

CA INTERMEDIATE



CHANKYA
NITI

Accounts of Companies

One-Shot Lecture



By – CA Gurpreet sir



TOPICS COVERED

→ **COMPLETE CHAPTER**



LAWS KE GOD

CORPORATE AND OTHER LAWS

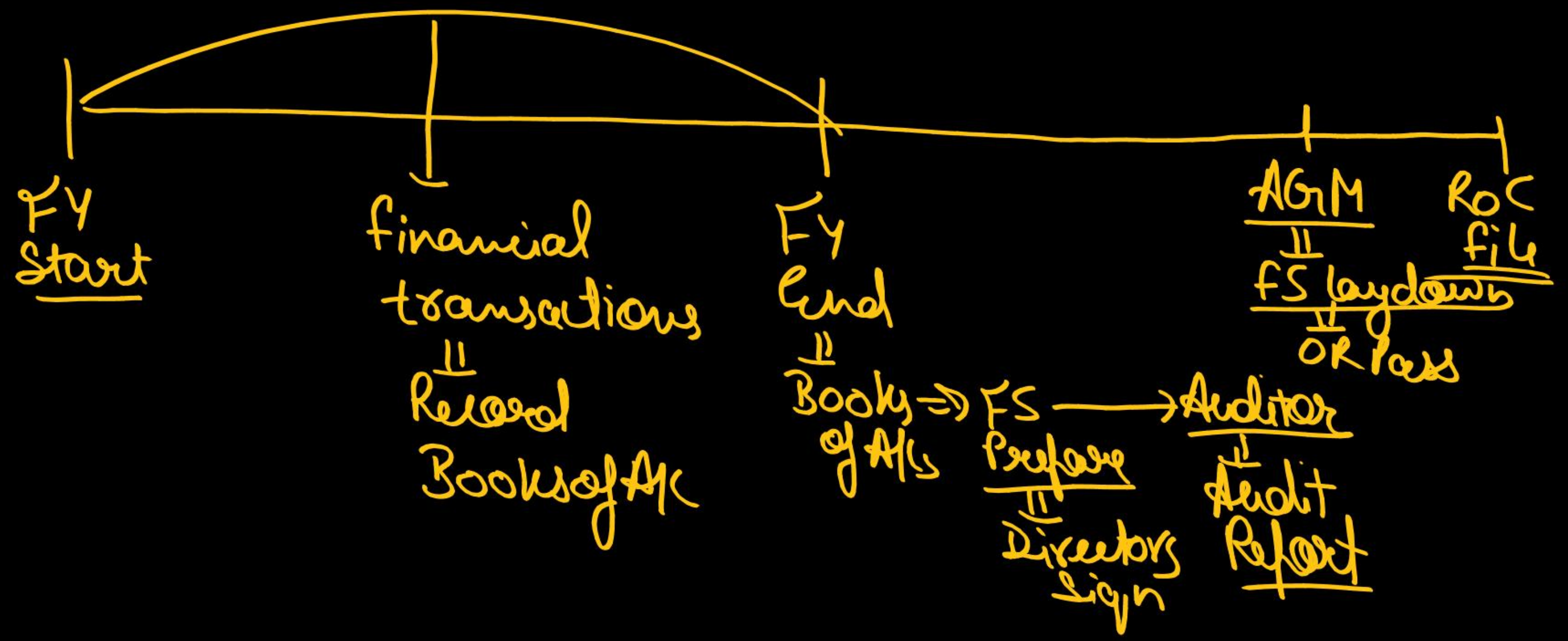
- **CA Inter : Ranked 23rd in India (1st in Maharashtra)**
- **CA Final : Ranked 25th in India**
- **Specialization: Expert in teaching law with basics and with variety of examples**
- **Professional Background: Former Grade A Officer at Indian Oil Corporation Limited, a prestigious Fortune 500 company.**
- **Teaching Impact: Empowering over 50,000 CA students with practical knowledge and success strategies**



CA GURPREET SINGH



Section 128 – Section 138

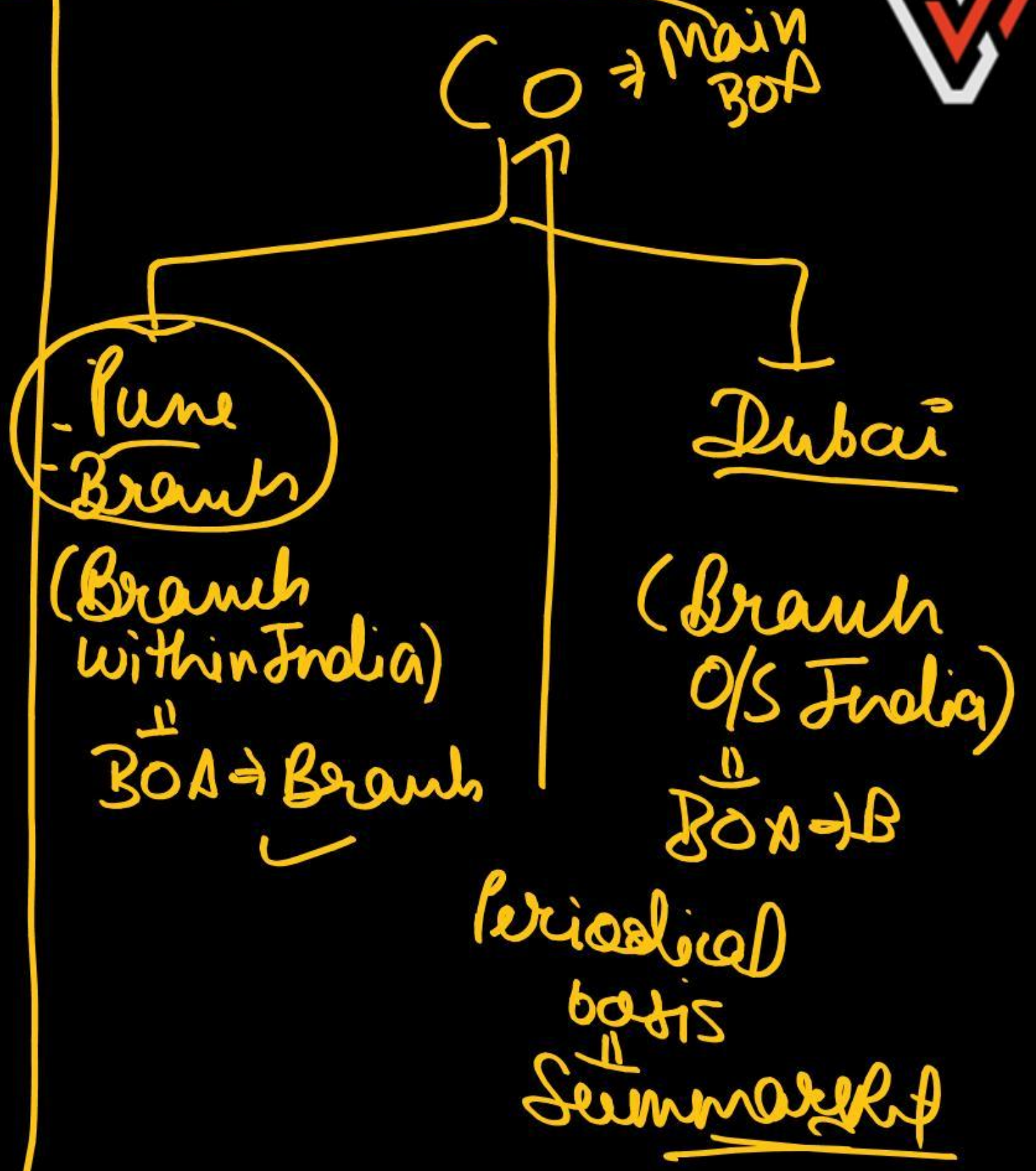
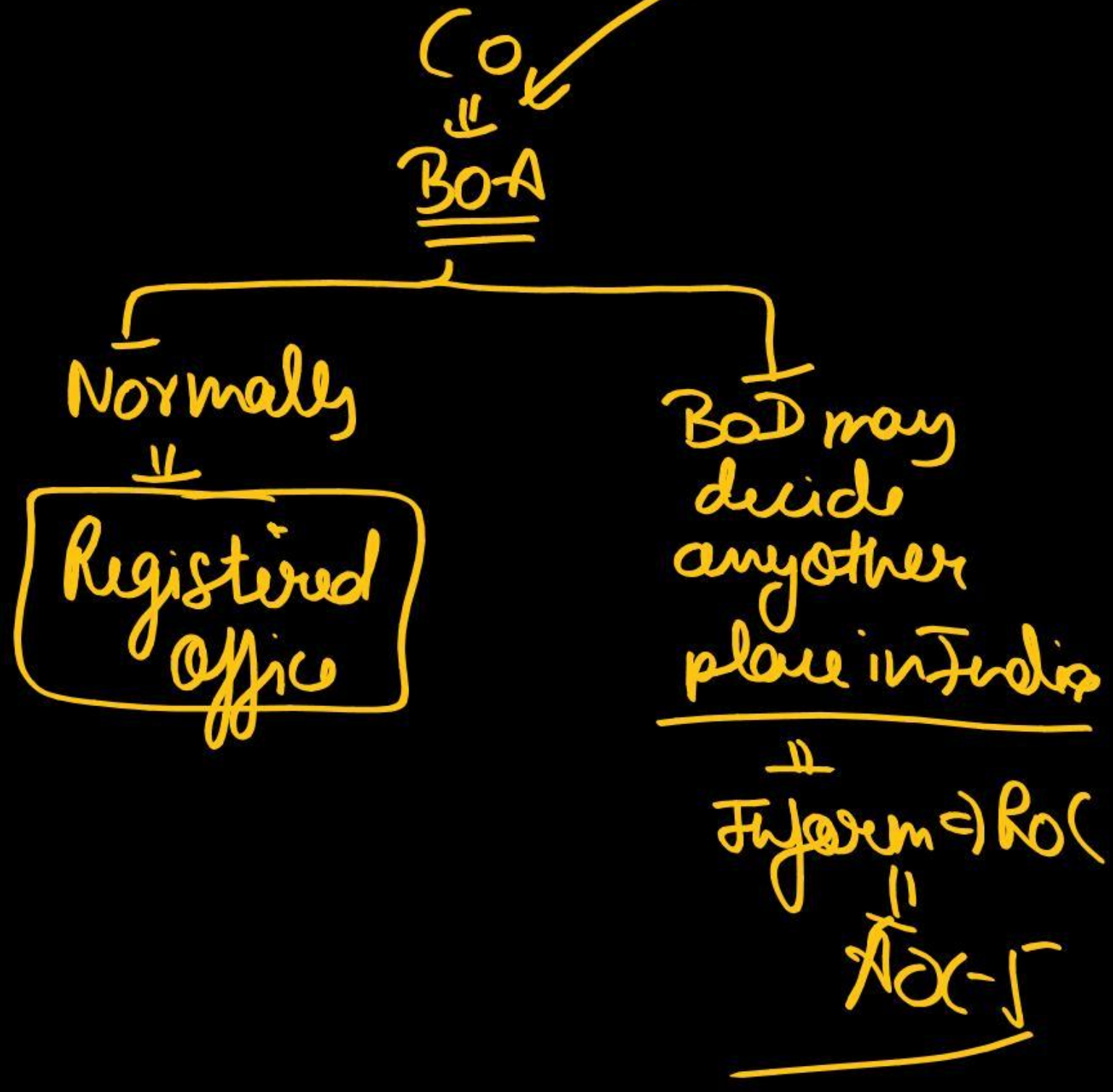




