

ACCOUNTS OF COMPANIES

108

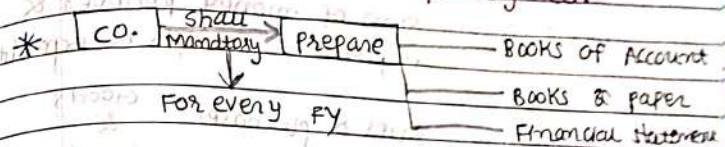
8 to 12 marks

* sections covered :-

section NO.	Description
128	Books of Accounts
129	Financial Statements
130	Reopening of Accounts on court's order
131	voluntary Revision of FS or BR
132	National Financial Reporting Authority
133	Accounting standards
134	Board Report
135	corporate social Responsibility
136	Right of members to copies of Audited FS
137	copy of FS to be filed with RoC
138	Internal Audits

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section 128: Books of Account to be kept by co.



* How to prepare → in such a way

True & fair view Accrual Basis Double entry system

state of affairs

- company
- branch office

* Accrual :- Record income & Expenses when they occur, not when received or paid.

* double entry system :- Every transaction Effects

- debit
- credit

* Mode of preparation

- physical mode (paper)
- (OR)
- electronic mode

* Books of Accounts

(Sec: 2)

Records related to

↓

→ sum of money received & expended (Receipts & Expenditure)

27 → sales & purchases Goods & Services

37 → Assets & liability

47 → cost records as per section 148

* Books & paper :- Includes -

→ Books of Account

→ deeds

→ Vouchers

→ writings documents & meetings minutes

→ Registers

* Place of keeping BOA (Books of A/C)

Books of A/C :-

&c

Books & papers

&c

VFS

At Registered office of company

OR

BOD can decide

Any other place in India

With in 7 days Inform

ROC

In writing full New Address.

* Records & Related to Accounts

Branch can be maintained at Branch office

Inspection can be done by any directors periodically submitted Return

WHO CAN Register office ANY Director OR any other place

opening business hours 9 to 6 General clause Act

Q:- CAN a nominee director inspect the BOA?

Ans:- Nominee director, independent director, part time director, whole time director or any category of director

↓
CAN inspect the books of A/C

Q:- CAN a member has power to inspect BOA?

Ans:- NO, only books of A/C → inspection → BOA Right

Q:- Any information

financial related maintained o/s India → seek only by directors individually

↓
His Agent, Attorney or legal Representative can not ask such information

↓
Director (P) → VMA

*:- preservation of BOA

At least 8 FY If A co is in existence for less than 8 years
↓
from the Date of INC.
Who will preserve these BOA?
MD, WTD, CFO, Any Person authorised by BOA

* IF NOT preserve or NOT compliance sec 123
↓
(1) Penalty :- 50,000 to 5,00,000

* BOA → maintained → electronic form
Rule 3 of co. rules, 2014

1. Accessible in India
2. complete & unaltered

(3) Any information received must be retained in same form

31/4/2023 co. use Accounting software → Function → changes → edit log → disabled ⊗

5. BOA & maintained → legible form
fin. info. electronic form

6. BOA & maintained → Back up
fin. info. electronic form
↓
server installed in India

7. Info. → ROC
↓
→ Name of service provider
→ IP Address of service provider
→ Location of service provider
→ DATA → CLOUD Address
maintain

Facts & points :-

- Any inform. maintained by OIS, India or sector (individually)
company → written request
within 15 days from date of request

2. All employee or Assistance → The person who is making inspection
officer of co.

3. Subsidiary BOA → Inspect → Through Board Resolution

section 129 : Financial statements

definition → sec : 2

- Statement of profit & loss for the year ended on...
- Balance sheet as at the end of FY
- cash flow statement
- Statement of changes in equity
- Any Explanatory statement or Notes to AC for the above 4 points

"Roham sir ani stat" :- 17 sec

- Statement of P/L → Profit entity
- Income & exp. A/c → Not for profit entity
- opc, small co., Dormant co. & startup

PVT. CO.

Need
NOT

to prepare cash flow statement

* Financial year: period ending on 31/03
every year.
i.e. 1/04 ----- 31/03

→ If company or Body corporate incorporated
After 1/01-23 then their FY will be the
period ended the following year.

Example:- A company incorporated on

1/07/2021



F.Y.

1/07/2021

to

31/3/2022

1/07/2022



F.Y.

1/07/2022

to

31/03/2023

Special Note :-

company/
Body corporate

Application
to follow
Different
FY

→ TRIBUNAL → NCLT

To consolidate the
Accounts of India

If this company is

of

Any company
Incorporated
of India

Holding subsidiary Associate
co. co. co.

