

17. ACCOUNTS OF COMPANIES

ANALYSIS OF PAST EXAM PAPERS OF IPCC AND CA INTER

Q NO.	N-14	M-15	N-15	M-16	N-16	M-17	N-17	M-18 (O)	M-18 (N)	N-18 (O)	N-18 (N)	M-19 (O)	M-19 (N)	N-19 (O)	N-19 (N)	N-20 (O)	N-20 (N)
1	-	-	-	-	-	-	-	-	-	-	4	-	-	-	-	-	-
2	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-	-	-
17	-	-	-	-	-	-	-	-	4	-	-	-	-	-	-	-	-
8	-	-	-	3	-	-	-	-	-	-	-	-	-	-	-	-	6
20	-	-	-	3	-	-	-	-	-	-	-	-	-	-	-	-	6
22	-	-	-	-	-	-	-	-	-	4	4	-	-	-	-	-	-

ANALYSIS OF PAST EXAM PAPERS OF IPCC AND CA INTER FOR PRACTICAL QUESTIONS

Q NO.	N-14	M-15	N-15	M-16	N-16	M-17	N-17	M-18 (O)	M-18 (N)	N-18 (O)	N-18 (N)	M-19 (O)	M-19 (N)	N-19 (O)	N-19 (N)	N-20 (O)	N-20 (N)
4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4	-	-
7	-	-	-	-	-	3	-	-	-	-	-	4	-	-	-	-	-
10	-	-	-	-	-	-	-	-	-	-	-	-	5	-	-	-	-
11	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4	-
14	-	-	-	-	-	3	-	-	-	-	-	-	-	-	-	-	-

CHAPTER OVERVIEW

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SECTION 1: THEORY FOR CLASSROOM DISCUSSION

Q.No.1. Explain the provisions of Companies Act, 2013 relating to “Books of Accounts.” (A) (NEW SM)

1) DEFINITIONS

- a) **Books of Accounts [Sec 2(13)]:** Books of account include 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;

- iii) The assets and liabilities of the Company; and
- iv) The items of cost as may be prescribed under section 148 in the case of a company which belongs to any class of companies specified under that section.
- b) **Books and paper [Sec 2(12)]:** “Books and paper” and “book or paper” includes books of account, deeds, vouchers, writings, documents, minutes and registers maintained on paper or in electronic form.
- 2) **PREPARATION OF BOOKS OF ACCOUNTS ETC.:** Every Company shall prepare and keep books of accounts, other relevant books and papers and financial statements for every financial year
- a) **Place of Keeping:**
- i) **Registered Office:** The Books of Accounts etc. shall be kept at the registered office.
- ii) **Any other place in India:**
- All or any of the books of accounts may be kept at such other place in India as Board of Directors may decide.
 - In such case, the Company shall file with the ROC, a notice giving the full address of that other place within 7 days of the Board decision in Form AOC-5.
- iii) **Books of Account – Branch Office:** Where a company has a branch office (whether in India or Outside India),
- the books of account relating to branch’s transactions shall be kept at that branch office
 - In such a case, proper summarized returns shall be periodically sent by the branch office -
 - to the registered office of the company, or
 - such other place where books of accounts are kept.
 - If Books of accounts are maintained outside India, summarized returns shall be sent to the registered office at quarterly intervals.
- b) **Manner of preparation:** The books of accounts etc. must -
- Give a true and fair view of state of affairs of company, including its branch office(s).
 - Explain the transaction effected at the registered office and its branch office.
 - Be prepared on accrual basis.
 - Be prepared according to the double entry system of accounting.

(IMMEDIATELY REFER PRACTICAL QUESTION CRD NO. 1, 2)

Q.No.2. What are the provisions of Companies Act, 2013 relating to Inspection of books of accounts (Sec.128) (A) (NEW SM)

INSPECTION OF BOOKS OF ACCOUNTS:

- 1) The Books of account and other books and papers maintained by the company within India shall be -
 - a) open for inspection at the registered office of the company or at such other place in India
 - b) by any **director** of the company during business hours.
- 2) Such inspection may be done by any type of director-nominee, independent, promoter or whole time.
- 3) The inspection of any subsidiary of the company shall be done only by the person authorized by a Board resolution.
- 4) BOA should be demanded by director himself and not by his power of attorney holder or agent or representative.

SIMILAR QUESTION:

1. Mr. Eshan is the director of ABC Ltd. and has been appointed as nominee director of the company. On 6th September, 2017, he expressed his interest to inspect the register of members of the company. The CS refused to show him the register. Do you think that the CS was right?
(Hint- Section 128 of Companies Act 2013; he is wrong)

2. Mr. Happy, one of the directors of Sad Ltd. was not satisfied with the performance of its subsidiary company in financial matters. He authorized Mr. Loser, a financial expert, to inspect the books of account of the company on this behalf. Decide under the provisions of Companies Act, 2013 whether the said company can refuse to allow Mr. Loser to inspect the books of account of its subsidiary company.

(Hint - Section 128 of Companies Act 2013; any director can inspect the books of account on passing Board Resolution, hence company's refusal is justified)

NOTE:

1. It shall be the duty of every officer and employee of the company to give the person making such inspection, all reasonable assistance in connection with the inspection.
2. Members shall not have any right to inspect any books of account, except if authorized by the Board or Company or by Law. In case of member of the company, he shall be able to inspect the Books of account only if he is given such a right by ordinary resolution of the members or if authorized by the Board. But even in such case he would have to exercise the right personally and not through a proxy [Regulation 89, Table F].

(IMMEDIATELY REFER PRACTICAL QUESTION CRD NO. 3)

Q.No.3. Explain the provisions of Companies Act, 2013 relating to inspection of financial statements. (B) (NEW SM)

- 1) Every Company shall be under an obligation to allow every member or trustee of the holder of any debentures issued by the Company to inspect the financial statements and documents to be attached thereto stated under sub-section (1) at its registered office during business hours.
- 2) In case of listed companies, copies of documents shall be available for inspection at its registered office during working hours for a period of 21 days before the date of meeting and
- 3) Company may send the salient features of financial statements to members and debenture trustees in prescribed form.

SIMILAR QUESTION:

1. What documents can be inspected by members and debenture trustees.
- A. Financial Statements and Documents attached to such statements.

Q.No.4. How long the books of accounts have to be preserved under Companies Act, 2013 [Section 128(5)] (A) (NEW SM)

- 1) The books of account together with vouchers relevant shall be kept in good order by the company for a minimum period of 8 financial years immediately preceding a financial year.
- 2) If the Company had been in existence for a period less than 8 years then it shall maintain the books in respect of all such preceding years.
- 3) If any investigation has been ordered in respect of a Company then the CG may direct that the books of account may be kept for such longer period as it may deem fit.

SIMILAR QUESTION:

1. BOD of Rakesh Limited has decided not to preserve the books of account and other related records of accounts for more than 5 immediately preceding financial years due to shortage of space in office premises. Examine the validity of the decision of the Board.

(Hint - Section 128 of Companies Act 2013, Company has to maintain books of accounts for 8 preceding financial years)

Q.No.5. Write a short note on responsibility for maintaining books of accounts. (A) (NEW SM) (MTP – 2 – M18) (N)

As per Section 128(6) the following persons are responsible for the maintenance of proper books of accounts –

- 1) Managing Director,
- 2) Whole-Time Director, in charge of finance,

- 3) Chief Financial Officer,
- 4) Any other person of a Company charged by the Board (Authorized by the Board).

PUNISHMENT: In case the aforementioned persons fail to take reasonable steps to secure compliance then they shall be punishable with:

- 1) Imprisonment – upto 1 year
- 2) Fine – Rs. 50,000 which may extend up to Rs. 5 lakhs
- 3) Both.

SIMILAR QUESTIONS:

1. What are the consequences for failure in maintaining books of accounts?
 - A. Refer penalty provisions in the above Answer.
2. State the persons responsible for complying with the provisions regarding maintenance of Books of Accounts of a Company.
 - A. Refer penalty provisions in the above Answer.

Q.No.6. What does the term 'Financial Statements' include in relation to a company under the Companies act, 2013? Which companies need not prepare a cash flow statement? (A) (NEW SM)

FINANCIAL STATEMENTS ¹(SEC.2 (40))

1) Financial Statements includes:

- a) Balance Sheet,
- b) Profit & Loss Account,
- c) Cash Flow Statement,
- d) Statement of Changes in Equity (if applicable) and
- e) Explanatory statements annexed to or forming part of financial statements.

2) Cash flow statement is not applicable to the following companies:

- a) one Person Company,
- b) small Company
- c) dormant Company,
- d) Private Company (if such Private company is a start-up).

3) Financial statements should be prepared for financial year and shall be in form as per Schedule III.

Q.No.7. Elaborate the provisions of the Companies Act, 2013 relating to Financial Statements and other incidental aspects. (A) (NEW SM)

1) LEGAL REQUIREMENTS:

- a) The financial statements shall give a true and fair view of the state of affairs of the company or companies.
- b) The financial statements shall comply with the accounting standards notified u/s 133 and

NOTE: if the financial statements do not comply with the Accounting standards then the company shall disclose in its Financial statements,

- i) The deviation from the Accounting Standard;
- ii) The reason for such deviation; and
- iii) The financial effects, if any, arising out of such deviation.

1) Section 129 shall not apply to the Government Companies to the extent of application of Accounting Standard 17 (Segment Reporting) to the companies engaged in defence production. [Inserted vide Notification dated 5th June 2015]

- c) The financial statements shall be in the form or forms as may be provided for different class or classes of companies in Schedule III² and
- d) If a company has one or more subsidiaries³, it shall also prepare Consolidated Financial Statements of the company and of all the subsidiaries in the same form and manner as that of its own.
- e) The provisions relating to the preparation, adoption and audit of the FS of a holding company shall, mutatis and mutandis, apply to CFS.

NON - APPLICABILITY OF SCHEDULE III: The above provisions relating to nature and content of financial statement shall not apply to following companies:

- 1) Insurance Company or
- 2) Banking Company or
- 3) Any Company engaged in the generation or supply of electricity,
- 4) 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 the financial statements shall not be treated as not disclosing a true and fair view of the state of affairs of the Company, merely by reason of the fact that they do not disclose:

TYPE OF COMPANY	MATTERS
Insurance Company	Matters which are not required to be disclosed by the Insurance Act, 1938, or the Insurance Regulatory and Development Authority Act, 1999.
Banking Company	Matters which are not required to be disclosed by the Banking Regulation Act, 1949.
Company engaged in the generation or supply of electricity	Matters which are not required to be disclosed by the Electricity Act, 2003.
Company governed by any other Law	Matters which are not required to be disclosed by that law.

2) LAYING OF FINANCIAL STATEMENTS [SECTION 129(2)]

At every Annual General Meeting of a Company, the Board of Directors of the Company shall lay the following documents.

- a) Financial Statements of the Company
 - b) Consolidated Financial Statements of the Company and of all the subsidiaries, if any.
- 3) EXEMPTION:** CG may exempt any class or classes of companies by notification from the provisions of this section or rules on following conditions:
- a) Exemption may be given in public interest
 - b) Exemption may be granted with or without conditions
 - c) Exemption may be granted on its own or on application by class of companies.

SIMILAR QUESTIONS:

- 1. State the legal provisions relating to preparation and presentation of balance sheet and profit and loss account of the Company.
- A. Financial statements should reflect true and fair view and shall be in formats given under Schedule-III and must be submitted to shareholders at AGM.
- 2. Explain the legal provisions relating to approval and signing of financial statement.
- A. Refer Point 7 in the above Answer.