Books of Accounts (BOA) [Section 128]

⇒ *Mandatory*

1. Every Co shall prepare and keep
 - BOA & Financial Statement (FS)
 - at its RO for every FY
 - giving true and fair view of state of affairs of Co.
 - including its branch office(s) &
 - explaining transactions effected both at the RO and its branches.
2. BOA shall be kept on
 - accrual basis & ✓
 - double entry system of accounting





3. Place of keeping BOA

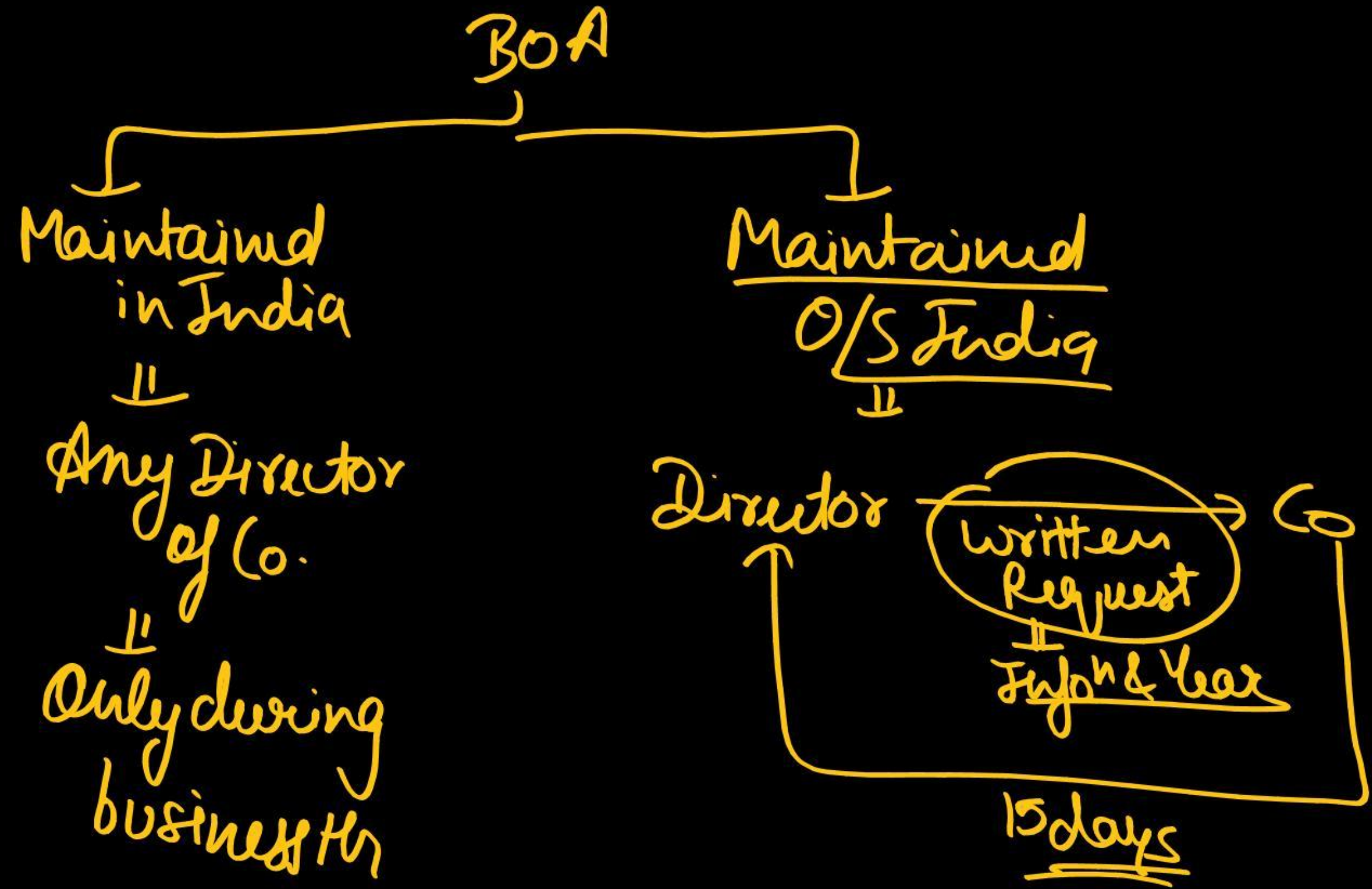
- Normally - Registered office
- Any other place in India as BOD may decide but inform ROC within 7 days of decision in Form - AOC-5 giving full address of such place

4. BOA of branches (In India or o/s India) deemed to be complied if proper BOA kept at branch office and proper summarised returns periodically sent to Co. at its RO

5. Who can inspect BOA and other books and papers

a) BOA maintained within India

- open for inspection at RO or other place in India
- by any DIRECTOR
- during business hours





b) BOA maintained o/s India

- Director furnish request to Co. setting out
 - full details of information required &
 - period for which it is required
- Co. to give info. within 15 days of written request
- Such info. shall be sought by director himself & not by agent/attorney holder/representative

Note :- A person can inspect the BOA of the subsidiary, only on authorisation by way of the board resolution.

6. Officers & other employees of Co. to give all assistance to the person making such inspection which the Co. may reasonably be expected to give.



Holding Co

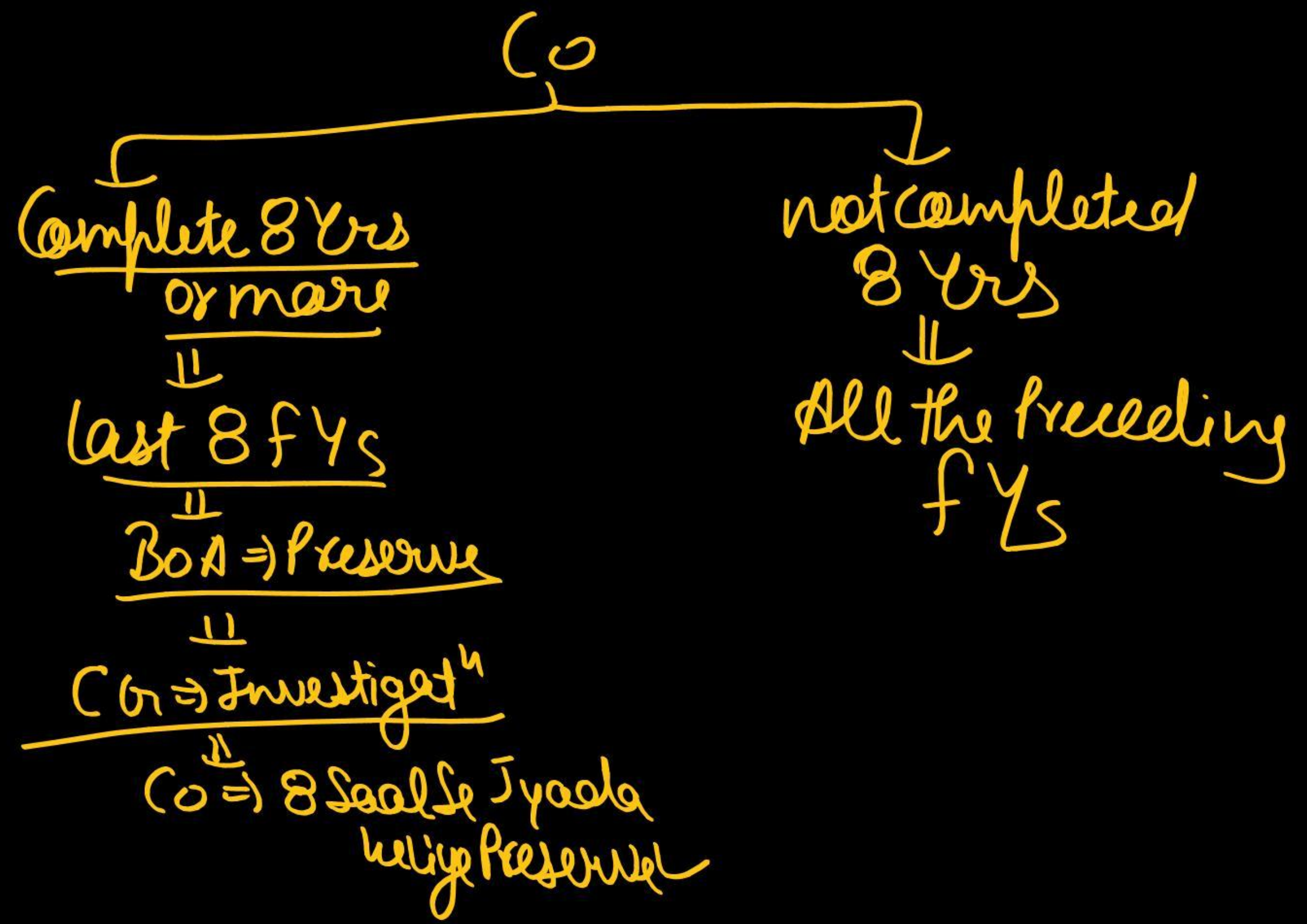


Subsidiary Co

⇒ BOA

⇒ Inspect??