* Financial statements :-

(FS-EC-15-1A)

→ True & fair view

→ Accounting standards 41/133

→ company as per schedule III

Part: A

part: B

B/S of P/L

→ FS :- 1. Approved By BOD

2. then BOD lay down FS → AGM
for every
FY

Consolidation of financial statements [CFS]

→ If a company has subsidiaries OR Associate company

→ then company will prepare :-

ES CFS → In same format & manner of FS

Preparation
Adoption
Audit

How to
consolidation?

→ As per Applicable AS (AS-21, 23, 27)

→ CFS also laid at AGM before shareholders

As per AS ⊕ III

(AS-21, 23 & 27)

→ CO Attach salient features with FS of subsidiaries

A separate statement

Rule 5 of Companies Act, 1956

Accounting standards

• Exceptions :-

A company which is not required to prepare CFS as per applicable AS	If a company does not have subsidiaries, But has one or more Associates or JV (Joint Venture)	No Rule of consolidation Apply on a company having subsidiaries Incorporated outside India
Then it is okay to prepare FS as per schedule	Not required to prepare CFS	31/3/14 to 31/3/15

• Exemptions from preparation of CFS

Not required to prepare CFS

(i)	(ii)	
company is not listed or not apply for	If a company is WOS OR PWS & members of co.	Ultimate or any intermediate company

listing in india or o/s india.	in writing do not object for not presenting CFS	Files CFS as per AS
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* If a company do not comply with AS → this fact must be disclosed in FS

Reasons for Deviation: financial impact of deviation, deviation from AS

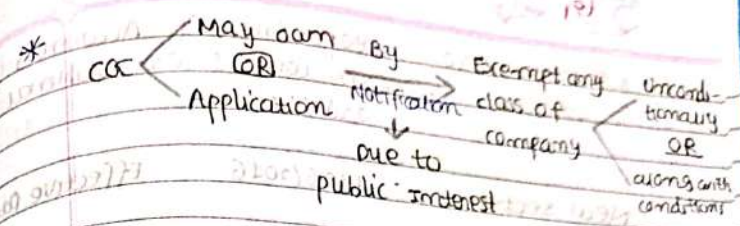
* Penalty for contravention of section 129

Person Responsible: MD, WTD, CFO, Any other person

If these are present in co. → If not present

All directors

→ 50,000 to 5,00,000
 → Imprisonment for 1 year OR 50,000 to 5 lakh



Section 129 A: Periodical Financial Statements

* Insertion of New section :-

CGC Require Unlisted company

- (1) TO Prepare FS on periodical Basis.
- (2) TO obtain Approval of BOB & Audit or limited review on periodical FS
- (3) File copy with in 30 days → with Registrar

completion of periods

122
Section 130 :- Reopening of Accounts on court's or Tribunal order :- 1/1/1998

New section → 1/06/2016 → Effective Date

(1) company can reopen its BOA OR recast its FS

only if :- Application is made by

- central Govt
- Income tax Authorities
- SEBI
- Any other statutory Body
- Any other person

TO

competent jurisdiction or TRIBUNAL

NCLT

123
when :-
(to the effect that)

earlier AC prepared on fraudulent manner

OR

Affairs of co. were mismanaged → Doubt on reliability of FS
During that period

* NO court/Tribunal Notice to

court will consider the representations made by these

then pass the relevant order

or income tax
SEBI
Any statutory Body
Any other person

* BOA OR FS → Revised OR Recast → shall be final

* No such order can be passed for period earlier than 8 immediately preceding FY 14-15

except :- if co. Allows/ directed u/s 128 to preserve section 128, then order can be passed, for more than 8 years

Section 131 :- Voluntary Revision of

[1/6/2016]

→ effective date

FS OR Board Report

- (1) Directors Apply to Tribunal → FS → sec: 129
Board Report → sec: 131

* That FS / BR doesn't comply with sec: 129 / sec: 134

- (2) Then Tribunal serve Notice Income tax

- (3) Then Tribunal will consider these representations from CA / income tax Authorities before passing order

- (4) Then Tribunal will pass order for Revision But it cannot revised / prepared more than once in FY

- (5) This Tribunal order copy to be filed with RO

- (6) Reasons for Revisions also to be disclosed in FS / BR in which revision to be made.

Section 133 :- CG to prescribe AS

- (1) Who prescribe AS in India?

Ans :- CG

- (2) Who Recommended AS?

