ACCOUNTS OF COMPANIES

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

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

* CO. $\xrightarrow{\text{Shall / Mandatory}}$ Prepare — BOOKS of Account / Books & paper / Financial statements

For every FY

* How to prepare → in such a way

- True & fair view → state of affairs: company & Branch office
- Accrual Basis
- Double entry system

* Accrual :- Record Income & Expenses when they occur, not when recieved or Paid.

* Double entry system :- Every transaction Effects → 2 Accounts (At least) — Debit / credit

* Mode of preparation BOOKS of A/C — physical mode (paper) (OR) electronic mode

* Books of Accounts (sec : 2) :→ Records Related to
1) → Sum of money Recieved & expanded (Reciepts & Expenditure)
2) → Sales & purchases ← Goods & Services
3) → Assets & liability
4) → 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 & Books & paper & FS → At Registered office of company
OR
BOD can Decide ↔ Any other place in India

With in 7 days Inform
↓
ROC
↓
In writting full New Address.

* Records & Related to Branch Accounts → the transaction of Branch can be office maintained at → Branch office & sent

Inspection can be done by any Director → ROC
periodically summerised Return

WHO CAN → ANY Director
Register office OR any other place → During Business hours Ex (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 → BOD 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

* :- 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 incharge of finance | person authorised by BOD

* If NOT preserve or NOT compliance sec 128

↓

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 from Branch must be → Retained in same form

1/4/2023 co. use → Accounting software → Function ↓ Audit Trail.

changes → edit log

Disabled ⊗

5. BOA & fin. Infor. —maintained→ Repiable form / electronic form

6. BOA & Fin. Infor. —maintained→ Back up / eletronic form
Server installed in India

7. Infor. → ROC
↳ Name of service provider
↳ IP Address of service provider
↳ location of service provider
↳ DATA —maintain→ CLOUD Address

Extra points :-

1. Any inform. maintained → Info. seak only by O/S India Director (Individually)
company ← written request
within 15 Days from Date of Request

2. All employee or officer of co. —Assistence→ The person who is making Inspection

3. subsidary BOA —Inspect→ Through Board Resolution

section 129 : Financial statements

Definition → sec : 2

1) Statement of profit & loss for the year ended on

2) Balance sheet as at the end of FY

3) cash flow statement

4) Statement of changes in equity

5) Any Explanatory statement or Notes to A/c for the above 4 points

"Rohan sir का ज्ञान" :- 17 sate
Statement of P/L → Profit entity
2) Income & Exp. A/C → Not for profit entity
3) OPC, small co., Dormat 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 then their FY will be the period ended the following year.

Example :- A company Incorporated on

1/07/2021	1/02/22
↓	↓
F.Y.	F.Y
1/07/2021	1/02/2022
to	to
31/3/2022	31/03/2023

Special Note :-

Company/ Body corporate $\xrightarrow[\text{to follow Different FY}]{\text{Application}}$ To consolidate the Accounts o/s India

Application → TRIBUNAL → NCLT

If this company is → $\boxed{\text{of}}$ → Any company Incorporated o/s India

Holding co. | subsidiary co. | Associate co.

* Financial statements :-

→ True & fair view
→ Accounting standards u/s 133
→ company as per schedule III

Part : A — B/S
part : B — st. of P/L

→ FS :- 1) Approved By BOD
2) then BOD $\xrightarrow{\text{Lay down}}$ FS $\xrightarrow{\text{AT}}$ AGM
for every FY

Consolidation of financial statements [CFS]

→ If a company has subsidiaries OR Associate company

→ then company will prepare :-

FS | CFS → In same format & manner of FS (Preparation, Adoption, Audit)

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

→ CFS also laid at AGM before shareholders — FS + CFS

How to consolidation? As per AS (AS-21, 23 & 27) + schedule III

→ Co Attach salient features of subsidiaries with FS of Co. → AOC 1

A seperate statement — Rule 5 of co rules, 14

Accounting standards

- Exceptions :-

A company which is not required to prepare CFS as per applicable AS. ↓ Then it is okay to prepare CFS as per schedule III	If a company does not have subsidiaries, But has one or more Associates or JV (Joint venture) — Not required to prepare CFS — 1/4/14 to 31/3/15	No Rule of consolidation Apply on a company having subsidiaries Incorporated outside India