Yes
⇓
Authorisation
by Board
Resolution





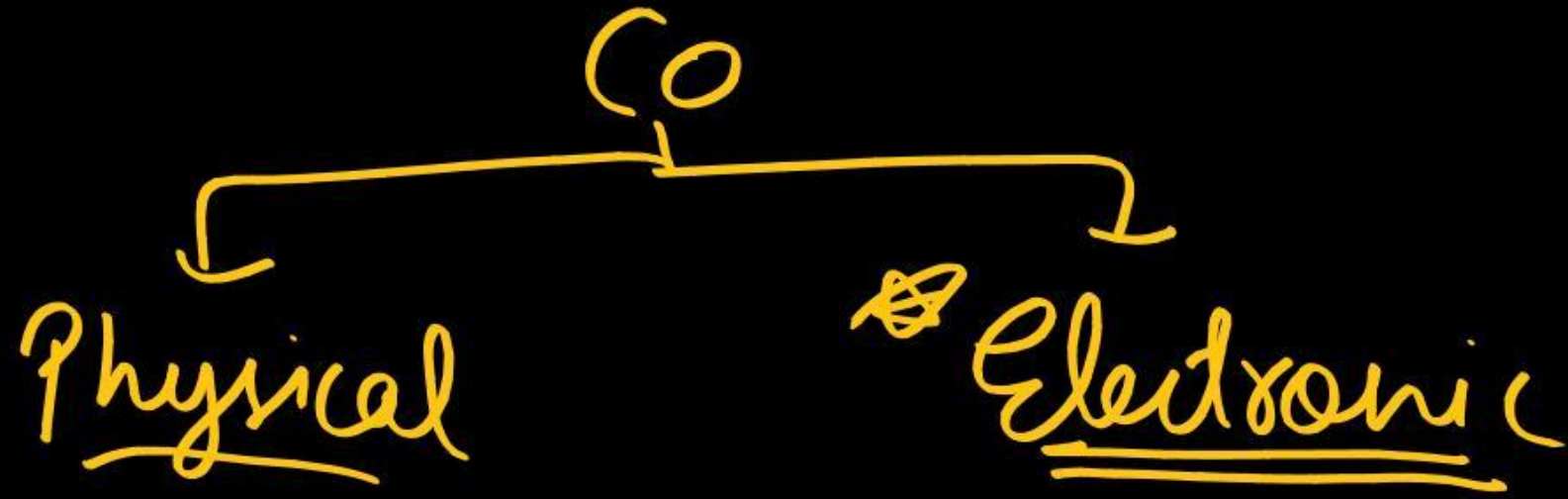
Current (FY \Rightarrow 2024-25)

Y-1	23-24
Y-2	22-23
Y-3	21-22
Y-4	20-21
Y-5	19-20
Y-6	18-19
Y-7	17-18
Y-8	16-17

Finance Term \Rightarrow FY 12-13 \Rightarrow Probable



7. Period for which BOA together with voucher to be kept
- If Co. existence for 8 years or more - Not less than 8 FY immediately preceding FY
 - If Co. in existence < 8 Years - for entire period preceding FYs
 - If investigation ordered - CG may direct BOA to be kept for longer period than 8 years as it may deem fit and give directions to that effect.





8. Manner of maintaining BOA in e-form

- a) BOA in e-mode shall remain accessible in India at all times as to be usable for subsequent reference
- b) Co. using Accounting software must have following features in software
- | | | |
|---|--|---|
| ① <u>recording audit trail of every transaction</u> | <u>ensuring audit trail cannot be disabled</u> | <u>Creating edit log of each change + date of such change</u> |
|---|--|---|
- c) BOA shall be retained completely in original format.
- d) Information shall remain complete & unaltered.
- e) Information received from branch office shall remain unaltered
- f) Information of document should be capable of being displayed in legible form
- g) Back-up of such e-records shall be kept in servers physically located in India on a daily basis.



- h) Proper system for storage / retrieval / display / printout of e-records
- i) Such e-records shall not be disposed of or rendered unusable, unless permitted by law.
- j) At the time of filing of FS Co. shall intimate ROC:-
- a. Name of Service provider
 - b. IP address of service provider
 - c. Location of service provider
 - d. where BOA are maintained on cloud, such address as provided by service provider
 - e. Where service provider is located outside India, the name and address of the person in control of the books of account and other books and papers in India.



~~Jump~~

9. In case of contravention, following shall be responsible

➤ MD

➤ Whole Time Director(WTD) in charge of finance

➤ CFO

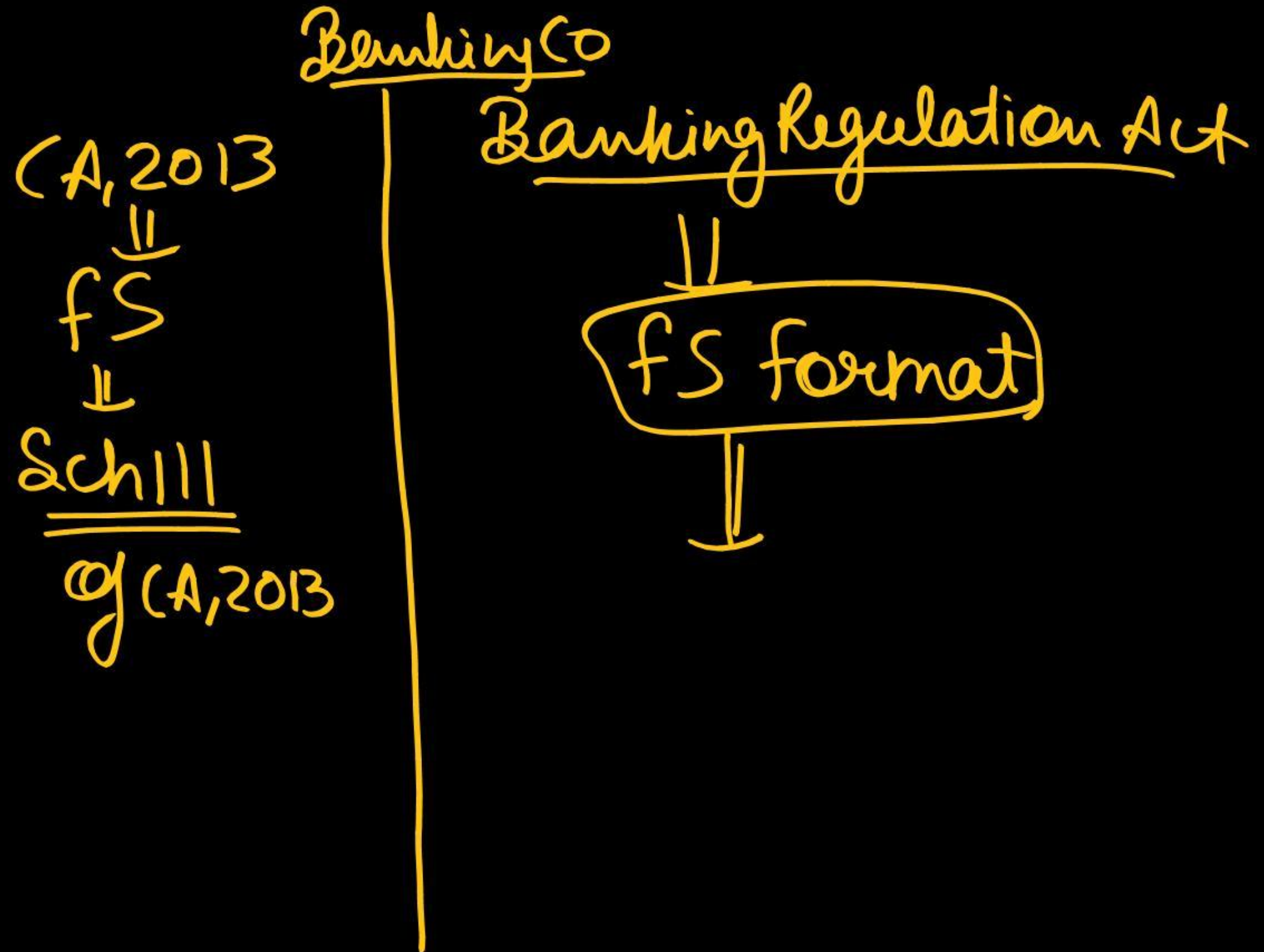
➤ Any other person charged by BOD with duty of complying with provisions of section 128.

Minimum - Rs, 50,000 and Maximum - Rs. 5,00,000

Section 129 ⇒ Financial Statement



- ⇓
- ① Balance sheet
 - ② Profit & loss A/C /
Income & Expenditure
A/C
 - ③ Cash flow Statement
 - ④ Statement of
Changes in Equity
 - ⑤ Notes to A/C





Financial Statement [Section 129]



1. **FS** shall
 - Give **true & fair view** of state of affairs of Co.
 - **Comply with Accounting standards (AS)** notified u/s 133
 - **be in form** as prescribed in **Schedule III of CA, 2013**
2. **Items contained in such FS** shall be in accordance with AS
3. **However, nothing contained in sub-section 1 of section 129 shall apply to**
 - Insurance Co. ✓
 - Banking Co. ✓
 - Electricity Co. ✓
 - **Other class of Co. for which format of FS specified in other Act**
4. **At every AGM, BOD shall lay before such meeting FS for that FY**



5. Where FS do not comply with AS, Co. shall disclose in its FS

① ➤ deviation from AS

➤ Reason for deviation

➤ Financial effect, if any, of such deviation

6. CG may, on its own or on application by Co., exempt any class of companies from complying with this section, if it is considered in public interest.