(IMMEDIATELY REFER PRACTICAL QUESTION CRD NO. 4, 5, 6)

2) Schedule – III: Schedule III has been divided in to two divisions:

- a) Division-I deals with Financial Statements for a Company whose financial statements are required to comply with the Companies (Accounting Standards) Rules, 2006.
 - b) Division-II deals with Financial Statements for a Company, whose financial statements are drawn up in compliance of the Companies (Indian Accounting Standards) Rules, 2015.
- 3) For this purpose, the term ‘subsidiary’ shall include associate company and joint venture

**Q.No.8. Explain the Provisions of Companies Act, 2013 relating to the concept of financial year
(A) (NEW SM)**

“FINANCIAL YEAR” [SECTION 2(41)]:

- a) This definition is applicable to a company or body corporate.
- b) The Financial year ends on March 31st every year (Uniform financial year for all companies)
- c) For new Companies incorporated on or after the 1st day of January of a year, financial year shall be the period ending on the 31st day of March of the following year.
- d) It is the period for which financial statement of the Company or body corporate are prepared.

Examples:

1. If Company is incorporated on 31-12-2018; its first financial year shall be the period from 31-12-2018 to 31-3-2019.
2. If Company is incorporated on 1-1-2019, its first financial year will be 1-1-2019 to 31-3-2020.

EXCEPTION TO UNIFORM FINANCIAL YEAR:

Procedure for Exemption:

- a) Application is made to Central Government.
- b) Its Holding or Subsidiary or Associate company is outside India.
- c) For the purpose of consolidation, the company is required to follow a different financial year for consolidation of its accounts outside India.

SIMILAR QUESTION:

1. When a Company can adopt other than financial year as an accounting year.
- A. When the company has a holding or subsidiary company incorporated outside India and such company has a different accounting year.

**Q.No.9. Explain the provisions of Companies Act, 2013 relating to Consolidation of Accounts
(B) (NEW SM)**

1) APPLICABILITY:

- a) If a company has one or more subsidiaries or associate companies then it shall prepare a consolidated financial statement (CFS) of the company and of all the subsidiaries and associate companies.
- b) Consolidation of financial statements is made mandatory for all companies where a Company has one or more subsidiaries⁴ whether Indian or foreign, Listed or unlisted, Private or public

2) MANNER OF CONSOLIDATION OF ACCOUNTS:

- a) CFS are prepared in the same form and manner as that of its own and in accordance with applicable accounting standards.
- b) CFS shall also be laid before the AGM of the company along with the laying of its own financial statement.
- c) The company shall also attach along with its FS, a separate statement containing the salient features of the FS of its subsidiary or subsidiaries in Form AOC-1 [Rule 5 of the Companies (Accounts) Rules, 2014].
- d) The consolidation of financial statements of the Company shall be made in accordance with the provisions of Schedule III of the Act and the applicable accounting standards.
- e) If the company is not required to prepare CFS as per AS then CFS shall be made in accordance with Schedule III.

4) For the purpose of CFS, the expression subsidiary includes associate company and joint venture

- 3) **EXEMPTIONS FROM PREPARATION OF CFS:** Preparation of CFS shall not be required if all the following conditions are satisfied:
- The Company is a wholly-owned subsidiary⁵, or is a partially-owned subsidiary of another Company and all its other members (including those not otherwise entitled to vote) having been intimated in writing and for which the proof of delivery of such intimation is available with the Company, do not object to the Company not presenting CFS;
 - It is a Company whose securities are not listed or are not in the process of listing on any stock exchange, whether in India or outside India; and
 - Its ultimate or any intermediate holding Company files CFS with the Registrar which is in compliance with the applicable Accounting Standards.
- 4) **APPLICABLE PROVISIONS:** The provisions applicable to the preparation, adoption and audit of the financial statements of a holding Company shall also apply to the consolidated financial statements.

Q.No.10. Write a short note on responsibility for preparing Financial Statements. (A) (NEW SM)

As per Section 129(7) the following persons are responsible for ensuring compliance of the provisions of this section –

- Managing Director,
- Whole-Time Director, in charge of finance,
- Chief Financial Officer,
- Any other person of a Company charged by the Board (Authorized by the Board).
- All the directors, in the absence of any of the officers mentioned above.

PUNISHMENT: In case of non-compliance of any of the provisions of this section, all such persons shall be punishable with:

- Imprisonment – up to 1 year
- Fine – Rs. 50,000 which may extend up to Rs. 5 lakhs
- Both.

Q.No.11. Write a short note on re-opening of accounts on court's or tribunal orders (Section 130) (A) (NEW SM)

- A Company shall not re-open its books of account and not recast its financial statements, unless an application shall be made to Court or tribunal by –
 - The CG,
 - The Income-tax authorities,
 - SEBI,
 - Any other statutory regulatory body or authority or
 - any person concerned
- An order is made by a court of competent jurisdiction or the Tribunal to the effect that—
 - the relevant earlier accounts were prepared in a fraudulent manner; or
 - the affairs of the Company were mismanaged during the relevant period, casting a doubt on the reliability of financial statements.
- Before passing any order, the court or the tribunal shall give notice to, and shall take into the consideration the representations, if any, made by, -
 - CG,
 - the Income-tax authorities,

⁵ Explanation — For the purposes of this sub-section, the word “subsidiary” shall include associate Company and joint venture.

- c) the SEBI or
 - d) any other statutory regulatory body or authority concerned.
- 4) The accounts so revised or re-cast under this provision shall be final.
- 5) Re opening of BOA relating to a period not earlier than 8 financial years immediately preceding the current financial year can be ordered by the Tribunal

Exception: But, if a direction has been given by the CG, for keeping BOA for a period longer than 8 years, the BOA may be reopened for such longer period.

(IMMEDIATELY REFER PRACTICAL QUESTION CRD NO. 8)

Q.No.12. Can Board of directors revise the FS of the company if Yes you are required to state the procedure (SECTION 131) (A) (NEW SM)

- 1) The Board of directors may decide to revise the FS or a Board report, if the following conditions are satisfied —
- a) The Board is of opinion that —
 - i) The FS do not comply with the provisions of Sec. 129; or
 - ii) The Board's report does not comply with the provisions of Sec. 134,
 - b) The FS or the Board's report may be revised only in respect of any of the preceding 3 FY
 - c) The revision of the FS or the Board's report may be made only after obtaining the approval of the Tribunal
 - i) For this purpose, the company shall make an application to the Tribunal in such form and manner as may be prescribed.
 - ii) Before passing any order, the Tribunal shall give notice to the CG and the Income tax authorities, and shall take into consideration the representations, if any made by them.
 - iii) A copy of the order passed by the Tribunal shall be filed with ROC.
 - d) The revised FS or revised Board's report shall not be prepared more than once in a FY.
 - e) The detailed reasons for revision of such financial statements or report shall also be disclosed in the Board's report in the relevant financial year in which such revision is being made.
 - f) Where copies of the previous financial statements or report have been sent out to members or delivered to the Registrar or laid before the Company in general meeting, the revisions must be confined to—
 - i) The correction in respect of which the previous financial statements or report do not comply with the provisions of section 129 or section 134; and
 - ii) The making of any necessary consequential alteration.
 - g) **POWERS OF CG TO MAKE RULES:** CG may make rules as to the application of the provisions of this Act in relation to revised financial statement or a revised director's report and such rules may, in particular:
 - i) Make different provisions according to which the previous financial statement or report are replaced or are supplemented by a document indicating the corrections to be made;
 - ii) Make provisions with respect to the functions of the Company's auditor in relation to the revised financial statement or report;
 - iii) Require the directors to take such steps as may be prescribed.
 - h) **AFTER APPROVAL BY NCLT:**
 - i) Certified copy of order of NCLT shall be filed with ROC within 30 days.
 - ii) On receipt of approval of NCLT, convene General Meeting.

- iii) Notice of General Meeting along with reasons for change in financial statements may be published English and vernacular newspapers.
- iv) On approval of General Meeting, the revised financial statements along with statement of auditor or revised report of Board, as the case may be, shall be filed with ROC within 30 days of approval.

(IMMEDIATELY REFER PRACTICAL QUESTION CRD NO. 9)

Q.No.13. Explain the provisions relating to Central government to prescribe accounting standards. (Sec 133) (C) (NEW SM)

- 1) Section 133 deals with the power of the Central Government to prescribe the Accounting Standards.
- 2) CG may prescribe the Accounting Standards or any addendum thereto, as recommended by the ICAI in consultation with and after examination of the recommendations made by the NFRA
- 3) However, 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.

Q.No.14. Who can authenticate financial statements? Write a short note on enclosures or attachments to financial statements. (A) (NEW SM)

1) AUTHENTICATION OF FINANCIAL STATEMENTS:

- a) The financial statements, including consolidated financial statement (if any) shall be approved by the Board of Directors before they are signed on behalf of the Board.
- b) The FS, including CFS (if any) shall be signed on behalf of the Board, at least by the following:
 - The chairperson of the Company if he is authorized by the Board; or by two directors out of which one shall be managing director and
 - Chief Executive Officer, if appointed,
 - The Chief Financial Officer, wherever he is appointed; and
 - The Company Secretary, wherever he is appointed.
- c) In the case of a One Person Company, the financial statements shall be signed by only one director

2) FOLLOWING ARE THE DOCUMENTS ATTACHED WITH FINANCIAL STATEMENTS:

- a) Auditor's report.
- b) Board of directors' report containing details on the matters specified, including director's responsibility statement.
- 3) The Board's report and every annexure has to be duly signed.
- 4) A signed copy of every financial statement (including CFS) shall be issued, circulated or published along with a copy each of –
 - a) All notes or documents,
 - b) Auditor's report and
 - c) Board's report.

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Q.No.15. What are the provisions of the Companies Act, 2013 relating to Board's report [Section 134(3) & (4)] (B) (NEW SM)

- 1) The Board's Report shall be prepared based on the standalone financial statements of the Company.

- 2) Board's report shall also contain a separate section wherein a report on the performance and financial position of each of the subsidiaries, associates and joint venture companies and their contribution to the overall performance of the Company during the period under report".
- 3) Boards of Director's report shall be attached to statements laid before a company in General Meeting.
- 4) Generally, statutory auditor is not required to verify or report on Board's report.
- 5) In case of OPC or small company, the CG may prescribe an abridged Board's report.
- 6) The Board's report shall include⁶:
 - a) The extract of the annual return as provided under section 92(3);
 - b) Number of meetings of the Board;
 - c) Directors' Responsibility Statement;
 - d) Details in respect of frauds reported by auditors [Section 143(12) other than those which are reportable to the CG].
 - e) A statement on declaration given by independent directors [Section 149(6)]
 - f) Company's policy on directors' appointment and remuneration (including criteria for determining qualifications, positive attributes, and independence of a director [Section 178(1)]).
 - g) Explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made
 - i) by the auditor in his report and
 - ii) by the Company secretary in practice in his secretarial audit report.
 - h) Particulars of loans, guarantees or investments under section 186.
 - i) Particulars of contracts or arrangements with related parties [Section 188(1)]
 - j) The state of the Company's affairs.
 - k) The amounts, if any, which it proposes to carry to any reserves;
 - l) The amount, if any, which it recommends should be paid by way of dividend;
 - m) Material changes and commitments, if any, affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of the report.
 - n) The conservation of energy, technology absorption, foreign exchange earnings and outgo, in such manner as prescribed.
 - o) A statement indicating development and implementation of a risk management policy.
 - p) The details about the policy developed and implemented by the Company on corporate social responsibility initiatives taken during the year.
 - q) A statement indicating the manner in which formal annual evaluation has been made by the Board of its own performance and that of its committees and individual directors, if –
 - i) The company is a listed Company; or
 - ii) The company is a public Company having paid-up share capital of 25 crore rupees or more at the end of the preceding FY.
 - r) Such other matters as contain as prescribed under the Companies (Accounts) Rules, 2014 (**Refer Next Question**).