- 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 POS & members of co.	AND Ultimate or any Intermediate company

listing in India or o/s India.	in writting DO not object for not presenting CFS	Files CFS as per AS

* 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
↳ Impriosment
1 year OR 50,000 to 5 lakh

* CG May can (OR) Application → By Notification → Exempt any class of company → Unconditionally OR along with conditions
  - Due to public Interest

section 129 A : Periodical Financial statements

* Insertion of New section :-

$\boxed{CG}$ Require → $\boxed{\text{Unlisted company}}$

(1) TO Prepare FS on periodical Basis.
(2) TO obtain Approval of BOD & Audit OR limited review on periodical FS
(3) File copy within 30 Days → with Registrar
  ↓ completation of Periods

section 130 :- Reopening of Accounts on court's or Tribunal order :-

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

when :- (to the effect that)
→ earlier A/C prepared on fraudulent manner
OR
→ Affairs of co. were mismanaged During that period → Doubt on reliability of FS

* Now court/Tribunal Notice to
- CG
- Income tax
- SEBI
- Any statutory Body
- Any other person

court will consider the representations made by these
Then pass the relevant order

* BOA OR FS
Revised
OR
Recast
→ shall be final

* No such order can be passed for period earlier than 8 immediately preceeding FY
14-15 → 22-23
वर्तमान 8 वर्षों के अनुसार पूर्व के लिए किया

Except :- If CG Allows / Directed u/s 128 to preserve section 128, then order can be passed, for more than 8 years section 131 :- Voluntary Revision of FS OR Board Report

1/6/2016 → effective date

(1) Directors Apply to tribunal — FS → sec: 129 / Board Report → sec: 134

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

(2) Then Tribunal serve Notice — CG / Income tax

(3) Then Tribunal will consider these representations from CG / 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 ROC

(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 Recomended AS ?
Ans :- ICAI

(3) who gives consultation for AS ?
Ans : NFRA

* CG ← ICAI + NFRA — AS OR addendum of AS (extra Material)

Before NFRA ⇒ NACAS

section 138 :- Internal Audit

Audit

Statutory Audit	Internal Audit	Cost Audit	Tax Audit	GST Audit
sec: 143	sec: 138	sec: 148	sec: 44AB of IT Act, 1961	
Co. Act, 2013 (Mandatory)	Mandatory for some / optional for other	CMA		

Internal Audit is mandtory for following company :-

Listed company	Unlisted public co.	Pvt. company
Always NO conditions attached	one of the conditions attached	condition attached

Unlisted public co. / Pvt. company:

- ↳ ~~outside~~ outstanding ~~Indian~~ Deposits > 25 cr — ✗ (Pvt. company)

(OR)

- ↳ PUSC > 50 cr. — ✗ (Pvt. company)

(OR)

- ↳ outstanding loans Borrowing > 100 cr — same ✓ (Pvt. company)

(OR) (OR)

- ↳ Turnover > 200 cr — same ✓ (Pvt. company)
  (P.F.Y)

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

* Who decides the scope of work, functioning, Remuneration — Audit comitee OR BOD

* Who can be Internal Auditor — CA / CMA / other professional decided by Board } eiter employee of co. OR not

Section 132 : NFRA ⇒ National financial Reporting Authority :

→ CG establish NFRA By Notification in official gazette

Duties

Recommendation to CG for Accounting & Auditing standards	Monitor the compliance of Accounting & Auditing standards by company & Auditors	oversee Quality of professional & suggest measures for Improvement in Quality	perform any other function as deals its

→ 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 expertise 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 or chairperson

lack of Independence ⊗
conflict of interest ⊗

Powers OF NFRA

(1) NFRA

either sue-moto OR Reference given by CG, Body corporate

May Invistigate

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

↓

once any Invstigation Initiated By NFRA → NO other Institute or Body can Initate 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, Registes, any Document.	Summon any person for attendence & 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 Re.
- Firm/LLP
  - Min :- 5 Lakh
  - Max :- 10 x fees Re.