7. Consolidated FS (CFS)

a) If Co. has one or more subsidiaries or associates, then in addition to stand alone FS, Co. shall prepare CFS & lay before AGM along with standalone FS

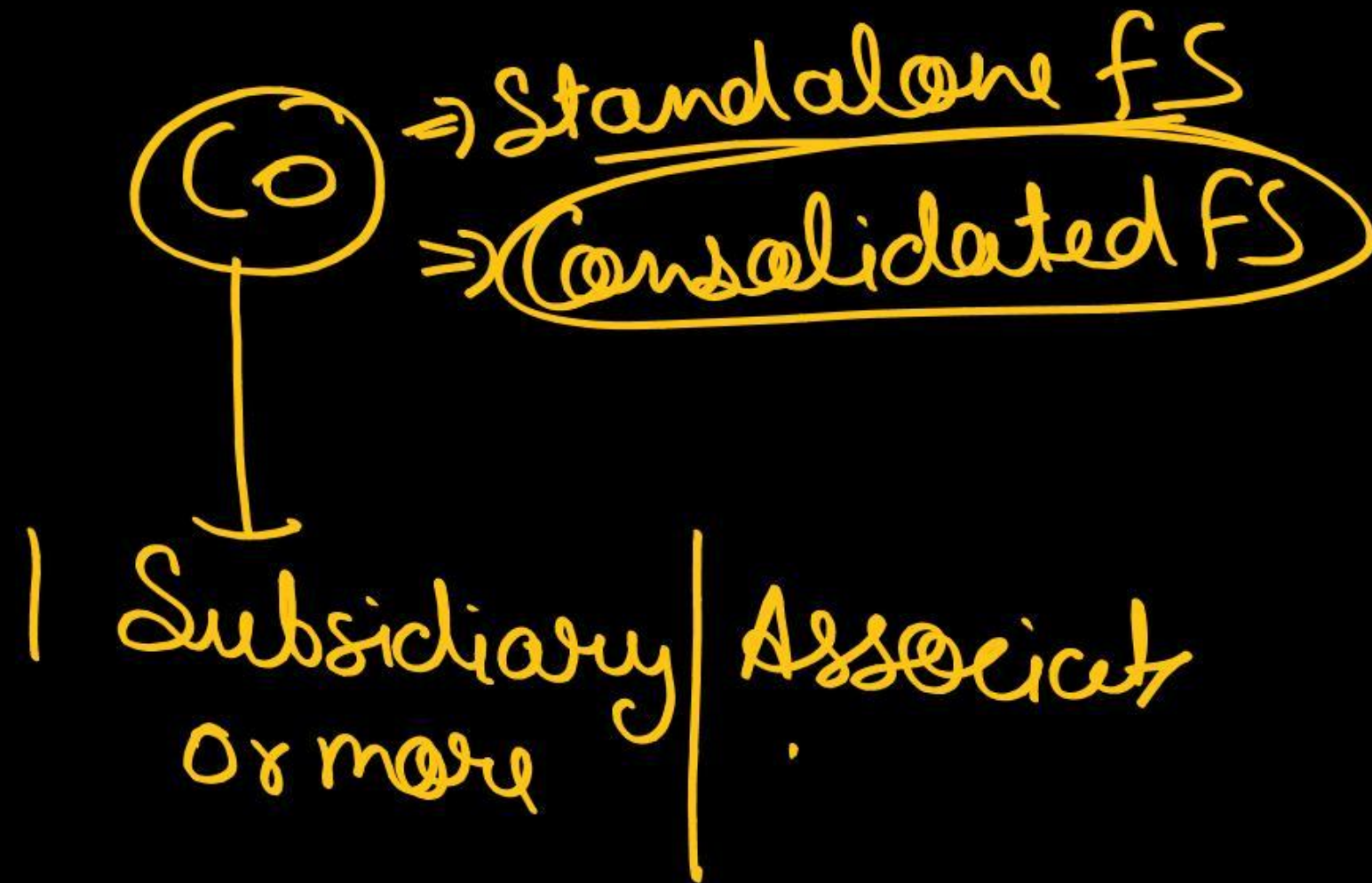
b) CFS shall be in accordance with Sch III + Applicable AS

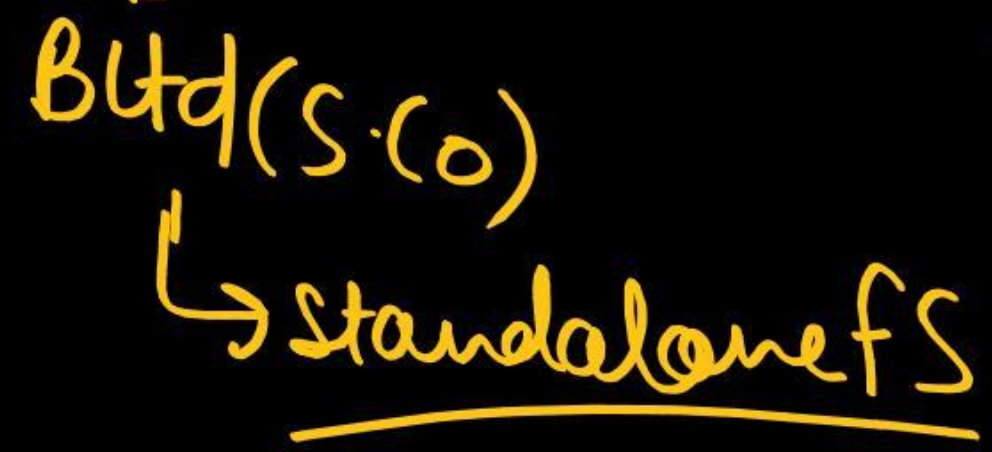


Co \Rightarrow Consolidated \Rightarrow A/Cing
Std + Sch III of
FS CA 2013
 \cong
 \rightarrow If AS \Rightarrow has exempted any Co

Co \Rightarrow follow only Sch III
of CA 2013

Consolidated Financial Statement





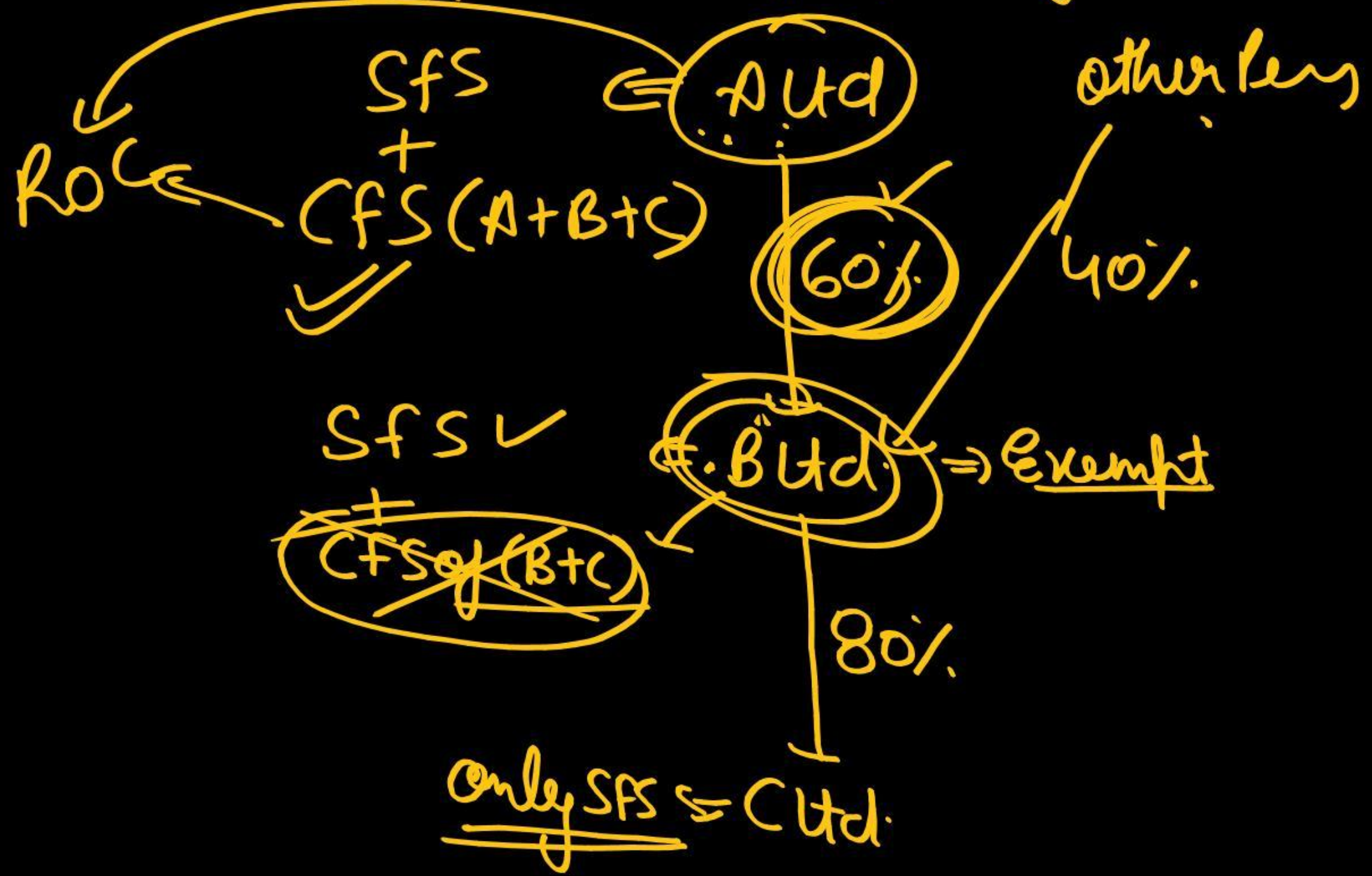
To Provisions SFS ko applicable hai ⇒ wo Provisions CFs ✓



- c) If Co. is not required to prepare CFS under AS, it shall be sufficient if it complies with Schedule III.
- d) Exemption from preparing CFS, if all the below mentioned conditions satisfied:-
- i. It is wholly / partially owned subsidiary of another Co. & all its other members intimated in writing & they do not object to Co. not presenting CFS
 - ii. Securities are not listed or are not in the process of listing in or o/s India
 - iii. Ultimate or any intermediate holding Co. files CFS with ROC in compliance with applicable AS
- e) Co. shall also attach a separate statement containing the salient features of FS of its subsidiary, associates or JV in Form AOC-1 along with its FS.
- f) The provisions applicable to the preparation, adoption and audit of the FS of a holding Co. shall, mutatis mutandis, also apply to the CFS.