NOTE: In case of a One Person Company, the report of the Board of Directors to be attached to the financial statements under this section shall, mean a report containing explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made by the auditor in his report.

6) In case of specified IFSC public & IFSC private company, if any information listed in this sub-section is provided in the financial statement, the company may not include such information in the report of the Board of Directors.

- 7) **SIGNING OF BOARD'S REPORT [SECTION 134(6)]:** The Board's report and any annexures thereto shall be signed by:
- a) Its chairperson of the Company if he is authorized by the Board.
 - b) 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.

8) **CONTRAVENTION [SEC 134(8)]:**

Persons liable	Punishment for contravention of any provision of this section
Company	Fine: Minimum: Rs.50,000; Maximum: Rs.25 Lakhs
Every officer of the Company who is in default	<ol style="list-style-type: none"> 1. Imprisonment for a term up to 3 years; or 2. Fine: Minimum: Rs.50,000; Maximum: Rs. 5 Lakhs; or 3. Both

SIMILAR QUESTION:

1. What matters are required to be disclosed in in the Board's report? Who is required to sign the Boards report?
- A. Refer Points 2 and 3 in the above Answer.

(IMMEDIATELY REFER PRACTICAL QUESTION CRD NO:10, 11, 12)

Q.No.16. What are the other matters to be disclosed in Board Report as per Companies (Accounts) Rules, 2014? (B) (NEW SM)

According to Rule 8 of the Companies (Accounts) Rules, 2014 the report of the Board shall also contain–

- 1) The financial summary or highlights;
- 2) The change in the nature of business, if any;
- 3) The details of directors or key managerial personnel who were appointed or have resigned during the year;
- 4) The names of companies which have become or ceased to be its subsidiaries, joint ventures or associate companies during the year;
- 5) The details relating to deposits like
 - a) Accepted during the year;
 - b) Remained unpaid or unclaimed as at the end of the year;
 - c) 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 -
 - i) At the beginning of the year;
 - ii) Maximum during the year;
 - iii) At the end of the year;
 - iv) The details of deposits which are not in compliance with the requirements of Chapter V of the Act;
- 6) 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;
- 7) The details in respect of adequacy of internal financial controls with reference to the Financial Statements.

Q.No.17. What is Directors' Responsibility Statement? (A) (NEW SM)

The Directors' Responsibility Statement referred to in 134 (3) (c) shall state that—

- 1) Whether the applicable accounting standards had been followed in the preparation of the annual accounts. In case of any material departures, proper explanation shall be given;
- 2) Whether the directors had:
 - a) Selected such accounting policies and applied them consistently and

- b) 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) 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.
- 4) Whether the directors had prepared the annual accounts on a going concern basis.
- 5) In case of a listed Company, Whether the directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively.
- 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.
- 6) Whether the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

SIMILAR QUESTIONS:

- 1) The Companies Act, 2013 has prescribed a duty on the Board of director’s responsibility statement. Explain the details to be furnished in the said statement. (MTP - N18) (N)
- A. Refer above Answer.
2. State any four contents of a Directors Responsibility Statement as required under Section 134 of the Companies Act, 2013. (M18 - 4M)(N)
- A. Write any 4 points..

Q.No.18. Discuss the provisions of Companies Act, 2013 relating to Corporate Social Responsibility [Section 135]⁷ (A) (NEW SM)

- 1) *It implies a concept, whereby companies decide voluntarily to contribute to a better society and a cleaner environment.*
- 2) *It is a concept, whereby the companies integrate social and other useful concerns in their business operations for the betterment of its stakeholders and society in general in a voluntary way.*
- 1) **APPLICABILITY:**
- Every Company including its holding or subsidiary, and a foreign Company having
 - Net worth of Rs. 500 crore or more, or
 - Turnover of Rs. 1000 crore or more or
 - A net profit of Rs. 5 crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board.
 - The CSR Committee shall institute a transparent monitoring mechanism for implementation of the CSR projects or programs or activities undertaken by the Company.
 - However, the net worth, turnover or net profit of a foreign Company shall be computed in accordance with balance sheet and profit and loss account of such Company as prepared in accordance with the provisions of section 381(1) (a) and section 198 of the Act.

7) In case of specified IFSC public & IFSC private company, section 135 shall not apply for period of 5 years from the commencement of business of a specified IFSC public company

- d) Net worth [Section 2(57)] means
 - i) Aggregate value of the paid-up share capital and all reserves created out of the profits and securities premium account,
 - ii) After deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet,
 - iii) But does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation.
- e) Net profit shall not include the following:
 - i) Any profit arising from any overseas branch or branches of the Company (whether operated as a separate Company or otherwise); and
 - ii) Any dividend received from other companies in India (which are covered under and complying with the provisions of section 135 of the Act).
- f) The net worth, turnover or net profit of a foreign Company shall be computed in accordance with balance sheet and profit and loss account of such Company as prepared in accordance with the provisions of section 381(1) (a) and section 198 of the Act.

2) EXCLUSION OF COMPANIES: Every Company which ceases to be a Company covered section 135(1)⁸ of the Act for 3 consecutive financial years

- a) shall not be required to constitute a CSR Committee, and
- b) is not required to comply with the provisions as per section 135

3) AMOUNT OF CONTRIBUTION TOWARDS CSR:

- a) The Board of every Company shall ensure that the Company spends, in every FY, at least 2% of the average net profits of the Company made during the 3 immediately preceding FY, in pursuance of its CSR Policy.
- b) The Company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for CSR activities.
- c) If the Company fails to spend such amount, the Board shall specify the reasons for not spending the amount in its report.
- d) Companies may build CSR capacities of their own personnel as well as those of their implementing agencies through Institutions with established track records of at least 3 FY.

However, such expenditure including expenditure on administrative overheads, shall not exceed 5% of total CSR expenditure of the Company in one FY.

4) PENAL PROVISIONS: The Companies Act requires that—

- a) The Board's report shall disclose the composition of the Corporate Social Responsibility Committee;
- b) If the Company fails to spend such amount (i.e. at least 2% of the average net profit), the Board shall disclose and specify the reasons for not spending the amount in its report.

Who is liable	Punishment
Company	Fine: Minimum 50,000; Maximum 25 lakhs
Every officer of the Company who is in default	<u>Imprisonment</u> for a term which may extend to 3 years or Fine: Minimum Rs. 50,000; Maximum <u>Rs 5 lakhs</u> or Both.

8) NOTE: What if Turnover or Net-worth of Company is Reduced Subsequently:

- a) The Company which does not satisfy the specified criteria for a consecutive period of 3 financial years is not required to comply with the CSR obligations,
- b) Implying that a Company not satisfying any of the specified criteria in a subsequent financial year would still need to undertake CSR activities unless it ceases to satisfy the specified criteria for a continuous period of 3 years

Example: How to Calculate the 'Average Net Profit'

Year	A Ltd.	B Ltd.	C Ltd.	D Ltd.
	Net Profit/(Loss) as per Sec.198 – in crores			
2013 - 14	6.00	(-)6.00	Not existent	Not existent
20 14 - 15	(-)3.00	(-)3.00	3.00	Not existent
2015 - 16	9.00	9.00	9.00	9.00
Total	12.00	0.00	12.00	9.00
Average Net Profit	4.00	0.00	6.00	9.00
CSR spend for 2016-17 @ 2%	8 Lacs	Nil	12 Lacs	18 Lacs

(IMMEDIATELY REFER PRACTICAL QUESTION CRD NO. 13, 14, 15, 16)

Q.No.19. Write about CSR committee**(A) (NEW SM) (N 20)****1) COMPOSITION OF CSR COMMITTEE:**

- The CSR Committee shall be consisting of 3 or more directors, out of which at least one director shall be an independent director.
- An unlisted public Company or a private Company which is not required to appoint an independent director shall have its CSR Committee without such director.
- A private Company having only 2 directors on its Board shall constitute its CSR Committee with 2 such directors.
- With respect to a foreign Company covered as above, the CSR Committee shall comprise of at least two persons of which:
 - One person shall be as specified under section 380(1)(d) of the Act and
 - Another person shall be nominated by the foreign Company.
- The Board's report under sub-section (3) of section 134 shall disclose the composition of the CSR Committee.

2) DUTIES OF CSR COMMITTEE: The CSR Committee shall, —

- Formulate and recommend to the Board, a CSR Policy;
- Recommend the amount of expenditure to be incurred on such activities
- Monitor the CSR Policy of the Company from time to time.
- The CSR policy of the company shall specify that the surplus arising out of the CSR projects or programs or activities shall not form part of the business profit of a company.

3) DUTIES OF THE BOARD IN RELATION TO CSR:

- After taking into account the recommendations made by the CSR Committee, Board of directors shall –
 - Approve the CSR Policy for the Company and
 - Disclose contents of such Policy in its report and
 - Place it on the Company's website, if any, in such manner as may be prescribed; and
- Ensure that the activities as are included in CSR Policy of the Company are undertaken by the Company.

Q.No.20. Describe the contents of CSR policy**(B)****CONTENTS OF THE CSR POLICY:**

- List of CSR projects or programs which a Company plans to undertake falling within the purview of the Schedule VII of the Act, specifying modalities of execution of such project or programs and implementation schedules for the same;

- 2) Monitoring process of such projects or programs:
- 3) However, the CSR activities do not include the activities undertaken in pursuance of normal course of business of a Company.
- 4) The Board of Directors shall ensure that activities included by a Company in its CSR Policy are related to the activities included in Schedule VII of the Act.
- 5) The CSR Policy of the Company shall specify that the surplus arising out of the CSR projects or programs or activities shall not form part of the business profit of a Company.

Q.No.21. In what manner can a company carry CSR activities? State the activities would not qualify as CSR? (C)

CSR ACTIVITIES:

- 1) The CSR activities shall be taken by the Company as per its CSR Policy, as projects or programmes or activities, excluding activities undertaken in pursuance of its normal course of business.
- 2) The Board of a Company may decide to undertake its CSR activities approved by the CSR Committee, through
 - a) A Company established under section 8 of the Act or a registered trust or a registered society, established by the Company, either singly or along with any other Company, or
 - b) A Company established under section 8 of the Act or a registered trust or a registered society, established by the CG or State Government or any entity established under an Act of Parliament or a State legislature or
 - c) A Company established under section 8 of the Act or a registered trust or a registered society, other than those specified in (i) or (ii) above, if the following conditions are satisfied:
 - i) Such Company or trust or society shall have an established track record of 3 years in undertaking similar programs or projects and
 - ii) The Company has specified the projects or programs to be undertaken, the modalities of utilization of funds of such projects and programs and the monitoring and reporting mechanism”.
 - d) A Company may also collaborate with other companies for undertaking projects or programs or CSR activities in such a manner that the CSR Committees of respective companies are in a position to report separately on such projects or programs.
 - e) CSR projects/ programs/ activities undertaken in India shall amount to CSR expenditure.
 - f) The following activities are not considered as CSR activities
 - i) Incurred for the benefit of employees
 - ii) Contribution directly or indirectly to political party
 - iii) Incurred for fulfillment of any act or regulation
 - iv) CSR activities should be undertaken by the companies in project or program mode. One off event such as marathon or award or sponsorship of TV program, etc., would not be qualified as CSR expenditure.
 - v) The Project or programs or activities undertaken outside India.

