

Companies Act 2013

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Highlights

	Companies Act, 1956	Companies Act, 2013
Sections	658+	470
Chapters	13	29
Schedules	15	7

Accounts of Companies

Chapter IX (Ss. 128 to 138)

- The Bill recognizes the fact that books of accounts may be kept in electronic form also.
- The term Balance Sheet & Profit & Loss Account, has been defined collectively as financial statement under the Bill and Cash Flow Statements also forms part of the same.

UNIFORM FINANCIAL YEAR

- Uniform Financial Year for all companies.
- Financial Year means the period ending on 31st of March every year. (S. 2(41))
- The Bill does not prescribe whether financial year can be extended or not.

REOPENING AND RECASTING OF ACCOUNTS (S. 130)

- Conditions Precedent:
 - Relevant earlier accounts were prepared in a **fraudulent manner**
 - Affairs of Company Mismanaged casting **doubt on the reliability of Financial Statements.**
 - Application by Central Govt./IT Authorities/SEBI/
Any other Statutory Authority/ Any person
Concerned
 - To Court or Tribunal
 - Court or Tribunal Passes order that Conditions Precedent
exist

VOLUNTARY REVISION OF ACCOUNTS (S. 131)

- It may appear to the Board that Financial Statements/Board's Report are not in conformity with section 129 or section 134.
- Then Revised Financial Statements/ Report may be prepared in respect of any of the three preceding financial years.
- This requires prior approval of Tribunal
- Application to be made by Company
- The Application shall be in Form N0. 9.2

VOLUNTARY REVISION OF ACCOUNTS (S. 131)

- Tribunal shall give notice to Cent. Govt. and IT Authorities for their representations, if any.
- Revision of Fin. Statements NOT to be done more than once a year.
- Circulation to members of the details of Revision Only.
- Board's Report to contain detailed reasons for revision.

- Along with financial statement, consolidated financial statements of all Subsidiaries and Company will be prepared and shall also be laid before the Annual General Meeting. Subsidiary shall for the purpose of this requirement include Associate company and joint venture.

Accounts of Companies ...

- The requirement of attaching the Balance Sheet, Profit & Loss Account, Report of Board of Directors, Auditor Report, statement of the Holding Company's interest in the subsidiary and others Reports as required by section 212 of the Companies Act 1956 has been dispensed with.

NATIONAL FINANCIAL REPORTING AUTHORITY

- The name of National Advisory Committee on Accounting Standards has been changed to National Financial Reporting Authority.
- The role of authority is to advise on matters related to Auditing Standard in addition to Accounting Standards.
- NFRA has been given powers to investigate suo moto or on reference by CG into matters of professional misconduct committed by any member or firm.

Accounts of Companies ...

- The Director's Report for every Company except for One Person Company, shall provide for various types of additional information like number of meetings of the Board. Company's policy on Directors' appointment and remuneration; explanations or reservation or adverse remark or disclaimer made by the Company Secretary in his Secretarial Audit Report, particulars of loans, guarantees or investments etc.

Accounts of Companies ...

- The Directors responsibility statement shall include additional statement related to Compliance of all applicable laws and in case of listed Companies it shall also include statement related to internal finance control.
- The benefit given to Private Companies under the Companies Act 1956 to file their Balance Sheet & Profit and Loss account separately has been withdrawn.

Compulsory Responsibility

Corporate

Social

Companies which are covered

Every Company having

➤ **Net worth** of rupee **FIVE HUNDRED**
Crore or more **OR**

➤ **Turnover** of rupees **ONE THOUSAND**
Crore or more **OR**

➤ **Net profit** of rupees **FIVE Crore** or more

during the financial year

Compulsory Responsibility

Corporate

Social

- Such Companies shall constitute a *Corporate Social Responsibility Committee* of the **Board** consisting of **3 or more Directors**
- Out of which at least ***one Director*** shall be an ***Independent Director***. The committee shall recommend the policy for CSR to the Board.

Corporate Social Responsibility

BOARD TO ENSURE

- *The Corporate Social Responsibility (CSR) spends of at least 2% of the average net profits of the Company made during the 3 immediately preceding financial years*
- *Failure to be reported with the necessary reasons*
- *The Company to give preference to the local area and areas around it, where it operates while spending on CSR*

Audit and Auditors

- Every Company shall, at the first Annual General Meeting, appoint an individual or a firm as an Auditor who shall hold office from the conclusion of that meeting till the conclusion of its sixth Annual General Meeting and thereafter till the conclusion of every sixth meeting.
- However the Company shall place the matter relating to such appointment for ratification by members at every Annual General Meeting.
- The Bill provides provision for compulsory rotation of individual Auditors in every 5 years and of audit firm in every 10 years in listed Companies & certain other class of Companies, as may be prescribed.

Audit and Auditors ...

- The Bill also provides that a Company can resolve for rotation of auditing partner and his team within an auditor.
- The Bill provides for certain new disqualification for the Auditors.
- The Bill provides that Auditor shall also comply with Auditing Standards. The Central Government will prescribe the standards of auditing or any addendum thereto, as recommended by the Institute of Chartered Accountants of India, in consultation with and after examination of the recommendations made by the National Financial Reporting Authority.

Removal Of Auditors

- Removal of an Auditor before the expiry of his term of office requires Special Resolution and previous approval of CG
- Automatic reappointment of retiring auditor in case no auditor is appointed or reappointed at the AGM
- Resigning Auditor to file a statement indicating reasons and other relevant facts relating to resignation within Thirty Days with ROC

Removal Of Auditors

- Power given to CG to direct change of auditors in case of fraud or abetting.
- Auditor includes Firm for the purpose of Removal. Not just the signing partner!!!

- A duty has been cast on the Auditor, to immediately report to the Central Government, any offence involving fraud which is being or has been committed against the Company by officers or employees of the Company, which he believes to be committed during the course of performance of his duties as an Auditor.

Audit and Auditors ...

- The duties, which have been cast on Auditor under Section 143, shall apply mutatis mutandis to both Cost Accountants for Cost Audit and Company Secretary in Practice for Secretarial Audit.
- The Auditor of the Company shall not provide directly or indirectly the specified services to the Company, its Holdings and Subsidiary Company.

Internal Audit (S. 138)

- As per the Bill, certain class or classes of Companies, as may be prescribed, shall be required to appoint an internal Auditor, who shall either be a Chartered Accountant or a Cost Accountant, or such other professional as may be decided by the Board, to conduct internal audit of the functions and activities of the Company.

Companies That are Covered

- Every Listed Company
- Public Company having Paid up Share Capital of Rs. 10 Crore or more;
- Every other Public Company which has
 - Outstanding Loans to PFI exceeding 25 Crores or
 - Accepted Deposits of 25 Crores or more

Cost Audit (S. 148)

- No approval is required of the Central Government for the appointment of a Cost Auditor to conduct the Cost Audit.
- Cost Auditor to submit his report to the Board for forwarding to CG.
- Cost Accounting Standards have been made Compulsory

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THANK YOU