uplifting the weak
- (iv) Environment
- (v) National heritage
- (vi) Military
- (vii) Sports
- (viii) BM → NRF, CARES
- (ix) Govt research
- (x) Disaster Mgt
- (*) Covid - all helps provided for Covid needs - (eg education, medicine etc)

Not Cover :- Not be CSR Activity MCA/RO

MS-PEON

- M → Marketing Sponsorship
- S → Statutory obligation
- P → Political Party expenditure
- E → Employee & family
- O → outside India → except Sportmen Exp
- N → Normal Course of Business.

General Questions

Q whether contribution to chief minister relief fund a CSR Activity ??

Sol No only to BM → relief fund

Q whether made to state disaster Management Authority?

Sol Yes

Surplus arising out of CSR Activity

- do not form part of business profit (MCA)
- Co should → Plough back in same project or
- try to unspent CSR b/c or
- Sch VII fund

* Unspent and Excess (CSR)

→ Excess :- Extra money spend on C.S.R can be adjusted, set of in C.S.R liability upto 3 yrs

→ Unspent :- till the end of year

• Normally → within 6 months → Transfer the Amt to → fund specified in sch VII

• Ongoing project → within ~~6 months~~ 30 days (from end of f-y) → Transfer to unspent CSR A/C in sch Bank → Spend such amt within 3 yrs from date of transfer → If still unspent → within 30 days → Transfer Amount to fund specified in sch VII

* Other Imp points

① Administration overhead → Max 5% of amt (MCC) will not include
② D - Designing
I - Implementation of CSR Project
M - Monitoring
E - Evaluation

② If Company use any other Sec Co / trust / society other than own or govt → they should have track record of atleast 3 yrs in undertaking similar activities.

③ Impact Assessment
① who :- whose average CSR liability of 3 yrs → 10%
② where :- whose Expenditure → atleast (1 cr)

① How much to claim → Higher of 2% of CSR exp or 50 lakhs

③ If Co has not completed 3 yrs then take avg of how many years completed.

Networth \Rightarrow P.V.C + All reserves + SPQ + P/L
 (credited out of Profit)
 (Sec 257) (-) Def. revenue & P

Learn

(-) Miscellaneous Exp not written off
 (-) accumulated loss

(not considered Revaluation of fixed Asset reserve
 write back of dep and amalgamation)

Networth = 200 Cr + 200 Cr + 70 Cr + 60 Cr - 20 Cr
 \Rightarrow 510 Cr

(1) Vineet's Conclusion basis was networth which is 500 Cr or more

(ii) Criteria for C.S.R Committee is T, W, P
 there should be 3 director out of which 1 I.D.
 no C.S.R Committee not in compliance with
 Co. Act as no 1 I.D

(iii) No (i) & (ii) not allowed

	Sec 130	Sec 131
Who applies	outsiders / any person	BoD
What	BoA / F-5	F-5 / B-R
Reason	Fraudulent no reliance \rightarrow mis mgt	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>↓</p> <p>Sec 129</p> </div> <div style="text-align: center;"> <p>↓</p> <p>Sec 134</p> </div> </div> <p>\rightarrow not comply</p>
Apply of which year	Court / Tribunal preceeding 8 yrs	Tribunal preceeding 3 yrs
How much time	no limit prescribed	Once in a year

Sec 138 → Internal Audit (IA)

(A) Applicability → All figures for preceding F-Y

(i) All listed Co

(ii) All unlisted public Co satisfy any 1 of below

T = T/O ≥ 200 Cr → Closing Balance

O = O/S loan from Bank or PFI ≥ 100 Cr → Any time during the year

P = P.V.C ≥ 50 Cr → Closing Balance

D = Deposit of S ≥ 25 Cr → Any time during the year

(iii) Pvt-Co (any 1)