Q.No.22. Write about reporting responsibilities in CSR Activities (C)

REPORTING OF CSR ACTIVITIES (RULE 8)

- 1) The Board's report pertaining to any FY commencing on or after 01/04/2014 shall include an annual report on the CSR activities of the Company

In the format prescribed in the CSR Rules setting out:

- A brief outline of the CSR policy,

- The composition of the CSR Committee,
 - The average net profit for the last three financial years and
 - The prescribed CSR expenditure.
- 2) If the Company has been unable to spend the minimum required on its CSR initiatives, the reasons for not doing so are to be specified in the Board Report.
 - 3) In case of a foreign company, the balance sheet filed u/s 381 shall contain an annexure regarding report on CSR.
 - 4) Where a Company has a website, the CSR policy of the Company would need to be disclosed on Company's website.

SIMILAR QUESTIONS:

1. Rera Ltd. a Company incorporated under the Companies Act, 2013 having turnover of Rs. 100 crore, net profit Rs. 3 crore, accumulated loss of Rs. 50 crore and securities premium Rs. 300 crore as per the audited accounts of the Company for the Financial Year 2016 - 17.

The CFO of the Company informed the directors of the Company that the Corporate Social Responsibility (CSR) committee is required to be constituted as per the Companies Act, 2013. The directors seek your advice as a professional regarding the criteria required to constitute CSR committee and whether it is applicable to Rera Ltd. or not. (M18 - 6M)(N)

(Or)

The directors of Ninja Ltd. having a paid- up capital of Rs. 1500 crores have approached you to state them the provisions of the Companies Act, 2013 and rules thereunder, regarding which companies are required to constitute CSR Committee? Also, state the composition of CSR Committee. (MTP - M18 (N))

- A. Refer Point 2 in the above Answer.

Q.No.23. Whether members have a right to copies of audited financial statements [Section 136]

(A) (NEW SM)

- 1) **DOCUMENTS TO BE CIRCULATED:** A copy of following documents is required to be sent by the company-
 - a) Financial Statements,
 - b) Consolidated financial statements if any
 - c) Auditor's report and
 - d) All other documents required by law to be annexed or attached to the financial statements⁹
- 2) **PERSONS ENTITLED:** The FS & other documents shall be sent to the following persons-
 - a) Every member of the Company,
 - b) Every Debenture Trustee, and
 - c) Every person who is entitled to receive notice other than such member or trustee.
- 3) **TIME LIMIT FOR CIRCULATION:**
 - a) The financial statements and other documents shall be sent at least 21 days before the date of AGM.
 - b) In case of a Company licensed u/s 8, the financial statements and other documents shall be sent at least 14 days before the date of AGM.
 - c) If a company holds its AGM by giving a shorter notice as provided u/s 101 of the Act then it may also circulate FS and other documents (to be laid/ considered in the same general meeting) at such shorter notice.
- 4) **CIRCULATION OF FS AND OTHER DOCUMENTS IN THE CASE OF A LISTED COMPANY:**
In case of Listed Company, the above provisions shall be deemed to be complied with, if –
 - a) Copies of F.S. and other documents are made available for inspection at its registered office during the working hours for a period of 21 days before the date of the meeting and

⁹⁾ These documents herein after referred to as 'Financial Statements and Other documents'

- b) A statement containing the salient features of such documents in Form AOC-3 is sent, unless the shareholders ask for full financial statements.
- c) A Company shall also allow every member or trustee of the debenture holder to inspect the audited Financial Statement at its registered office during business hours.

NIDHI COMPANIES

- 1) This sub-section (1) of the Section 136 shall not apply to the Nidhi Company in the case of members who do not individually or jointly hold shares of more than Rs. 1000 in face value or more than 1% of the total paid up share capital whichever is less.
- 2) It shall be sufficient compliance with the provisions of the section if intimation is sent by public notice in newspaper circulated in the district in which the registered office of the Nidhi is situated
 - a) Stating the date, time and venue of the AGM and
 - b) The Financial statement with its enclosures can be inspected at the registered office of the Company, and
 - c) The financial statement with enclosures is affixed in the Notice Board of the Company.

FOREIGN COMPANY:

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

Note: It is provided that these accounts need to be translated in English, if the original accounts are not in English.

SIMILAR QUESTION:

1. A non-member from whom the Company has accepted deposit asks for a copy of the latest balance sheet of the Company. Advise.
 - A. Such deposit holder can ask for balance sheet.
2. Pune Textiles Limited is having a foreign subsidiary company. The said Indian holding company failed to furnish particulars of its foreign subsidiary company in its Balance Sheet. Decide the liability of Pune Textiles Limited under the Companies Act, 2013.

(Hint - Section 129 of Companies Act, 2013; if a company has a foreign subsidiary which does not require consolidated financial statement as per prevailing laws in that country then Section 129 regarding consolidated financial statement not applicable)

Q.No.24. How to circulate/distribute the financial statements

(A) (NEW SM)

C.G. may prescribe the manner of circulation of Financial Statements and other documents of companies having such net worth and turnover as may be prescribed.

RULE 11 OF THE COMPANY (ACCOUNTS) RULES, 2014:

1) APPLICABILITY:

- a) All listed companies, and
- b) Public companies which have a net worth of more than Rs. 1 Crore **and** turnover of more than Rs. 10 Crores

2) MANNER OF CIRCULATION: The above companies shall circulate Financial Statements and other documents in following manner

- a) By electronic mode, in the following cases -
 - i) Where a member holds shares in dematerialized form and his email Id is registered with Depository for communication purposes;

- ii) Where a member does not hold shares in dematerialized form, but he has positively consented in writing for receiving such documents by electronic mode;
 - b) By dispatch of physical copies through any recognized mode of delivery as specified under section 20, in all other cases.
- 3) **LISTED COMPANY:** A listed Company shall also place its financial statements including consolidated financial statements, if any, and all other documents required to be attached thereto, on its website, which is maintained by or on behalf of the Company.
- 4) **SUBSIDIARY COMPANIES:** Every Company having a subsidiary or subsidiaries shall, —
- a) Place separate audited accounts in respect of each of its subsidiary on its website, if any;
 - b) Provide a copy of separate audited financial statements in respect of each of its subsidiary, to any shareholder of the Company who asks for it.
- 5) **INSPECTION:** A company shall also allow every member or trustee of the debenture holder to inspect the audited financial statements at its registered office during business hours.

Q.No.25. Explain the provisions of Companies Act, 2013 relating to Filing of financial statements with ROC [Section 137(1)] (B) (NEW SM)

FILING OF FINANCIAL STATEMENTS WITH ROC: Every Company is required to file the Financial Statements with the ROC together with Form AOC-4. Form AOC-4 shall be certified by CA or CMA or CS in practice.

- 1) **If AGM is held and Financial Statements are adopted**
- a) **Documents to be filed:**
 - i) A copy of the financial statements,
 - ii) Consolidated Financial Statements (if any)
 - iii) The accounts of its subsidiary or subsidiaries which have been incorporated outside India and which have not established their place of business in India. **(Refer Note)**
 - iv) All the documents which are required to be attached to such FS
 - b) **Time Limit for filing:** The Financial Statements and other documents shall be filed with the ROC within 30 days of the date of AGM.
- 2) **If AGM is held and Financial Statements are Un-adopted**
- a) If financial statements are not adopted at AGM, such un-adopted financial statements along with the required documents shall be filed with the Registrar within 30 days of the date of AGM.
 - b) ROC 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 ROC within 30 days of the date of such adjourned AGM.
- 3) **If AGM not held [Section 137(2)]:**
- a) If the AGM of a Company for any year has not been held then
 - i) the financial statements and other documents duly signed
 - ii) the statement of facts and reasons for not holding the AGM
 - b) Shall be filed with the ROC within 30 days of the last date before which the AGM should have been held.
- 4) **Filing in case of One Person Company:** OPC shall file a copy of the FS duly adopted by its member, along with all the documents which are required to be attached to such FS, within 180 days from the closure of the FY.

- 5) **Filing in XBRL Form:** Following class of companies shall file their financial statement and other documents under this section with the ROC in e-form AOC-4 XBRL (Extensible Business Reporting Language) using the XBRL taxonomy, namely:
- All companies listed with any stock exchange(s) in India and their Indian subsidiaries, or
 - All companies having paid up capital of rupees 5 Crores or above, or
 - All companies having turnover of rupees 100 Crores or above, or
 - All companies which are required to prepare their financial statements in accordance with Companies (Indian Accounting Standards) Rules, 2015.

Banking company, insurance, power sector, Non-Banking Financial Companies and Housing Finance Companies are exempted from XBRL filing.

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

Person Liable	Punishment for Contravention of Section 137
Company	Fine: <u>Rs. 1,000</u> for every day during which the failure continues but which shall not be more than <u>Rs.10 Lakhs</u> ,
MD and CFO of the Company, if any In the absence of the M.D. and the CFO, any other director who is charged by the Board with the responsibility In the absence of any such director, all the directors of the Company	Fine which shall not be less than Rs. 1 lakh 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 five lacs rupees.

NOTE:

- In the case of 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 holding Indian company may place on its website such unaudited financial statement to comply with the requirements of Sec 137.*
- However, such unaudited accounts 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.*

SIMILAR QUESTIONS:

- What are the provisions regarding filing of financial statement and other documents with registrar?
A. FS to be filed in AOC Forms and XBRL forms.
- The paid up capital of western Zone insurance Limited is RS.7 crore. Point out whether the said Company is required to file Balance Sheet and Profit and loss account along with Directors and auditors report for the year 2011-12 by using the XBRL taxonomy?
A. For Banking Companies, Insurance Companies and Electricity Companies, XBRL filing is not mandatory.

(IMMEDIATELY REFER PRACTICAL QUESTION NO. 17, 18, 19)

INTERNAL AUDIT

Q.No.26. Which companies are required to conduct an Internal Audit (Sec 138) (A) (NEW SM)

The following classes of companies are required to appoint an internal auditor which may be either an individual or a partnership firm or a body corporate –

- Every listed Company;
- Every unlisted public Company having-
 - Paid up share capital of Rs. 50 crores or more (\geq 50 Crores) during the preceding financial year; or

- b) Turnover of Rs. 200 Crores or more (\geq 200 Crores) during the preceding financial year; or
- c) Outstanding loans or borrowings from banks or public financial institutions exceeding Rs. 100 Crores or more (\geq 100 Crores) at any point of time during the preceding financial year
- d) Outstanding deposits of Rs 25 Crores or more (\geq 25 Crores) at any point of time during the preceding financial year; and
- 3) Every private Company having—
- a) Turnover of Rs. 200 Crore or more (\geq 200 Crores) during the preceding financial year; or
- b) Outstanding loans or borrowings from banks or public financial institutions exceeding Rs. 100 Crore or more (\geq 100 Crores) at any point of time during the preceding financial year.

NOTE: In case of a specified IFSC public company & IFSC private company, section 138 shall apply if the articles of the company provides for the same.

(IMMEDIATELY REFER PRACTICAL QUESTION NO. 20)

Q.No.27. Who is internal Auditor? What are the qualifications of Internal Auditor? (B) (NEW SM)

1) **QUALIFICATIONS OF INTERNAL AUDITOR:**

- a) The internal auditor shall be —
- A chartered accountant whether in practice or not; or
 - A cost accountant whether in practice or not; or
 - Such other professional as may be decided by the Board
- b) The internal auditor shall conduct the internal audit of the functions and activities of the Company.
- c) The internal auditor may or may not be an employee of the Company.
- d) Any Individual or Firm or body corporate is eligible to conduct internal audit.

2) **LEGAL REQUIREMENT FOR EXISTING COMPANIES:** Every Company to which Sec 138 is applicable, shall appoint an internal auditor.

3) The Audit Committee of the Company or the Board shall, in consultation with the Internal Auditor, formulate the scope, functioning, periodicity and methodology for conducting the internal audit.