Exemption from preparing CFS





8. If Co. contravenes this Section, following shall be responsible:-

(129)

➤ Managing Director

➤ WTD in charge of finance

➤ CFO

➤ Any other person charged by BOD with such duty

or in absence of any officer mentioned above, all directors

Punishable with Jail ⇒ up to 1 Year or

Fine – Minimum 50,000 to Maximum 500000 or Both

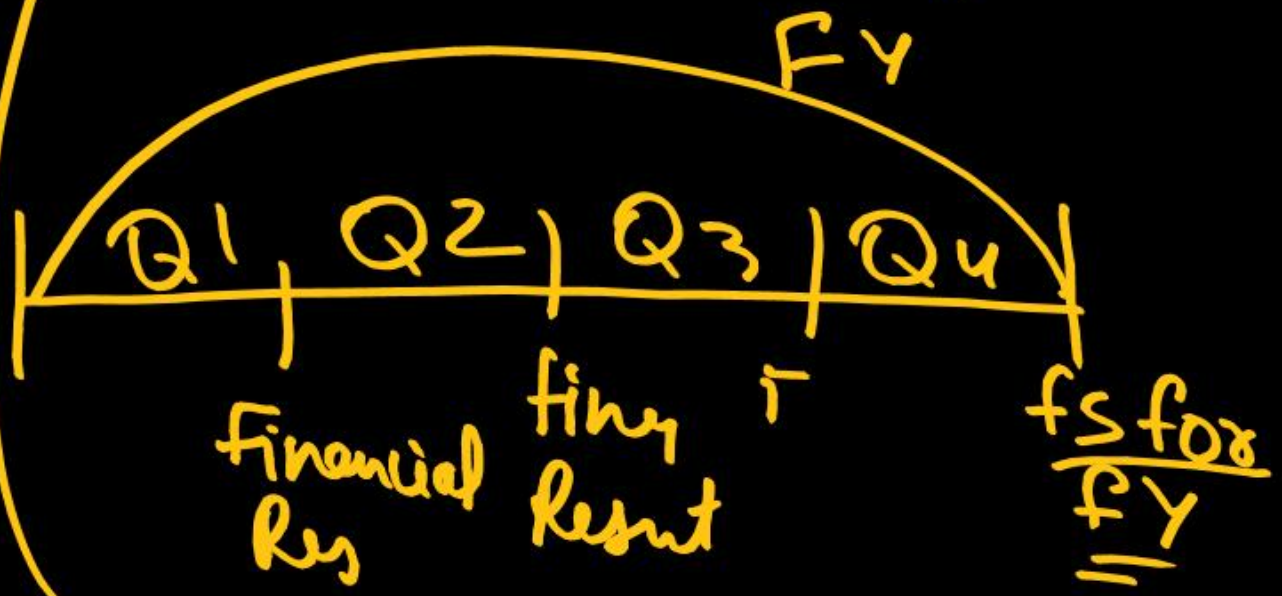


Sec 129A

listed Co ⇒ SEBI
Regulatⁿ

Co ⇒ Power

Naamni Unlisted Co



financial Result

Co Prescribe
period

→ Quarterly FR

Annual ⇒ fs

⇓
Appear ⇒ BOD

⇓
Auditor → full audit } RoC
 → limited R }



Periodical Financial Results [Section 129A]



- CC may require class or classes of unlisted companies, as may be prescribed
- Prepare financial results of Co. on periodical basis & in prescribed form
 - To obtain approval of BOD
 - Complete audit/ limited review of such results in manner as prescribed
 - File copy with ROC within 30 days of completions of relevant period with prescribed fee.

See 130





Re-opening of Accounts on Court's or Tribunal order [Section 130]

1.

Application by



to Court/Tribunal

Shall give notice to



Consider their representation, if any before passing order



2. Order made by Court or Tribunal to this effect that
 - relevant earlier accounts were prepared in fraudulent manner or
 - affairs of Co. were mismanaged & casting doubt on reliability of FS
3. The accounts revised or recast shall be final.
4. No Court / Tribunal's order shall be made for reopening of BOA relating to period earlier than 8 FY immediately preceding current FY.
5. However, if CG has directed for keeping BOA for period > 8 Years, then BOA may be ordered to be re-opened within such longer period.



Section 131

⇓

Voluntary Revision



Voluntary Revision of FS/Board Report [Section 131]



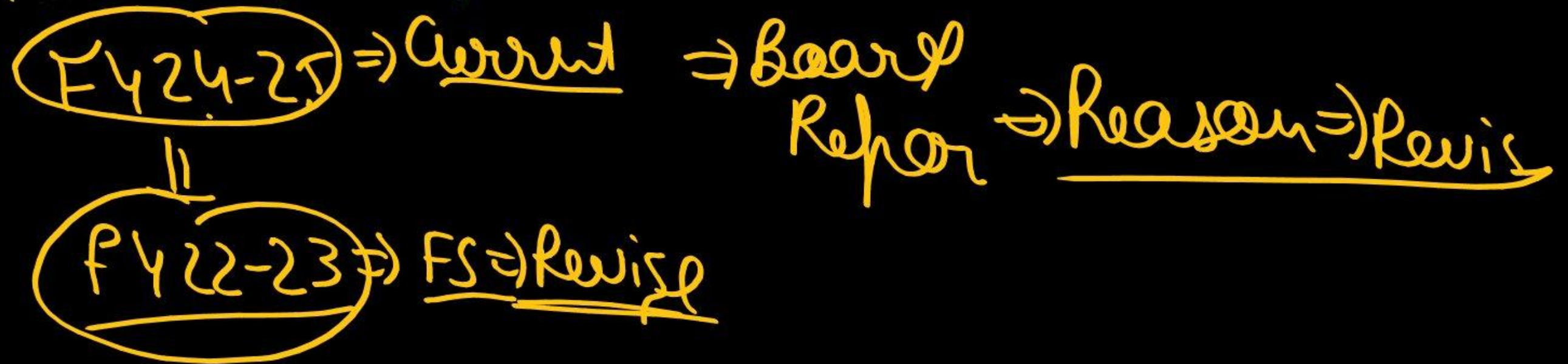
1. If it appears to directors of a Co. that
 - a) FS do not comply with Section 129 or
 - b) Board report do not comply with Section 134
 - they may prepare revised FS or Board report
 - in respect of any 3 Preceding FY
 - after obtaining approval of Tribunal
 - on application made by Co.
 - in form NCLT-1 within 14 days of the decision taken
 - & copy of Tribunal's order shall be filed with ROC
2. Before passing order, Tribunal shall give notice to CG & ITA and shall consider their representation if any.

(FY ⇒ 24-25)

23-24 ⇒ FS
22-23
21-22
OR
BL



3. Revised FS or Board report shall not be prepared/ filed more than once in a FY
4. Detailed reasons for revision of such FS or report shall also be disclosed in Board report of that FY in which revision is being made.
5. Where copies of previous FS or Board report has been sent to members or delivered to ROC or laid before Co. in GM, then revision must be confined to
- correction with respect to which previous FS/ report do not comply with provisions of Sec 129 or Sec 134
 - making of any necessary consequential alteration





6. Rule 77 of the *National Co. Law Tribunal Rules, 2016* requires:

(a) The application shall contain the following particulars/details, namely:

- FY or **period to which such accounts relates;**
- The name and contact **details of the MD, CFO, directors, CS and officer** of the Co. responsible for making and maintaining such books of account and FS;
- Where such accounts are audited, the name and contact details of the auditor or any former auditor who audited such accounts;
- Copy of the **Board resolution;**
- Grounds for seeking revision** of FS or Board's Report;
- In case the majority of the directors of Co. or the auditor of the Co. has been changed immediately before the decision is taken to apply under section 131, the Co. shall disclose such facts in the application



- (b) The Co. shall **advertise the application at least 14 days** before the date of hearing;
- (c) The Tribunal shall issue **notice to the auditor of the original FS and heard him.**
- (d) The Tribunal may pass appropriate order in the matter as may deem fit, after considering the application, hearing the auditor and/or any other person.
- (e) On receipt of approval from Tribunal, **GM may be called** and notice of such GM along with reasons for change in FS may be published in newspaper in English & vernacular language.
- (f) In the GM, **the revised FS, statement of directors and the statement of auditors may be put up for consideration** before a decision is taken on adoption of the revised FS.
- (g) On approval in the GM, the revised FS along with the statement of auditors or revised report of the Board, as the case may be, shall be **filed with the ROC within 30 days of the date of approval** by the GM.



CG to prescribe Accounting Standards [Section 133]



CG may prescribe AS or any addendum thereto as recommended by ICAI in consultation with and after examination of the recommendations made by the NERA.

Co. को कौनसे Accounting Std follow करना है??
⇒ CG ⇒ Power ⇒ Prescribe ⇒ Accounting Std



Sec 134 (Board Report)



Signing of FS

Content of Board Report

Signing of Board Report



SFS
CS
Signing of
Financial Statement
(Imp.)

① Chairperson ⇒ If authorised
by BoD

OR

2 Directors (1 M.D, if any)

&

② CEO & CFO & CS, if any

Signing of
Board Report

① Chair person ⇒ If authorised
by BoD

OR

Else

2 Director, (1 M.D, if any)



FS, Board Report etc. [Section 134]



1. Signing of FS & CFS

a) Approved by BOD

b) Signed on behalf of BOD by

- Chairperson, if authorised by Board or else 2 Directors (1MD, if any) &
- CEO & CFO & CS, if appointed

before it is submitted to auditor for his report thereon.

In case of OPC - sign by one director only

2. Auditor's report & Board's report shall be attached to every FS.



Content of Board Report or Director's Report

↓
Front
Cover



3. Content of Board Report as per Section 134

- B - Board Meeting's Numbers (Count)
- O - Order Passed by Court/regulator/Tribunal impacting Going Concern
- A - Annual Return ka Web Address
- R - Reported frauds by Auditor
- D - Director Responsibility Statement (Dum)
- R - Resigned/appointed directors during the Year
- E - Explanation or Comments by Board
- P - Particulars or Contracts or arrangement with Related Parties (AOC-2)
- O - Organisation's State of Affairs
- R - Revision (changes) from date of closure of FY in nature of business
- T - The Financial summary or highlights
- other matters as may be prescribed



4. In case of OPC, Board report mean a report containing explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made by auditor in his report

5. Director's responsibility statement

a) in preparation of annual accounts, the applicable AS had been followed along with proper explanation relating to material departures

b) Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent



Board Report

||

Director ⇒ Director Responsibility Statement



- c) Directors had taken proper and sufficient care for:-
- the maintenance of adequate accounting records as per his Act
 - safeguarding the assets of the Co.
 - for preventing & detecting fraud & other irregularities
- d. directors had prepared the annual accounts on a going concern basis
- e. In case of listed Co., directors had laid down Internal Financial controls (IFC) to be followed by Co. & such IFC are adequate & were operating effectively.
- f. Directors had devised proper systems to ensure compliance with the provisions of all applicable laws & that such systems were adequate & operating effectively.