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

Being Appointed as auditor either statutory or Internal or any Kind of Audit

Debar from valuation

Min :- 6 Month
Max :- 10 years

* NFRA Pass order: $\xrightarrow[\text{with order of NFRA}]{\text{Any person Aggrieved}}$ Appeal May → NCLAT

NFRA Rules, 2018

↳ Head office → New Delhi

↳ Rules
- compliance of AS, SA
- Investigation

Listed Co.	Unlisted Co.	Banking Insurance co.	Any co. Reffered by CG	Any co. which is incorporated outside India But subsidiary of co. incorp. in India

Unlisted Co.:
- Turnover > 1000 Cr.
- Borrowing > 500 Cr.
- PUSC > 500 Cr.

Income of holding co. more than 20% → subsidiary co.

→ NFRA → Accounts → Audited by CAG

CAG prepare Annual Reports ← Report to CAG

Financial statement + AR By CAG + AR by CAG → forward to each house of parliament

$\underbrace{\text{parliament}}_{\text{LS + RS}}$

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	Documents will be filed with ROC BUT ROC will treat them as (provisional) / meeting will be postpond. → Adjourned Meeting → Adopted at ADJ. Meeting	within 30 Days from the last Date on when AGM should have been held. with Reasons & additionals
they should be filed with in 30 Days from Date of AGM		

Now they should be filed with ROC with in 30 Days of ADJ Meeting

AOC-4

XBRL-AOC-4 → Not applicable following co. → Non Banking finance co. / Housing finance co. / company engaged in business of banking & insurance secton

Listed co. with stock exchange in India & their subsidiaries (Indian) / PUSC ≥ 5 cr company / Turnover ≥ 100 cr follow Ind AS

Meeting – AGM – Hold

OPC + OPC shall filed document with 180 Days from the closing of F

* company has to file the FS of company which is subsidary & incorporated o/s India

If FS are unaudited as per law of that country → then unaudited FS needs to filed with ROC

* If language of FS is other than english → then FS needs to be transfered into english language.

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

Section 134 : DRS

Director 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 & judgement 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 in case of listing co Internal financial consent & stge operatinaly effectively.

sign → FS / BR

Chairman OR 2 Director in which one is MD + CEO + CFO + CS

Section 136 : Rights of members to copies of Audited FS

→ copy of FS + CFS + Auditor's Report + Any other Documents

which are laid Before AGM

shall sent → Before Atleast 21 Days of AGM

every Member of company | Trustee of the Debenture holders | Any other person like auditor

Exception :- less than 21 Days are allowed

- company having share capital
  - If more than 95% of paid up share capital
- company Not having share capital
  - Members holding more than 95% of voting rights

Agree to sent for less than 21 Days

→ 21 Days is Applicable on other companies.

→ For section 8 : NPO company ⇒ 14 Days is applicable

But 14 Days (NPO) is Applicable only when: Under Not Default Sec:92 OR Sec:137

Exemptions for listed company

Rather than sending copies :-

- copies of Documents are available for inspection at registered office AND
  - Atleast Before 21 Days of meeting during Business hours
- A statement containing Salient features of those Documents OR copies
  - sent to members atleast 21 Days Before the meeting.

* In case of listed co :-

Normally :-
- copies availible for inspection for member atleast Before 21 Days (B/S hours)
- Salient feature of those copy shall be sent Before 21 Days of meeting (AGM)

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 ask seperate A/C of subsidiary then company is liable to send him seperate A/C of the subsidiary co.

If subsidiary
↓
foreign
↓
Their Accounts are unaudited

co. shall place unaudited accounts on website

Traslate those document in english language

⇒ Exception → NIDHI co.

shareholder :- FV. ≤ 1000 or 1% of PUSC } whichever lower

Meeting Notice

The Advertisement in

copies of documents can be inspected

Newspaper for notice of meeting is deemed notice.

at Registered office