SIMILAR QUESTION:

1. PQR Limited is an unlisted public Company having paid up share capital of RS.80 crores during the preceding financial year 2014-15. the turnover of the Company was RS.110 crores for the same period. Referring to the provisions of the companies Act, 2013, answer the following:
- Is it mandatory for the above Company to appoint an internal auditor for the financial year 2017 - 18?
 - What are the qualifications of the internal auditor? (MTP - I - M18)(N)
 - Appointment of internal auditor is mandatory.
 - Internal Auditor must be a CA or CMA or any other person decided by the BOD

SECTION 2: THEORY FOR ACADEMIC INTEREST FOR STUDENTS SELF STUDY

Q.No.1. Explain the manner in which books of accounts can be kept in electronic form? (For self Study) (C) (NEW SM)

- Company has the option of keeping such books of account or other relevant papers in electronic mode in such manner as may be prescribed.
- Rule 3 of the Companies (Accounts) Rules, 2014. Rule 3 lays down the manner of books of account to be kept in electronic mode.
 - The Books of Account etc. shall remain accessible in India for subsequent reference.

- b) The Books of Account etc. shall be retained completely in the Original format or in a format which shall present accurately the information generated, sent or received.
- c) The information contained in electronic records shall be legible.
- d) The information contained in the electronic records shall remain complete and unaltered.
- e) The information received from branch offices shall not be altered and shall be kept in a manner originally received from the branches.
- f) The Back-up of the electronic records (including at a place outside India, if any) shall be kept in servers physically located in India on a periodic basis.
- g) At the time of filing of financial statements with ROC, the Company shall intimate following relevant information related to service provider—
 - i) Name of the service provider;
 - ii) Internet Protocol address of service provider;
 - iii) Location of the service provider (wherever applicable);
 - iv) Where the books of account etc. maintained on cloud, such address as is provided by the service provider.
- h) Proper system for storage, retrieval, display or printout of electronic records should be maintained as per audit committee (if any) or by Board where audit committee is not constituted.

SIMILAR QUESTION:

1. Explain the requirements of Companies (Accounts) Rules, 2014 relating to maintenance of books in electronic form.
- A. Refer above Answer.

Q.No.2. National Financial Reporting Authority and Miscellaneous provisions.(Nov20) (C) (NEW SM)

CONSTITUTION OF NATIONAL FINANCIAL REPORTING AUTHORITY [SEC. 132]:

- 1) **CONSTITUTION OF NFRA BY CG:** CG may, by notification, constitute a NFRA to provide for matters relating to accounting and auditing standards under this Act.
- 2) **FUNCTIONS OF NFRA:** (*Notwithstanding anything contained in any other law for the time being in force*): NFRA shall –
 - a) Make recommendations to CG on the formulation and laying down of accounting and auditing policies and standards for adoption by companies or class of companies or their auditors, as the case may be;
 - b) Monitor and enforce the compliance with accounting standards and auditing standards in such manner as may be prescribed;
 - c) Oversee the quality of service of the professions associated with ensuring compliance with such standards, and suggest measures required for improvement in quality of service and such other related matters as may be prescribed; and
 - d) Perform such other functions relating to clauses (a), (b) and (c) as may be prescribed.
- 3) **CONSTITUTION OF NFRA:**
 - a) NFRA shall consist of a chairperson, and such other members not exceeding 15 consisting of part-time and full-time members as may be prescribed
 - b) The Chairperson shall be a person of eminence and having expertise in accountancy, auditing, finance or law to be appointed by CG
 - c) Each division of the National Financial Reporting Authority shall be presided over by the Chairperson or a full-time Member authorised by the Chairperson.
 - d) There shall be an executive body of the National Financial Reporting Authority consisting of the Chairperson and full-time Members of such Authority for efficient discharge of its functions under sub-section (2) [other than clause (a)] and sub-section (4).

- e) the terms and conditions and the manner of appointment of the chairperson and members shall be such as may be prescribed
- f) The chairperson and members shall make a declaration to CG in the prescribed form regarding no conflict of interest or lack of independence in respect of his or their appointment
- g) The chairperson and members, who are in full-time employment with NFRA shall not be associated with any audit firm (including related consultancy firms)
 - i) during the course of their appointment and
 - ii) 2 years after ceasing to hold such appointment.

4) **POWERS OF NFRA:** (Notwithstanding anything contained in any other law for the time being in force) NFRA shall -

- a) have the power to investigate, either suo moto or on a reference made to it by CG, for such class of bodies corporate or persons, in such manner as may be prescribed into the matters of professional or other misconduct committed by any member or firm of chartered accountants, registered under the Chartered Accountants Act, 1949

NOTE: If NFRA has initiated an investigation under this section, no other institute or body shall initiate or continue any proceedings in such matters of misconduct;

- b) have the same powers as are vested in a civil court under the Code of Civil Procedure, 1908, while trying a suit, in respect of the following matters, namely –
 - i) discovery and production of books of account and other documents, at such place and at such time as may be specified by NFRA;
 - ii) summoning and enforcing the attendance of persons and examining them on oath;
 - iii) inspection of any books, registers and other documents of any person referred to in clause (b) at any place;
 - iv) issuing commissions for examination of witnesses or documents;
- c) where professional or other misconduct is proved, have the power to make order for -
 - i) imposing PENALTY of –

In case of	Minimum	Maximum
Individuals	Rs. 1 lakh	5 times of the fees received
Firms	Rs. 5 lakh	10 times of the fees received

- ii) DEBARRING the member¹⁰ or the firm from engaging himself or itself from practice as member of ICAI for a minimum period of 6 months or for such higher period not exceeding 10 years as may be decided by NFRA.

5) **APPEALS AGAINST ORDER OF NFRA:** Any person aggrieved by any order of NFRA may prefer an appeal before the Appellate Tribunal (NCLAT) in such manner and on payment of such fee as may be prescribed.

6) **MISCELLANEOUS PROVISIONS**

- a) **Meetings of NFRA:** NFRA shall meet at such times and places and shall observe such rules of procedure in regard to the transaction of business at its meetings in such manner as may be prescribed.
- b) **Secretary and other employees:**
 - i) The CG may appoint a secretary and such other employees as it may consider necessary for the efficient performance of functions by the NFRA under this Act.
 - ii) The terms and conditions of service of the secretary and employees shall be such as may be prescribed.

10) For the purposes of his sub-section, the expression "professional or other misconduct" shall have the same meaning assigned to it under section 22 of the Chartered Accountants Act, 1949.

- c) **Head office of NFRA:** The head office of the NFRA shall be at New Delhi and the NFRA may, meet at such other places in India as it deems fit.
- d) **Maintenance of books by NFRA:** The NFRA 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 CG may, in consultation with the Comptroller and Auditor -General of India prescribe.
- e) **Audit of accounts of NFRA:** The accounts of the NFRA shall be audited by the CAG 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 CG by the NFRA.
- f) **Annual report on working of NFRA:**
- i) NFRA 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 CG and
 - ii) The CG shall cause the annual report and the audit report given by the CAG of India to be laid before each House of Parliament.

Q.No.3. What are the disclosures in Board Report with respect to Technology Absorption?

(C) (NEW SM)

- 1) The efforts made towards technology absorption;
- 2) The benefits derived like product improvement, cost reduction, product development or import substitution;
- 3) In case of imported technology (imported during the last three years reckoned from the beginning of the financial year) -
 - a) The details of technology imported;
 - b) The year of import;
 - c) Whether the technology been fully absorbed;
 - d) If not fully absorbed, areas where absorption has not taken place, and the reasons thereof; and
- 4) The expenditure incurred on Research and Development.

Q.No.4. State the CSR Activities specified under Schedule VII. (C) (Students Self Study) (NEW SM)

Activities which may be included by companies in their CSR Policies Activities as specified under Schedule VII are as follows:

- 1) Eradicating hunger,
- 2) poverty and malnutrition,
- 3) promoting health care including preventive health care and sanitation
- 4) contribution to the Swachh Bharat Kosh set-up by the CG for the promotion of sanitation and making available safe drinking water;
- 5) Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;
- 6) Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centers and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
- 7) Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro forestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund set up by the CG for rejuvenation of river Ganga;
- 8) Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional arts and handicrafts;

- 9) Measures for the benefit of armed forces veterans, war widows and their dependents;
- 10) Training to promote rural sports, nationally recognised sports, Paralympic sports and Olympic sports;
- 11) Contribution to the Prime Minister's National Relief Fund or any other – fund set up by the CG for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;
- 12) Contributions or funds provided to technology incubators located within academic institutions which are approved by the CG;
- 13) Rural development projects;
Slum area development

Q.No.5. What is CSR**(C)**

DEFINITION: CSR means and includes but is not limited to:

- a) Projects or programs relating to activities specified in Schedule VII to the Act; or
- b) Projects or programs relating to activities undertaken by the board of directors of a Company (Board) in pursuance of recommendations of the CSR Committee of the Board as per declared CSR Policy of the Company subject to the condition that such policy will cover subjects enumerated in Schedule VII of the Act.

SECTION 3: PRACTICAL QUESTIONS FOR CLASSROOM DISCUSSION

Q.No.1. The Board of directors of Bharat Ltd. has a practical problem. The registered office 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. **(NEW SM)**

PROVISION & ANALYSIS: 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 seven days thereof, file with the Registrar a notice in writing giving the full address of that other place. Further Company may keep such books of accounts or other relevant papers in electronic mode as per the Rule 3 of the Companies (Accounts) Rules, 2014.

CONCLUSION: Therefore, the Board of Bharat Ltd. is empowered to keep its books of account at its corporate office in Mumbai by following the above procedure.

Q.No.2. XYZ Ltd. wants to maintain its books of account on cash basis. Advise:

(NEW SM)

PROVISION: The Companies Act, 2013 vide section 128(1) now requires every Company to prepare and keep at its registered office books of account 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.

ANALYSIS: The second part of the section clearly states that the books of accounts must be maintained on accrual basis and according to the double entry system of accounting.

CONCLUSION: No exception has been given by the Act to any class or classes of companies from the above requirement. Hence, it is clear that XYZ Ltd. cannot maintain its books of accounts on cash basis.

Q.No.3. Mr. Bhagvath recently acquired 76% of the equity shares of M/s Renowned Company Ltd., in the hope of earning good dividend income. Unfortunately, the existing Board of Directors have been avoiding declaration of dividend due to alleged inadequacy of profits. Unconvinced, Mr. Bhagvath seeks permission of the Company to allow him to examine the Books of Accounts, which is summarily rejected by the Company. Examine and advise the provisions relating to inspection of Books of Accounts and remedy available. **(NEW SM)**

PROVISION: According to sections 128(3) and 206 of the Companies Act, 2013, following persons have the right to carry out the inspection of the books of accounts of the Company.

- a) Directors of the Company [Section 128(3) of the Companies Act, 2013]
- b) Registrar of Companies [Section 206 of the Companies Act, 2013]
- c) Such officer of Government as may be authorised by the CG in this behalf (Section 206 of the Companies Act, 2013).
- d) Such officers of SEBI as may be authorised by SEBI [Section 206 read with Section 24 of the Companies Act, 2013].

[NOTE: According to Regulation 89(ii) of the Table F of the Schedule I of the Companies Act, 2013, a member shall have right of inspecting any account or book or document of the Company only if conferred by law or authorized by the Board or by the Company in general meeting]

ANALYSIS: Since Mr. Bhagvath does not fall in any of above mentioned categories, he is not eligible to carry out the inspection.

CONCLUSION: Mr. Bhagvath has no right to carry out an inspection of the books of accounts of the Company despite the fact that he holds 76% of the equity shares of M/s Renowned Company Ltd.