Ans :- ICAI

- (3) Who gives consultation for AS?

Ans :- NEERA

* CG ← ICAI + NEERA } AS OR addendum of AS (certa Material)
↓
Before NEERA ⇒ NACAS

Section 138 :- Internal Audit

statutory Audit	Internal Audit	cost Audit	Tax Audit	GST Audit
sec: 143	sec: 138	sec: 148	sec: 44AB	sec: 44AB
CO. Act, 2013 (Mandatory)	Mandatory for some	optional for other	CMA	of IT Act, 1961

Internal Audit is mandatory for following company :-

listed company	Unlisted public co. one of the conditions attached	Pvt. company condition attached
Always NO conditions attached	↓ → outstanding outside Indian deposits > 25 cr. (X) (OR) → PUSC > 50 cr. (X) (OR) → outstanding Borrowing > 100 cr. same (✓) (OR) → Turnover > 200 cr. same (P.F.Y) (✓)	

→ For Rest of companies, Internal Audit is not mandatory, it is optional.

* who decides the scope of work, functioning, Remuneration

Audit committee
OR
BOD

* who can be Internal Auditor

CA
CMA
other
either employee of co. OR not professional decided by Board

Section 132: NFRA ⇒ National financial Reporting Authority

→ CA establish NFRA By Notification in official gazette

duties

Recommendation to CA for Accounting & Auditing standards
Monitor the compliance of Accounting & Auditing standards by company & Auditors
oversee the quality of professional measures for improve its quality
perform any other functions as per its quality

→ NFRA

- chairperson - 1
- Members = not more than 15
- part time full time
- Appointed by CG
- Terms of Appointment will be decided by CG

shall be expert in field of Accounting, Auditing, law & finance

* On the date of Appointment, chairperson & full time member shall make a Declaration that they are not associated with any Audit or consultancy firm during the period of their tenure with NFRA.

↓
They are also not to be associated with such firm for 2 years after ceasing the appointment from NFRA.

Members chairperson

lack of independence ⊗
conflict of interest ⊗

Powers OF NFRA

(1) NFRA either sue-moto OR Reference given by coal Body corporate

May Investigate

→ on the matter related to "professional other misconduct" under CA Act 1949 of any firm

once any investigation initiated by NFRA

NO other institute or body can initiate or continue on such matter

(2) NFRA has some powers as of civil court under CPC, 1908:-

power of NFRA = CPC, 1908

Discovery of Books of A/C on any place & time prescribed by NFRA

Inspection of Books of A/C, Register, any Document.

Summon any person for attendance & examine him on oath

Issue warrants for examine the witness

(3) Penalty order If professional or other misconduct prove

Individual min :- 1 lakh max :- 5 x fees per

Firm/LIP min :- 5 lakh max :- 10 x fees per

(4) Debar any member or firm if such professional & other misconduct proved from :-

Being Appointed as auditor or other statutory or internal or any kind of Audit

Debar from valuation

min :- 6 month
Max :- 10 year

* NFRA Any person aggrieved with order of NFRA May Appeal → NCLAT

NFRA Rules, 2018

→ Head office → New Delhi

→ Rules compliance of AS, SA Investigation

listed co.	unlisted co.	Banking Insurance co.	Any co. Referred by C.A.	Any co. which is incorporated outside India
Turnover > 1000 cr.	Borrowing > 500 cr.	PUSC > 500 cr.		
				subsidiary of co. incorp. in India
			Income of holding co. more than 20% of its gross income	subsidary of co. incorp. in India

NERA → Accounts → Audited by CAG
 CAG prepare Annual Reports → Report to CA
 Financial Statement ⊕ AR By CAG ⊕ AR by CA
 → forward to house of parliament
 LS + RS

Section 137: copy of FS & other documents to be filed with ROC

AGM held	AGM held	AGM NOT held
copy of FS & other document	Not Adopted By the members at AGM	shall be filed with ROC
Adopted by members at AGM	document will be filed with ROC	within 30 days from the last date on when AGM should have been held. Reasons & additions
they should be filed with in 30 days from date of AGM	meeting will be postponed. Adjourned Meeting Adopted at ADJ. Meeting	

Not applicable for banking co.
 Non-Banking finance co.
 Housing finance co.
 Company engaged in business of banking or insurance
 Now they should be filed with ROC within 30 days of ADJ. Meeting

AOC-4
 XBRL-AOC-4
 Listed company
 PUSC ≥ 5 cr
 Turnover ≥ 100 cr
 follow Ind AS
 with exchange of information & their subsidiaries (indian)

Meeting - AGM - Hold
 OPC (+)
 OPC shall file document with ROC 180 days from the closing of F
 * company has to file the FS of company which is subsidiary & incorporated in India
 If FS are not audited as per law of that country then unaudited FS needs to be filed with ROC
 * If language of FS is other than English then FS needs to be transferred into English language.