$\Rightarrow C_0 \Rightarrow IFC \Rightarrow 1 \text{ days} \Rightarrow \text{Bond}$



6. Signing of Board Report

- Chairman, (if authorized by Board) or else
- 2 Directors (1 MD, If any)

In case of Co. having only 1 Director, then it shall be signed by such 1 Director

7. If Co. is in default ^{GOPC} in complying this section,

Persons liable	Punishment
<u>Co.</u>	₹ 3,00,000
<u>Every officer of the Co. who is in default</u>	₹ 50,000



Sec 136

Co ⇒ duty → Members
 FS of copy





Right of member to copies of audited FS [Section 136]

1. Copy of following docs laid before AGM

- FS
- CFS, if any
- auditor's Report
- every other doc. ⇒ BR

required to attach to FS

shall be sent to

Every Member

Trustee for Debenture holders

All other entitled person (Auditor)

not less than 21 days before date of meeting

2. Notice with period less than 21 days is valid if
if agreed by members

Co. having Share Capital ✓

Majority in number

+

95% of PUSC

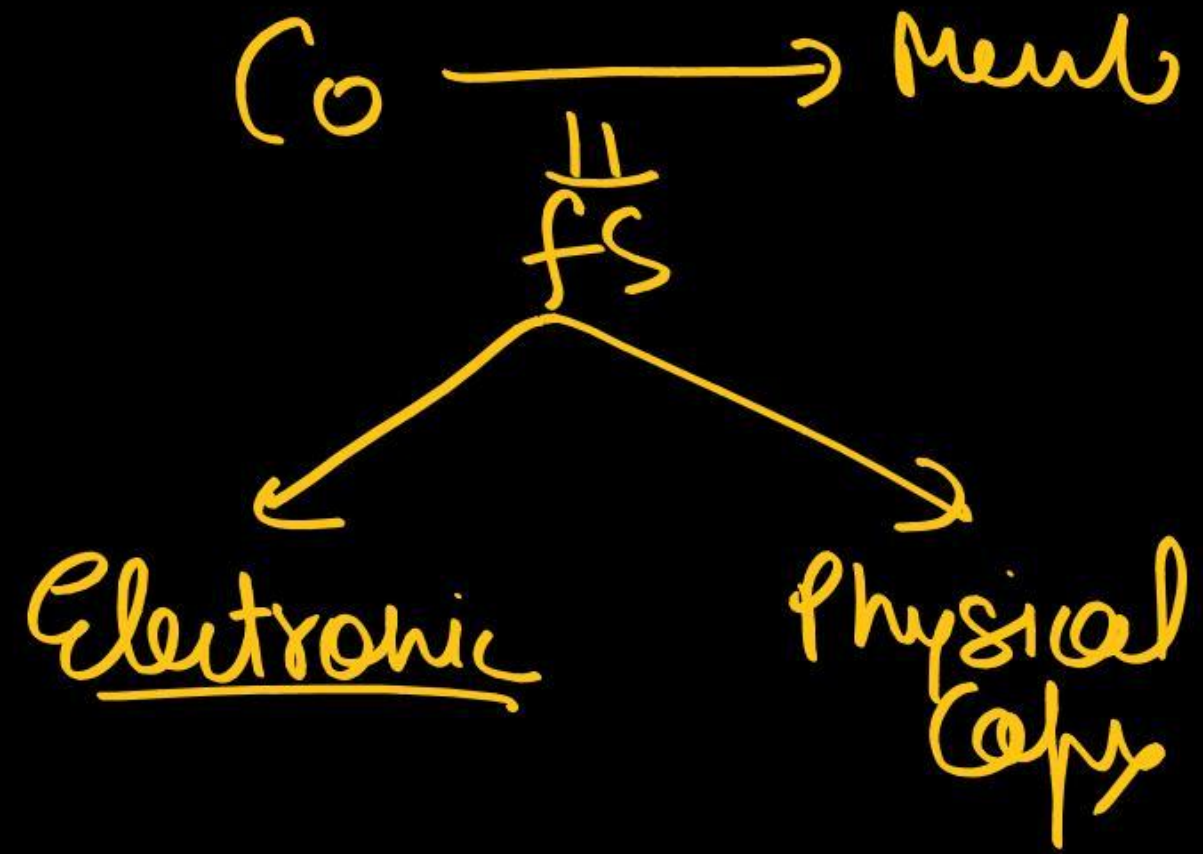
Co. not having share Capital

95% of Total voting power



21 days \Rightarrow Shorter

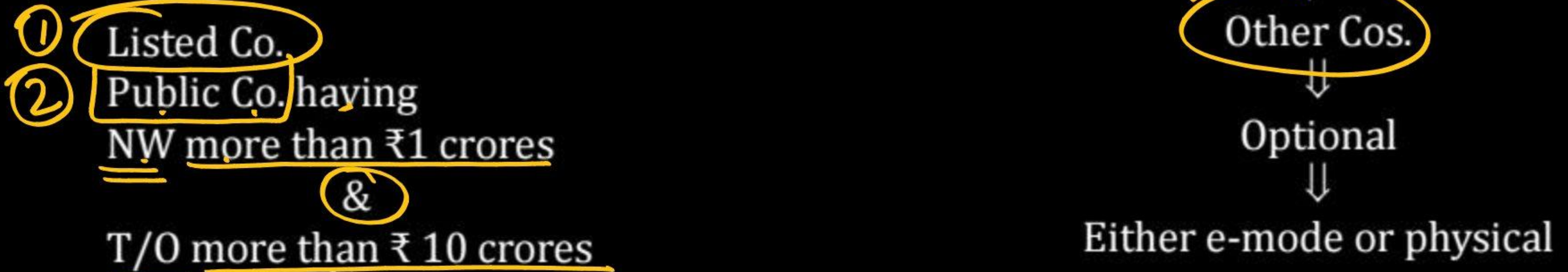
$C_0 \xrightarrow{\quad} C_1 M$
||
~~21 days~~
10 days ✓





3.

Mode of Sending Notice



Shareholding is in	Mode
1. <u>Demat + email registered</u>	<u>E-Mode</u>
2. <u>Physical form but members consented for e-mode</u>	<u>E-Mode</u>
3. <u>All other cases</u>	<u>Dispatch of physical copies through recognised mode u/s 20</u>

Only applicable for listed Co





4. Important points for listed Cos.

- a) If copies of docs are made available for inspection at RO during working hours for 21 days before date of meeting & Statement containing salient features of such docs or copies thereof is sent to member, Debenture trustee in form AOC-3/3A not less than 21 days before date of meeting unless shareholders ask for full FS.
- b) Listed Co. shall also place its FS including CFS & other docs on its website
- c) Listed Co. having subsidiary shall place separate audited a/cs of each of subsidiary on its website
- d) If foreign subsidiary of listed Co. is require to prepare CFS, then proviso is complied if such CFS is placed on website of listed Co.
- e) If foreign subsidiary of listed Co. is not require to get FS audited, then listed Co. may place unaudited FS on website.
- f) Where FS of foreign subsidiary is in language other than English, place a translated copy in English language on the website.



SFS
+
CFS

Tata Motors
Ltd (India)
(listed Co)

www.Tata motors
↑
upload ↓
.com

Unaudited

Russia
(Subsidiary)

A Ltd

↳ Unaudited

→ Asses ⇒ Audit
is not
mandated
for A Ltd

Israel

(Subsidiary)