Q.No.4. XYZ Limited did not prepare its Balance Sheet as at 31st March, 2015 and the Profit and Loss Account for the year ended on that date in conformity with some of the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India. You are required to state with reference to the provisions of the Companies Act, 2013, the responsibilities of directors and statutory auditor of the Company in this regard. **(CA FINAL - PM)**

RESPONSIBILITIES OF DIRECTORS FOR NON-COMPLIANCE WITH PRESCRIBED ACCOUNTING STANDARDS: Section 129(1) of this Act states that financial statement of the Company shall Comply with the accounting standards notified under section 133. As per sub –section (5), where the Financial Statements of the Company do not comply with the accounting standards, such companies shall disclose in its financial statements, the following, namely:

- a) The deviation from the accounting standards;
- b) The reasons for such deviation; and
- c) The financial effect, if any, arising due to such deviation.

A part from the above consequence on non-compliance, section 129(7) further provides that if a Company contravenes the provisions of section 129 (which requires compliance with accounting standards), the managing director, 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 Rs. 50,000 but which may extend to Rs. 5 lakhs, or with both.

Moreover, the Board of directors is also required under section 134 of the Companies Act, 2013 to include a Directors Responsibility Statement indicating therein that in the preparation of the financial statements the applicable accounting standards had been followed along with proper explanation relating to material departures, if any. If such person (as above referred) fails to take all reasonable steps to secure compliance by the Company, as respects any accounts laid before the Company in general meeting, with the provisions of this section and with the other requirements of this Act as to the matters to be stated in the accounts, he shall, in respect of each offence, be punishable with imprisonment for a term which may extend to 1 year, or with fine not less than Rs. 50,000 but which may extend to Rs. 5,00,000 or with both.

RESPONSIBILITIES OF AUDITORS: As per section 143(3) (e) of the Companies Act, 2013, the statutory auditor's responsibility is to state in his report, whether in his opinion, the profit and loss account and balance sheet comply with the accounting standards referred to in section 133 of the Companies Act, 2013.

Q.No.5. The Board of Directors of ABC Ltd. wants to circulate unaudited accounts before the Annual General Meeting of the shareholders of the Company. Whether such an act of ABC Ltd. is tenable? **(NEW SM)**

Section 129 (2) of the Companies Act, 2013 provides that at every annual general meeting of a Company, the Board of Directors of the Company shall lay before such meeting financial statements for the financial year. Further section 134(7) provides that signed copy of every financial statement, including consolidated financial statement, if any, shall be issued, circulated or published along with a copy each of:

- a) Any notes annexed to or forming part of such financial statement;
- b) The auditor's report; and
- c) The Board's report.

It, therefore, follows that unaudited accounts cannot be sent to members or unaudited accounts cannot be filed with the Registrar of Companies. So such an act of ABC Ltd, is not tenable.

Q.No.6. EFG Pvt. Ltd. is a holding company of HIJ Ltd. and KLM Ltd. which are its subsidiary companies. Is the company required to prepare a consolidated financial statement (including the details of the Subsidiary Cos.) and lay it before the AGM of the company? **(June 2019)**

PROVISION: As per Section 129(3) of Companies Act 2013, Where a company has one or more subsidiaries or associate companies, it shall, in addition to financial statements provided under sub-section (2), prepare a consolidated financial statement of the company and of all the subsidiaries and associate companies in the same form and manner as that of its own and in accordance with applicable accounting standards, which shall also be laid before the annual general meeting of the company along with the laying of its financial statement under sub-section (2)

Provided that the company shall also attach along with its financial statement, a separate statement containing the salient features of the financial statement of its subsidiary or subsidiaries and associate company or companies in such form as may be prescribed.

This Section is applicable to both Private as well as Public Companies.

CONCLUSION: Applying the above provisions it is clear that EFG Pvt Ltd will be required to prepare consolidated financial statements and lay it before AGM of Company.

Q.No.7. Herry Limited is a company registered in Thailand. SKP Limited (Registered in India), a wholly owned subsidiary company of Herry Limited decided to follow different financial year for consolidation of its accounts outside India. State the procedure to be followed in this regard. **(NEW SM)**

Where a company or body corporate, which is a holding company or a subsidiary or associate company of a company incorporated outside India and is required to follow a different financial year for consolidation of its accounts outside India, the Central Government may, on an application made by that company or body corporate in such form and manner as may be prescribed, allow any period as its financial year, whether or not that period is a year. Any application pending before the Tribunal as on the date of commencement of the Companies (Amendment) Ordinance, 2018, shall be disposed of by the Tribunal in accordance with the provisions applicable to it before such commencement. Also, a company or body corporate, existing on the commencement of this Act, shall, within a period of two years from such commencement, align its financial year as per the provisions of this clause. SKP Limited is advised to follow the above procedure accordingly.

Q.No.8. The Income Tax Authorities in the current financial year 2019-20 observed, during the assessment proceedings, a need to re-open the accounts of Chetan Ltd. for the financial year 2008-09 and, therefore, filed an application before the National Company Law Tribunal (NCLT) to issue the order to Chetan Ltd. for re-opening of its accounts and recasting the financial statements for the financial year 2008-09. Examine the validity of the application filed by the Income Tax Authorities to NCLT. **(NEW SM)**

As per section 130 of the Companies Act, 2013, a company shall not re-open its books of account and not recast its financial statements, unless an application in this regard is made by the Central Government, the Income-tax authorities, the Securities and Exchange Board, any other statutory body or authority or any person concerned and an order is made by a court of competent jurisdiction or the Tribunal to the effect that—

- a) the relevant earlier accounts were prepared in a fraudulent manner; or
- b) the affairs of the company were mismanaged during the relevant period, casting a doubt on the reliability of financial statements:

However, no order shall be made in respect of re-opening of books of account relating to a period earlier than eight financial years immediately preceding the current financial year.

In the given instance, an application was filed for re-opening and re-casting of the financial statements of Chetan Ltd. for the financial year 2008-2009 which is beyond 8 financial years immediately preceding the current financial year.

Though application filed by the Income Tax Authorities to NCLT is valid, its recommendation for reopening and recasting of financial statements for the period earlier than eight financial years immediately preceding the current financial year i.e. 2019-2020, is invalid.

Q.No.9. The directors of Ninu Ltd. want to voluntarily revise the Financial statements of the Company. They have approached you to state to them the provisions of the Companies Act, 2013 regarding voluntary revision of financial statements. **(MTP- 1- M18, RTP - N18) (N)**

According to section 131 of the Companies Act, 2013,

1) PREPARATION OF REVISED FINANCIAL STATEMENT OR REVISED REPORT ON THE APPROVAL OF TRIBUNAL: If it appears to the directors of a Company that—

- a) The financial statement of the Company; or
- b) The report of the Board,

Do not comply with the provisions of section 129 or section 134, they may prepare revised financial statement or a revised report in respect of any of the three preceding financial years after obtaining approval of the Tribunal on an application made by the Company in such form and manner as may be prescribed and a copy of the order passed by the Tribunal shall be filed with the Registrar:

Tribunal to serve the notice: Provided that the Tribunal shall give notice to the CG and the Income tax authorities and shall take into consideration the representations, if any, made by that Government or the authorities before passing any order under this section:

Number of times of revision and recast: provided further that such revised financial statement or report shall not be prepared or filed more than once in a financial year:

Reason for revision to be disclosed: Provided also that the detailed reasons for revision of such financial statement or report shall also be disclosed in the Board's report in the relevant financial year in which such revision is being made.

2) Where copies of the previous financial statement or report have been sent out to members or delivered to the Registrar or laid before the Company in general meeting, the revisions must be confined to—

- a) The correction in respect of which the previous financial statement or report do not comply with the provisions of section 129 or section 134; and
- b) The making of any necessary consequential alternation.

3) FRAMING OF RULES BY THE CG IN RELATION TO REVISED FINANCIAL STATEMENT OR DIRECTOR'S REPORT: The CG may make rules as to the application of the provisions of this Act in relation to revised financial statement or a revised director's report and such rules may, in particular—

- a) Make different provisions according to which the previous financial statement or report are replaced or are supplemented by a document indicating the corrections to be made;
- b) Make provisions with respect to the functions of the Company's auditor in relation to the revised financial statement or report;
- c) Require the directors to take such steps as may be prescribed.

Q.No.10. ABC 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 31st March, 2015 were authenticated by two of the directors, Mr. X and Y under their signatures. Referring to the provisions of the Companies Act, 2013:

- i) Examine the validity of the authentication of the Balance Sheet and Statement of Profit & Loss and the Board's Report.
- ii) 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?

(NEW SM) (RTP - M18)(N)

PROVISIONS: In accordance with the provisions of the Companies Act, 2013, as contained under section 134 (1), the financial statements, including consolidated financial statement, if any, shall be approved by the Board of Directors before they are signed on behalf of the Board by at least :

- a) The Chairperson of the Company where he is authorized by the Board; or Two directors out of which one shall be the managing director and
- b) The other Chief Executive Officer, if he is a director in the Company
- c) The Chief Financial Officer and
- d) the Company Secretary of the Company, wherever they are appointed.

In case of a One Person Company, the financial statements shall be signed by only one director, for submission to the auditor for his report thereon.

The Board's report and annexures thereto 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.

CONCLUSION:

- a) 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.
- b) In case of OPC, the financial statements should be signed by one director and hence, the authentication is in order.

Q.No.11. XYZ is the Company who has not prepared and filed statements for the last 5 years, whether the current directors can sign all the financial statements for the past 5 years? **(NEW SM)**

Provision: As per section 134 (1), the financial statements of the Company shall be signed by

- a) The chairperson of the Company where he is authorised by the Board; or two directors out of which one shall be managing director and other the Chief Executive Officer, if he is a director in the Company,
- b) The Chief Financial Officer; and
- c) The Company secretary of the Company, wherever they are appointed.

Therefore, if the financial statements are being prepared for the last 5 years in the current year, the current directors can sign the financial statements for the last 5 years. However, Company can approach the Tribunal for compounding of offences for not holding the AGM's for the past 5 years and for non-filing of the financial statement for such periods.

Q.No.12 Phosphate Ltd. has suffered a major loss of Rs 100 crore in May, 2018 on the dealing of commodity exchange. The annual accounts and Board's report for the year 2017-18 are under finalization. The Chief Financial Officer (CFO) of the company does not want to disclose this loss in the Board's report for year 2017-18 because this loss does not pertain to said financial year. Is the view of CFO correct? The Board of Directors seek your advice in this matter. **(JUNE 2018)**

PROVISIONS OF LAW: As per Section 134 of Companies Act, 2013; Board Report shall include among other things:

Material changes and commitments, if any, affecting the financial position of the company which have occurred between the end of the financial year of the company to which the financial statements relate and the date of the report;

If a company contravenes the provisions of this section, -

- a) the company shall be punishable with fine which shall not be less than fifty thousand rupees but which may extend to twenty-five lakh rupees and
- b) Every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to three years or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees, or with both.

CONCLUSION: In the instant case, Major loss is a material change event occurring after balance sheet date & before adoption of financial statement which needs to be disclosed in the Board Report.

Q.No.13. The statutory auditors of a company were required to issue a certificate on the net worth of the company as per the requirement of the management as on 30th September 2018 computed as per the provision of section 2(57) of the Companies Act, 2013.

The company had fair valued its property, plant and equipment in the current year which was mistakenly taken into retained earnings of the company in its books of accounts. Please advise whether this fair valuation would be covered in the net worth of the company as per the legal requirements. **(NEW SM)**

As per sec 2(57) of the Companies Act 2013, any reserves created out of revaluation of assets doesn't form part of net worth. The company fair valued its property, plant and equipment and took that to retained earnings.

Even if the company has taken the fair valuation to the retained earnings in its books of accounts, the resultant credit in reserves (by whatever name called) would be in the category of 'reserves created out of revaluation of assets' which is specifically excluded in the definition of 'net worth' in section 2 (57) and hence should be excluded by the company.