→ FS needs to be in format of schedule III as far as possible.

Section 134: PRS

Director's Responsibility Statement

part of Board Report

(1) Applicable Accounting standards have been followed while prepared Annual Accounts.

(2) Accounting policies have been applied consistently & A/c estimates & judgements are reasonable which give true & fair view of state of affairs of co.

(3) proper & sufficient care is taken for maintainance of A/c for the safeguarding of Assets of co. & to prevent fraud & irregularities

(4) A/c are prepared on the basis of going concern.

(5) company has laid down financial consent & effective internally in case of listing co.

sign → FS/BR

Chairman OR CEO CFO CS

2 Director in which one is MD

Section 136: Rights of members to copies of Audited FS

→ COPY of FS + CFS + Auditor's Report + Any other documents

which one laid before AGM

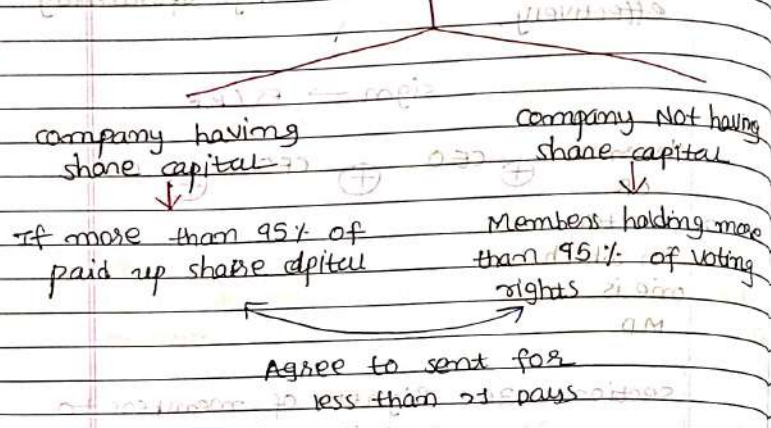
shall sent → Before At least 21 days of AGM

every Member of company

Trustee of the share holders

Any other person like auditor

Exception :- less than 21 days are allowed

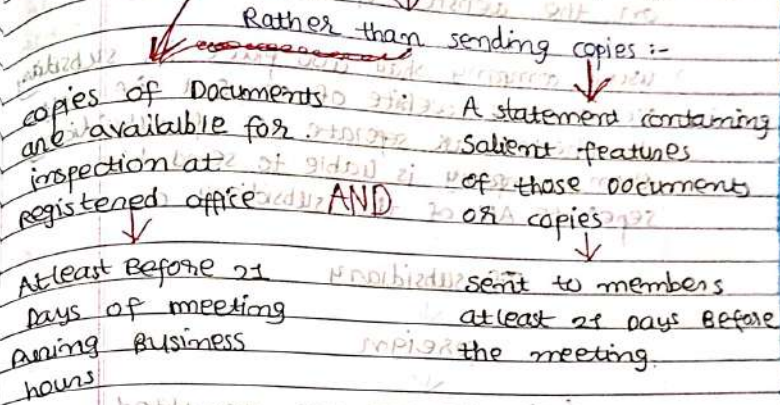


→ 21 days is Applicable on other companies

→ For section 8: NPO company, 14 days is applicable

But 14 days (NPO) is applicable only when: (Not default) OR under sec: 237

Exemptions for listed company



* In case of listed co :-

copies available for inspection for members atleast before 21 days (before)

Normally :- Salient feature of those copy shall be sent before 21 days of meeting (ATM)

But if a shareholder ask for full statement listed of salient feature statement & not ready for inspection at office

Then, company is liable to send full statement :-

→ listed co. shall also place these documents on the website of co.

→ listed company shall also place its subsidiary A/C on the website of co., But if any shareholder is separate A/C of subsidiary then company is liable to send him separate A/C of the subsidiary co.

If subsidiary

foreign

Their Accounts are unaudited

co. shall place Translate those unaudited accounts document in english or website language

⇒ Exception → NIPHI co.

shareholder :- FV. ≤ 1000

or

if of PUSC

whichever lower

Meeting Notice



copies of notice

The Advertisement, in which it can be inspected

Newspaper for notice of meeting is deemed Notice.

at Registered office