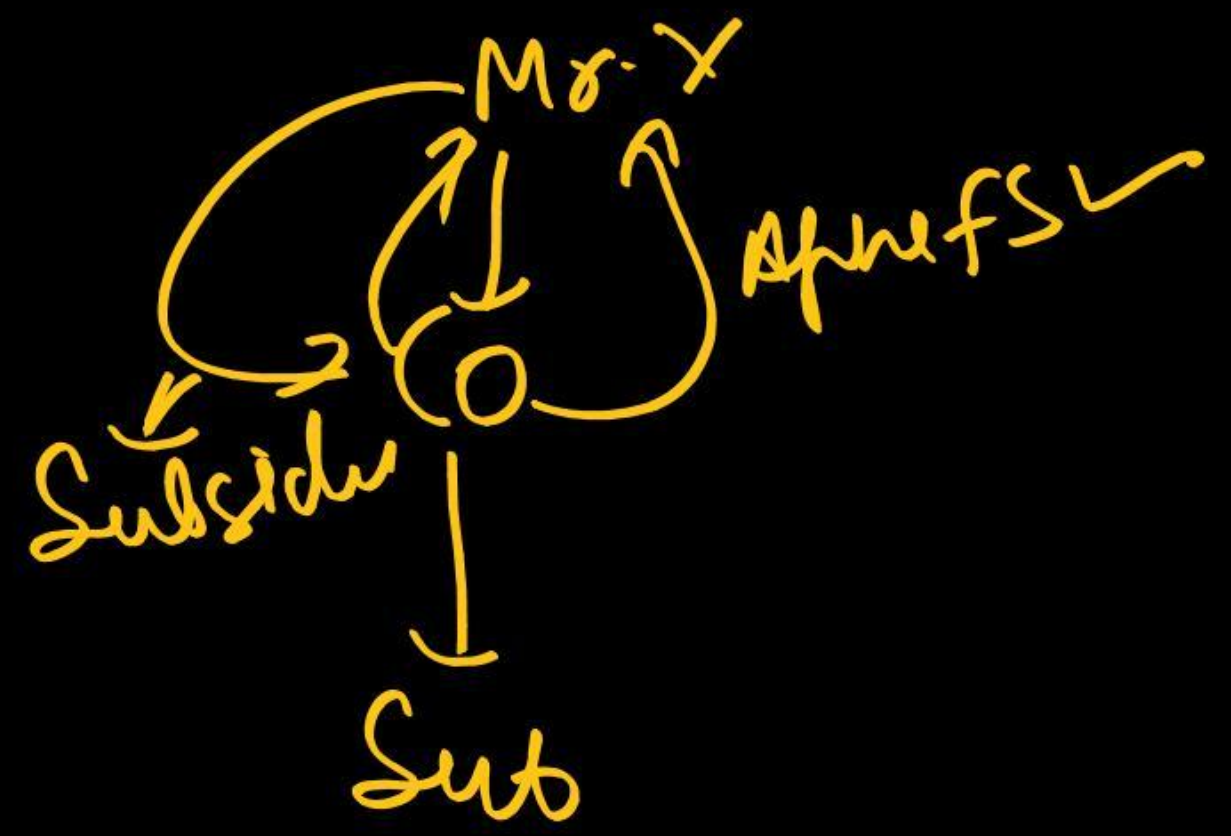
B Ltd ⇒ FS

→ Asses ⇒ official
↓
Hebrew

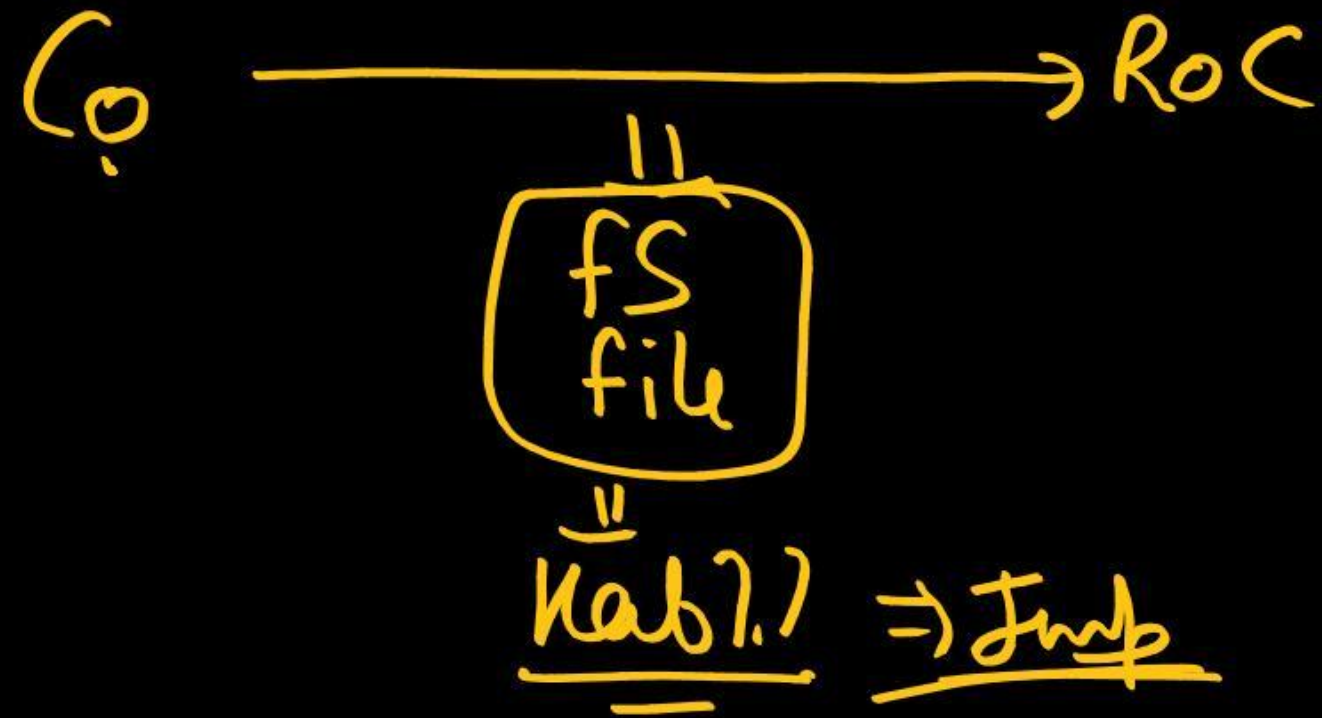
Pune
(Subsidiary)
C Ltd



5. Co. shall allow members / DT to inspect the documents at its RO during business hours
6. Every Co. having subsidiary shall provide a copy of separate audited or unaudited FS to any member of Co. who ask for it
7. Default in Complying with section
Co. - Liable to Penalty of ₹ 25000
officer in default - Liable to Penalty of ₹ 5000



Section 137





Copy of FS to be filed with ROC [Section 137]



1.

FS + CFS + All documents to be attached to FS

AGM held

AGM not held

Duly adopted in AGM

Not adopted in AGM

File with ROC within 30 days of last date for holding AGM

File with ROC within 30 days

File within 30 days of AGM.

ROC to take them as provisional

When adopted in adjourned AGM

+ Reasons for not holding AGM

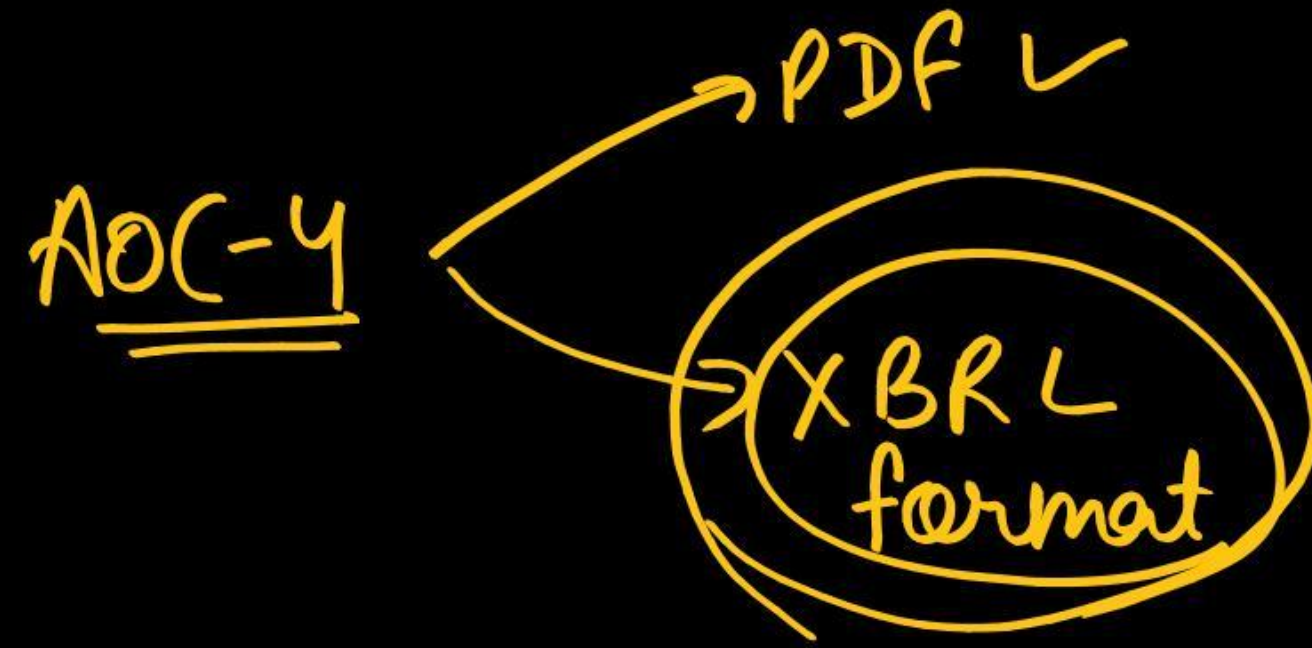
||
AGM

File within 30 days of said AGM



2. Forms for filing FS with ROC

AOC-4	→	FSs & other docs
AOC-4 CFS	→	Consolidated FS
AOC-4-NBFC(Ind As)	→	NBFC to file FS & other docs
AOC-4-NBFC(Ind As)	→	<u>NBFC to file CFS</u>





3. Following class of Cos. shall file FS & other docs in e-form AOC-4 XBRL

- Co. listed in India & their Indian Subsidiary
- Co. having PUJSC \geq 5 Crores.
- Co. having T/O \geq 100 Crores
- Co required to prepare FS as per Ind AS

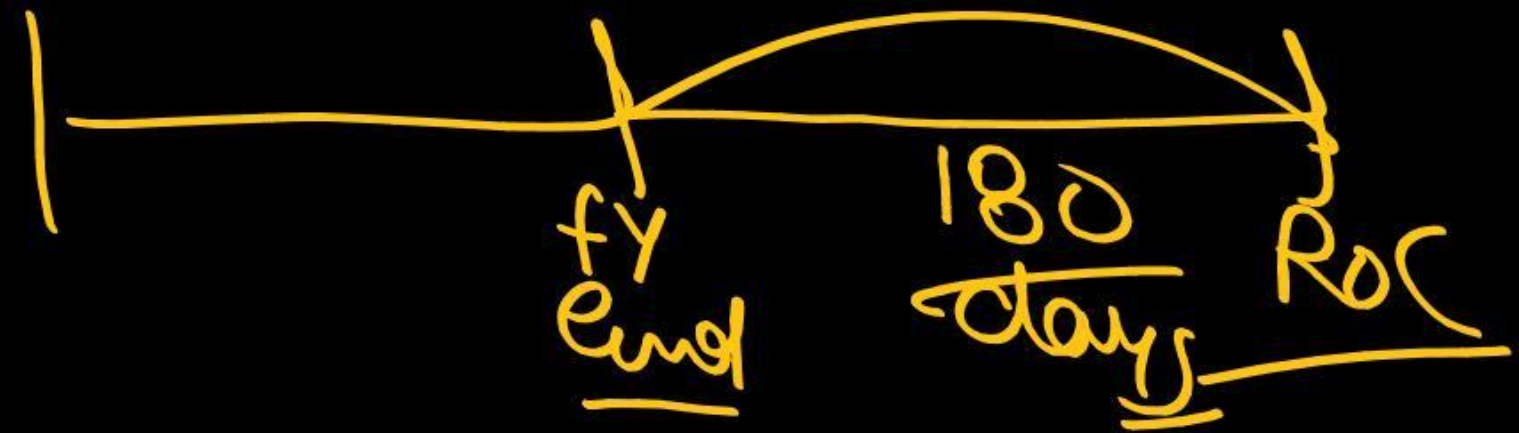
Note:- Once Co. falls under above Category, it continue to file AOC-4 XBRL –Forever

4. Along with FS, Co. shall attach accounts of its subsidiaries incorporated o/s India & which have not established their place of business in India.
5. In case of OPC, file copy of FS duly adopted by its member within 180 days from closure of FY.
6. In case of subsidiary incorporated o/s India which is not required to get FS audited under law of such country, then holding Indian Co. to file unaudited FS + declaration to such effect to ROC.
7. Where FS is in language other than English translated copy to be sent to ROC.