Further the auditors should also consider the matter related to accounting of this reserve separately at the time of audit of books of accounts of the company.

Q.No.14. XYZ Ltd is a listed Company having turnover of Rs 1200 crores during the financial year 2015-16. The CSR committee of the Board formulated and recommended a CSR project which was approved by the Board. Company finalized the project under its CSR initiatives which require funds @ 5 % of average net profit of the Company for last three financial years. Will such excess expense be counted in subsequent financial years as a part of CSR expenditure? Advise. **(NEW SM) (Similar:RTP-N18 (N))**

In terms of Section 135(5) of the Companies Act, 2013, the Board of every Company to which section 135 is applicable, shall ensure that the Company spends, in every Financial year at least 2 per cent of average net profits of the Company made during the three immediately preceding financial years, in pursuance of its CSR policy. There is no provision for carry forward of excess expenditure to the next year(s). The words used in the section are 'at least'. Therefore, any expenditure over 2% would be considered as voluntary higher spending.

Q.No.15. RS Ltd. has incurred X 5 lakh for the fulfillment of Labour Law, Land Acquisition Act and Food Safety & Standards Act in the month of May, 2018. The company has accounted for this ₹ 5 lakh as Corporate Social Responsibility (CSR) expenditure.

Explaining the provisions of the Companies Act, 2013 discuss whether the company has rightly accounted for the amount in CSR. **(June 2018)**

PROVISIONS OF LAW: As per Section 135 of Companies Act, 2013:

Following activities do not qualify for CSR:

- a) The CSR projects or programs or activities that benefit only the employees of the company and their families.

- b) One-off events such as marathons/awards/charitable contribution /advertisement/ sponsorships of TV programmes etc.
- c) Expenses incurred by companies for the fulfillment of any other Act/Statute of regulations (such as Labor Laws, Land Acquisition Act, 2013, Apprentice Act, 1961 etc.)
- d) Contribution of any amount directly or indirectly to any political party.
- e) Activities undertaken by the company in pursuance of its normal course of business.
- f) The project or programmes or activities undertaken outside India.

CONCLUSION: Thus, it is clear from above that Amount incurred for fulfillment of obligation of other laws cannot be treated as CSR activity. Hence, the company has not rightly accounted for the amount of CSR.

Q.No.16. Shoki Internal Ltd. has a network of six branches scattered all over the world out of which two are in India. The net worth of the Company is 650 crores. Since the net profits of the Company were in downward trends, Mr. Nikung a retired general manager of the bank was appointed by the Company to Analyse the financial health of the Company. Among the other points having been reported by Mr. Nikung the CEO of the Company seeks your advice, particularly on the application of the provisions of CSR under the Companies Act, 2013 based on the following:

- i) The net profit of the Company in the financial year 2012-13 was 18 crore which was contributed by the branches located in India and outside in the ratio of 35:65.
- ii) Since 20 13-14 onwards all the branches located in India have not earned any profit.

The Financial Statement for the year 2015.16 revealed that there was a net profit of 7 crore to the Company and the total expenses on travelling abroad were 2.5 crore.

The Company had borrowed loan at a very high of interest which needs to be swapped with low financing cost.

During the year 20 16-17 the Company has so far spent CSR expenses to the tune of 1.10 per cent of the average net profits of the Company made during the three preceding immediately financial year which in his view need special attention.

(CA M17)

PROVISION: Following amounts or element of profits are not included while calculating net profit for CSR applicability:

- Any profit arising from overseas branch or separate Company operated in India
- Any dividend received from other companies in India which are covered and complying provisions of section 135 of Companies Act, 2013

ANALYSIS AND CONCLUSION: As per point No. ii, all branches in India have not contributed to profit. It means overseas branches contribute all profits. Net profits of overseas branches are not included and therefore CSR expenditure is not required to be incurred for financial year 2016-17. Company has not violated any provision.

Q.No.17. DJA Company Limited held its Annual General Meeting for the financial year ended 31st March 2014, on 30th September 2014. The meeting was adjourned without placing the financial statement for financial year ending on 31st March 2014 before the meeting. The financial statement for financial year of 2014 was placed at the adjourned Annual General Meeting and the same was filed with the ROC on 20th December 2014. Examine with reference to the relevant provisions of the Companies Act, 2013, whether placing of the financial statement at the adjourned Annual General Meeting and filing of the same with the ROC by the Company on 20th December 2014 are in order?

(CA M98)

PROVISION: As per section 96 of Companies Act, 2013, Annual General Meeting of Company should be held within 6 months from end of financial year. Every Company is required to have uniform financial year (i.e. 1st April to 31st March). It means Company should have held meeting on or before 30th September. In the given case, Company has conveyed Annual General Meeting on 30th September 2014 for financial year of 2014.

Adjourn Annual General Meeting should be held well within stipulated time (i.e. within 6 months from end of financial year). Here, financial statement was not placed before Annual General Meeting and it is adjourned. Facts of question do not clarify whether financial statement was approved or not. Assuming that it was approved at adjourned Annual General Meeting.

ANALYSIS AND CONCLUSION: In view of the above facts and assumption, it can be suggested that if financial statement is not adopted at Annual General Meeting, unadopted financial statements should be filed with all specified documents with Registrar within 30 days of Annual General Meeting. Registrar should

In view of the above facts and assumption, it can be suggested that if financial statement is not adopted at Annual General Meeting, unadopted financial statements should be filed with all specified documents with Registrar within 30 days of Annual General Meeting. Registrar should take note of unadopted financial statements on records as provisional till the financial statements are filed with him after their adoption in adjourned Annual General Meeting. The financial statements adopted in the adjourned Annual General Meeting should be filed with Registrar within 30 days of such adjourned Annual General Meeting. If not filed within 30 days, filing may be done within 300 days with additional filing fees. In the given case, financial statement should be filed on 20th December 2014 is valid if adjourned meeting was held on or before 21st November 2014.

Q.No.18. 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.

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 2013, Vandana Ltd. would need to file such unaudited financial statement of Italian subsidiary company along with a declaration to this effect along with a 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.

Q.No.19. ABC Ltd is an unlisted public Company engaged in pharma sector and has paid up capital of rupees 10 crores and achieved turnover of rupees 200 crores during financial year 2015 -16. Is it necessary for ABC Ltd to file its financial statement in XBRL mode? The following class of companies shall file their financial statement in XBRL (extensible Business Reporting Language) mode and by using the XBRL taxonomy **(NEW SM)**

- a) All companies listed with any stock exchange(s) in India and their Indian subsidiaries; or
- b) All companies having paid up capital of rupees 5 crores or above;
- c) All companies having turnover of rupees 100 crores or above; or
- d) All companies which were covered under the Companies (Filing of Documents and Forms in Extensible Business Reporting Language) Rules, 2011 However, Banking Companies, Insurance Companies, Power Companies and Non-Banking Financial Companies (NBFCs) and housing finance companies need not file financial statements under this rule. ABC Ltd is required to file its financial statement in XBRL mode.

Q.No.20. Perfect Pvt. Ltd. wishes to appoint its Secretary, Satish, as an internal auditor. Referring to the provisions of the Companies Act, 2013 advise the company.

PROVISIONS OF LAW: As per Section 138 of Companies Act, 2013, the following professional may conduct the **Internal Audit of the above mentioned Companies:**

- a) A Chartered Accountant; (Whether engaged in Practice or not) or
- b) A Cost Accountant; (Whether engaged in Practice or not) or Other professional as may be decided by the Board of Directors to conduct internal audit of the functions and activities of the Company.

ANALYSIS & CONCLUSION: Though Company Secretary has not been specifically included, it may be included in the third clause of others. It is up to board of directors to decide whether Mr. Satish will be able to discharge the duties of Secretary as well as Internal Auditor.

There is no restriction contained in Companies Act, 2013 that prohibits Company Secretary serving a Company from becoming its Internal Auditor.

SECTION 4: PRACTICAL QUESTIONS FOR STUDENTS SELF STUDY

Q.No.1. An allegation was levelled against PQR Ltd. that the funds of the Company are misused. Mr. Z, one of the Directors of the Company wants to inspect the books of account of the Company in order to ascertain whether the allegation was true. But since Mr. Z does not have the knowledge of accounting, he appoints Mr. A, his friend and a practicing Chartered Accountant to go through the books of account of the Company on his behalf. The Company seeks your advice as to whether Mr. A may be 'QS allowed to inspect the books of account of the Company on behalf of Mr. Z. You are required to give your advice to the Company on behalf of Mr. Z. You are required to give your advice to the Company keeping in view the provisions of the Companies Act, 2013. What would be your advice if Mr. Z would have been a shareholder only and not a Director of the Company? **(CA M07 MODIFIED)**

Summarised returns of the books of account of the Company kept and maintained outside India shall be sent to registered office at quarterly intervals. It should be kept at registered office and kept open to directors for inspection.

If any other financial information is maintained outside the country, director can furnish request to Company setting out full details of financial information sought and period for which such information is sought in writing. Company should provide financial information within 15 days.

Financial information should be demanded by director himself and not by his power of attorney holder or agent or representative. In view of above provisions, Mr. Z director who can be refused right of inspection through agent.

In case Mr. Z is a member of the Company, he shall be able to inspect the books of account only if he is given such a right by ordinary resolution of the members or if authorized by the Board. Here, Mr. Z would have to exercise the right personally and not through a proxy i.e. he can himself inspect the books but cannot ask Mr. A to inspect the books on his behalf.

Q.No.2. Mr. White is working as Chief Accountant in White Metal Limited. The Board of Directors of the said Company propose to charge him with the duty of ensuring compliance with the provisions of the Companies Act, 2013 so that books of account can be properly maintained and Balance Sheet and Profit and Loss Account can be prepared as per the provisions of law. Point out the consequences in case of default. **(CA FINAL - PM)**

PROVISION: Consequences of contravention: Section 128(6) provides that if the managing director, the whole-time director in charge of finance, the Chief Financial Officer or any other person of a Company charged by the Board with the duty of complying with the provisions of this section, contravenes such provisions, such managing director, whole-time director in charge of finance, Chief Financial officer or such other person of the Company 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.

CONCLUSION: Hence, Mr. White is liable for punishment as referred above.

Q.No.3. X Ltd. has a subsidiary Company called Y Ltd. The financial year of the holding Company is 31st March, whereas that of the subsidiary Company ends on 30th June every year. The management of the holding Company decides that the financial year of the subsidiary Company for the year 1.7.2013 to 30.6.2014 should be extended up to 31.3.2015, so that the financial years of the holding and subsidiary companies end on 31st March every year. Advise the management about the steps to be taken under the Companies Act, 2013 to achieve the purpose. **(CA M17 Modified)**

Or

S Ltd. is a subsidiary Company of H Ltd. The financial year of H Ltd is from 1st April to 31st March, whereas the financial year of S Ltd. is 1st July to 30th June every year. This is now causing difficulties particularly in view of the requirement of reporting and circulating the consolidated annual accounts as required by Accounting Standard AS-21. The Board of Directors of H Ltd. decides that the accounting year of S Ltd. for the year 1st July, 2013 to 30th June, 2014 be extended from present 12 months to 21 months, i.e. 1st July, 2013 to 31st March, 2015, so that the financial years of the holding Company and the subsidiary Company end on the same date. State the provisions of the Companies Act, 2013 in this respect and mention the steps to be taken in this regard. **(CA N03, 05 Modified)**

Or

Sunrise Limited is a subsidiary Company of Hotline Ltd. The financial year of Sunrise Limited is 1st July to 30th June, whereas the financial year of Hotline Limited is from 1st April to 31st March every year. To maintain uniformity and consolidation of annual accounts the board of directors of Hotline Limited decided that the accounting year of Sunrise Limited for the year 1st July, 2013 to 30th June, 2014 be extended from present 12 months to 21 months i.e. 1st July 2013 to 31st March 2014. Mention in the light of the provisions of the Companies Act, 2013, the steps to be taken by the Hotline Limited in this regard. **(CA J09 Modified)**

Or

Ambitions Engineering Consultants Ltd., whose financial year ends on 31st March, has acquired Struggling Techies Ltd. making it a subsidiary Company. The financial year of the subsidiary Company ends on 30th June. The management of the holding Company wants to change the financial year of the subsidiary Company, if possible, so as to coincide with the financial year of the holding Company. State the relevant provisions of the Companies Act, 2013 regarding the financial year and the maximum period up to which the accounts can be prepared in a financial year and the approvals, if any, required to be taken to accomplish this task. **(CA M10 Modified)**

The definition of financial year under Companies Act, 2013 has been aligned with the Tax laws. 'Financial year', in relation to any Company or body corporate, means the period ending on the 31st day of March every year. Now, every Company is required to follow uniform financial year. Financial year for every Company start from 1st day of April.