T = T/O ≥ 200 Cr

O = O/S loan ≥ 100 Cr

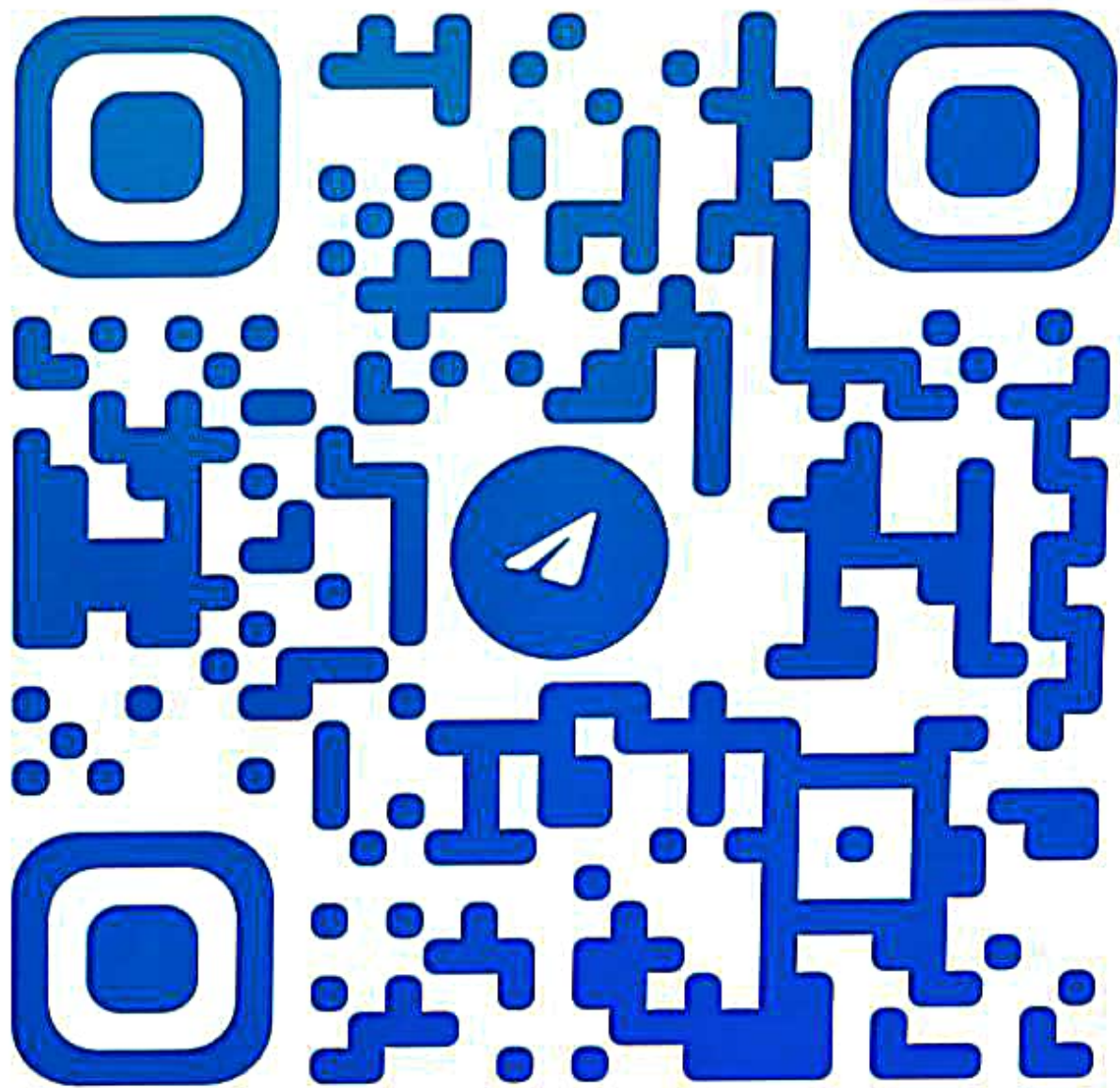
Teacher's Note Normally we take net closing Bal of T/O or P.V.C

But whenever you see of S word in any condition, it means anytime in year it touches that figure even though the closing Balance is less.

(B) Who Can be appointed

→ C.A } Employee or not
→ CMA }
→ Other profession as decided by Board }

Practising or not



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