Existing companies on the commencement of 2013 Act, is required to align its financial year as per provision of section 2(41) within a period of 2 years from commencement of 2013 Act. (Section 2(41) is made effective w.e.f. 1st April 2014)

A Company or body corporate, which is a holding Company or a subsidiary of a Company incorporated outside India and is required to follow a different financial year for consolidation of its accounts outside India, the National Company Law Tribunal (NCLT) may allow any period as its financial year, whether or not that period is a year.

In view of above provision, X Ltd cannot apply to NCLT for extension or modification of financial year of its subsidiary because its subsidiary is Indian Company. The financial year of holding Company start on 1st April but its subsidiary Company on July. Subsidiary company should take necessary steps to align its financial year with holding Company within period of 2 years from date of commencement of 2013 Act.

Q.No.4. The Board of Directors of Vishwakarma Electronics Limited consists of Mr. Ghanshyam, Mr. Hyder (Directors) and Mr. Indersen (Managing Director). The Company has also employed a full time Secretary. The Profit and Loss Account and Balance Sheet of the Company were signed by Mr. Ghanshyam and Mr. Hyder. Examine whether the authentication of financial statements of the Company was in accordance with the provisions of the Companies Act, 2013? **(NEW SM)**

PROVISION: Under section 134(1) of the Companies Act, 2013 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 at least:

- The chairperson of the Company where he is authorised by the Board; or
- Two directors out of which one shall be managing director and other the Chief Executive Officer, if he is a director in the Company, and
- The Chief Financial Officer and the Company secretary of the Company, wherever they are appointed.

ANALYSIS: In the instant case, the Balance Sheet and Profit and Loss Account have been signed by Mr. Ghanshyam and Mr. Hyder, the directors.

CONCLUSION: In view of Section 134(1) of the Companies Act, 2013, Mr. Indersen, the Managing Director should be one of the two signing directors. Since the Company has also employed a full time Secretary, he should also sign the Balance Sheet and Profit and Loss Account.

Q.No.5. ABC Company is a one-person Company and has only one director. Who shall authenticate the balance sheet and statement of profit & loss and the Board 's report? **(NEW SM)**

In case of a One Person Company, the financial statements shall be signed by only one director, for submission to the auditor for his report thereon. So, the financial statements signed by one director shall be considered in order.

Q.No.6. The Annual General Meeting of R Ltd., for laying the Annual Accounts thereat for the year ended 31st March, 2016 was not held. What remedies is available with the Company regarding compliance of the provisions of section 137 of the Companies Act, 2013 for filing of copies of financial statements with the Registrar of Companies? **(NEW SM)**

In the present case though Annual General Meeting was not held, it ought to be held by 30th September, 2016 under sections 96 of the Companies Act, 2013. Therefore, under the provisions of section 137(2) the financial statements along with the documents required to be attached under this Act, duly signed along with the statement of facts and reasons for not holding the annual general meeting shall be filed with the Registrar within thirty days of the last date before which the annual general meeting should have been held i.e. by 30th October 2016 along with such fees or additional fees as may be prescribed.

Q.No.7. ADV Ltd. is engaged in the business of construction and has various projects which are under execution in Delhi-NCR region. The company is also looking for new projects, particularly in Southern part of India based on an understanding that the margins are very high over there. During the year ended 31st March 2018, the company got covered within the requirements of CSR. Considering the nature of its business, company has a large employee base and it decided to spend CSR on some activity related to construction which would benefit its employees and would indirectly also help the business of the company. Please advise on this. **(NEW SM)**

As per the requirements of CSR, the projects or programs or activities that benefit only the employees of the company and their families shall not be considered as CSR activities in accordance with section 135 of the Act. Accordingly, in the given case, the activity planned by the company is related to its business only and that too only for the benefit of its employees would not be considered as part of CSR requirements.

Q.No.8. Reliance Industries Limited, a company incorporated under the Companies Act, 2013, has its shares listed on a recognized Stock Exchange in India. One of the subsidiary of Reliance Industries Limited is a foreign company incorporated outside India. In the annual general meeting of the company, Reliance Industries Limited has placed its audited financial statement including consolidated financial statement on its website. Reliance Industries Limited has also placed on its website separate audited accounts of all its subsidiary located in India except one subsidiary, which is a foreign company and located outside India on the grounds that such foreign company is not required to get its financial statement audited under the company law of its incorporation. You are required to examine whether Reliance Industries Limited has complied with the provisions of section 136?

No, Reliance Industries Limited has not complied with the provisions of section 136 because Reliance Industries Limited is also required to place unaudited financial statement of its foreign subsidiary on its website even if such foreign subsidiary is not required to get its financial statement audited as per the provisions of section 136.

Q.No.9. Explain the law laid down under the Companies Act, 2013 in respect of filing of annual financial statements with Registrar of companies in the following two situations who is liable for the default.

a) Where financial statements of the Company are filed with the ROC after 10 months from its due date;
b) Where financial statements are not at all filed by the Company with the ROC? **(CA FINAL - PM)**

a) Under section 403 of the Companies Act, 2013, any document may be filed within 270 days from the date

by which it should have been filed under the Act. Any such document be also filed after 270 days on payment of fee and additional fee as may be prescribed, and the Company and its officers who are in default shall be liable for the penalty or punishment provided under the Act. Accordingly, in the present case, the financial statement has been filed after 270 days. Thus, the Company may file the same on payment of fee and additional fee after 10 months. The Company and its officers may approach ROC for compounding the offence, to avoid any prosecution by ROC for such failure or default.

- b) Under section 137 (3) of the Companies Act, 2013, if a Company fails to file the financial statement, the Company and the Managing director and the Chief Financial officer, if any, and in their absence, any other director who is charged by the Board with the responsibility of complying with the extent provisions, and in the absence of any such director, all the directors of the Company, shall be punishable.

Q.No.10. The Annual General Meeting of Robertson Ltd., for laying the Annual Accounts thereat for the year ended 31st March, 2014 was not held, as the accounts were not ready. In this context: Advise the Company regarding compliance of the provisions of section 137 of the Companies Act, 2013 for filing of copies of financial statements with the Registrar of Companies. Will it make any difference in case the Annual Accounts were duly laid before the Annual General Meeting held on 27th September, 2014 but the same were not adopted by the shareholders? **(CA FINAL - PM)**

PROVISION: Under section 137(1) of the Companies Act, 2013, a copy of the financial statements, including consolidated financial statement, if any, along with all the documents which are required to be attached to such financial statements under this Act, duly adopted at the annual general meeting of the Company, shall be filed with the Registrar within thirty days of the date of annual general meeting in such manner, with such fees or additional fees as may be prescribed within the time specified. Every Company shall file the financial statements with the Registrar together with Form AOC-4.

Provided that where the financial statements under sub-section (1) are not adopted at annual general meeting or adjourned annual general meeting, such unadopted financial statements along with the required documents under sub-section (1) shall be filed with the Registrar within thirty 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.

Further under section 137(2) of the Companies Act, 2013 where the annual general meeting of a Company for any year has not been held, the financial statements along with the documents required to be attached under sub-section (1), duly signed along with the statement of facts and reasons for not holding the annual general meeting shall be filed with the Registrar within thirty days of the last date before which the annual general meeting should have been held and in such manner, with such fees or additional fees as may be prescribed within the time specified.

ANALYSIS AND CONCLUSION: Accordingly,

- a) In the present case though Annual General Meeting was not held, it ought to be held by 30th September, 2014 under sections 96 of the Companies Act, 2013.

Therefore, under the provisions of section 137(2) the financial statements along with the documents required to be attached under this Act, duly signed along with the statement of facts and reasons for not holding the annual general meeting shall be filed with the Registrar within thirty days of the last date before which the annual general meeting should have been held i.e. by 30th October 2014 along with such fees or additional fees as may be prescribed.

- b) Since the Annual General Meeting has been held in time on 27th September 2014, then adopted financial statements along with the required documents under sub-section (1) of section 137 shall be filed with the Registrar within thirty 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 its adoption in the adjourned annual general meeting for that purpose.

Q.No.11. ABC, a Company with a turnover of Rs 1000 Crores or more and having incurred a loss in any of the preceding three financial years, will be required to comply with CSR? **(NEW SM)**

PROVISION: As per section 135(1) of the Act, if any one of the three criteria (whether net worth, or turnover or net profit) gets satisfied then the company is mandatorily required to comply with the CSR provisions.

ANALYSIS AND CONCLUSION: Hence ABC Ltd. will be required to comply with CSR based on its turnover. The mere fact that company has incurred loss in one of the preceding three financial years will not be considered for determining the applicability of CSR to the companies.

SECTION NUMBER

S. No	CONCEPT	Sec. No.
1)	Books of Account, etc., to be kept by Company	128
2)	Financial Statement	129
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4)	Voluntary Revision of Financial Statements or Board's Report	131
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9)	Right of Member to Copies of Audited Financial Statement	136
10)	Copy of Financial Statement to be Filed with Registrar	137
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PENALTIES AND PUNISHMENT

Section	Particulars	Penalty
Section 128- Books of account, etc., to be kept by company	If the persons charged by BOB (MD, WTD in charge of finance, CFO or any other person of a company charged by the Board with the duty of complying with the provisions of this section) with the duty of maintaining accounts of the Company contravenes the relevant provisions	Such designated persons Fine: Rs 50,000 to 5 Lac Imprisonment: May extend to 1 year Or both
Section 129- Financial statement	Company contravenes the provisions of Sec 129	MD, WTD in charge of finance, the CFO 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. Fine: Rs 50,000 to 5 Lac Imprisonment: May extend to 1 year Or both
Section 134- Financial Statement, Board's report, etc	If Company violates the provisions of Sec 134	Company, Officer in Default Company: Rs 50,000 to 25 Lac Officer in Default Company: Fine: Rs 50,000 to 5 Lac Imprisonment: Up to 3 Years Or Both
Section 136- Right of member to copies of audited financial statement	Company fails to send copy of FS, including CFS, if any, auditor's report and every other document required to be attached to FS, which are to be laid before at GM, to member/ trustee/ other entitled person, within the prescribed time or other provisions of Sec 136	Company, Officer in Default Company: Rs 25,000 Officer in Default Company: Rs 5,000

<p>Section 137- Copy of financial statement to be filed with Registrar</p>	<p>Company fails to file the copy of the FS with the Registrar</p>	<p>Company, Other designated Officers Company: Rs 1,000/ day during which the failure continues but which shall not be more than Rs 10 Lac. MD and CFO, if any, and, in the absence of the MD and the CFO, 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 of Rs 1 Lac and in case of continuing failure, with further penalty of Rs 100/ day after the first during which such failure continues, subject to a max of Rs 5 Lac.</p>
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THE END

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