AGM \Rightarrow 30 days ^{with} \rightarrow ROC
 \Downarrow
FS file ✓

OPC \Rightarrow No AGM





Reliance Industries Ltd. \Rightarrow SFS ✓
CFS ✓

KoC
unaud

Russia ✓
Main Subsidiary

X Ltd. \Rightarrow SFS

Audit is
not Mandatory

Israel Subsidiary

Y Ltd. ✓

SFS
Trans. \Rightarrow Hebrew

Dubai Subsidiary

Z Ltd. \Rightarrow SFS

have PoB
in India

Pune

L Ltd. \Rightarrow SFS

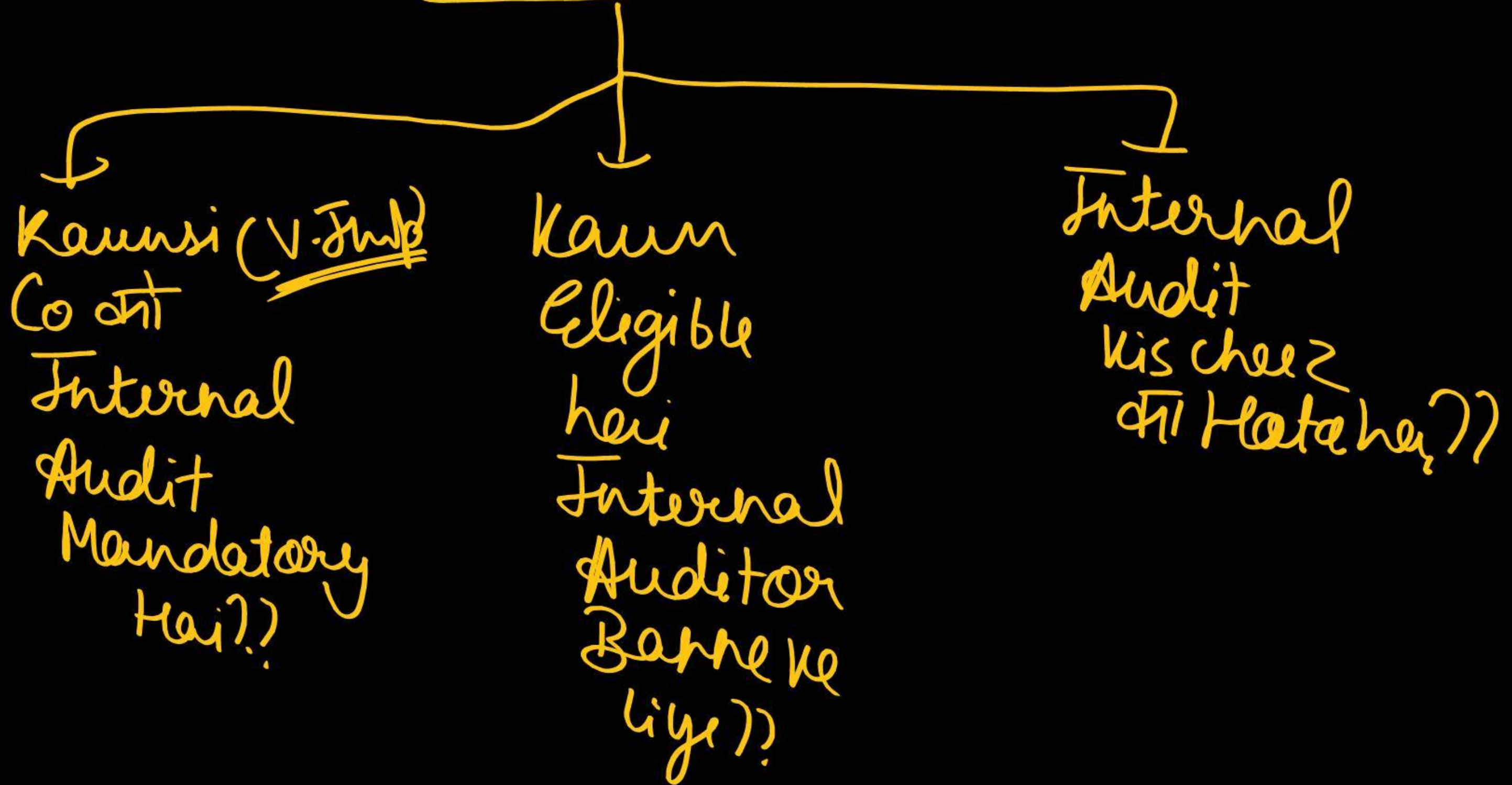


8. Co. fails to file copy of FS

Person liable	Penalty
<p data-bbox="249 487 1715 656">Co. →</p> <p data-bbox="433 956 1499 1200">MD and CFO of the Co., if any; <i>In their absence</i></p> <p data-bbox="249 1210 1715 1397">Any other director who is charged by the Board with the responsibility;</p> <p data-bbox="633 1407 1299 1500"><i>In its absence</i></p> <p data-bbox="499 1510 1466 1594">All the directors of the Co..</p>	<p data-bbox="1732 487 3182 1013">Fine of ₹ 10,000 and In case of continuing failure, further penalty of ₹ 100/day during which such failure continues, maximum of ₹ 2 lakh.</p> <p data-bbox="1732 1106 3182 1519">Fine of ₹ 10,000 and In case of continuing failure, further penalty of Rs. 100 /day maximum ₹ 50,000.</p>



Section 138 ⇒ Internal Audit





Internal Audit [Section 138]



1. Co. covered under ambit of Internal audit

Listed Co.	Unlisted Public Co.	Private Co.
All	<ul style="list-style-type: none">1. Turnover \geq 200 Crores2. Outstanding loans or borrowings from banks or PFIs exceeds ₹ 100 Crores	
	<ul style="list-style-type: none">3. PUSC \geq ₹ 50 Crores4. O/s deposits \geq ₹ 25 Crores	<ul style="list-style-type: none">--



Put Co ⇒ (PUSC ⇒ 50%)

↓
Internal Audit

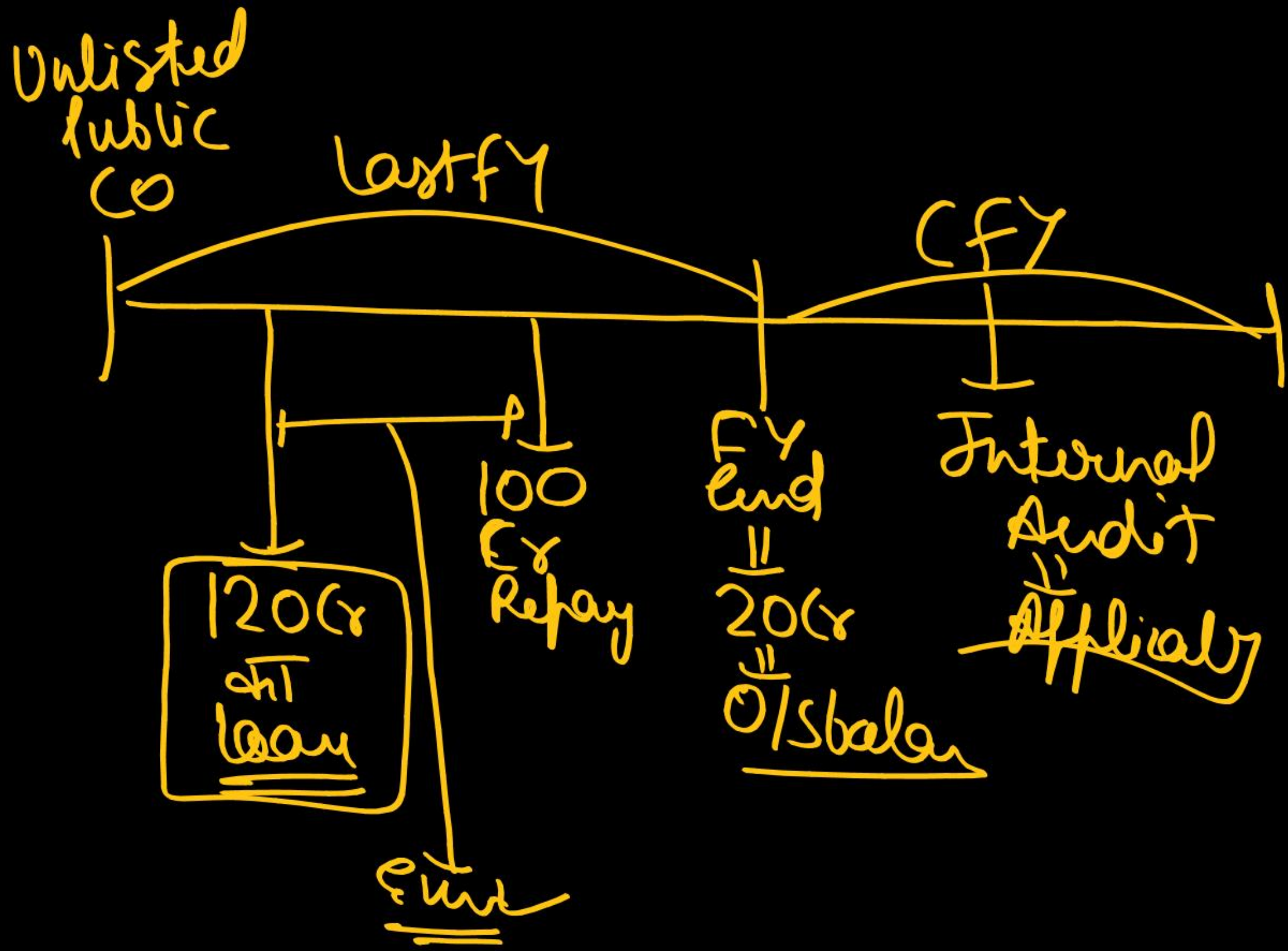
⇒ Condⁿ is not applicable for Put Co



① Listed Co \Rightarrow Mandatory \Rightarrow Internal Aud

② Unlisted Public Co.

- or (a) T/O \geq 200cr
- or (b) O/S borrowings from Bank/PFI Exceed $\text{₹}100\text{cr}$
- or (c) PUSC \geq 50cr.
- or (d) O/S depts \geq 25cr





2. Who can become an internal auditor?

- Individual ✓
- Partnership firm ✓
- Body Corporate ✓
- CA
- Cost Accountant
- other professional as may be decided by BOD

3. Internal auditor may or may not be an employee of Co.

X Ltd ⇒ Mr. A
(Finance Mgr of X Ltd)
→ Internal Auditor



✓ Internal Audit

Section 135 (VVV Imp) \Rightarrow SCH VII
Activity
CSR





CSR applicability

CSR
Committee
Benama

Co. ni CSR committee
Nahi Bahani

⇒ Agar CSR obligat ⇒ does not
Exceed ₹50 lakh

CSR Expenditure

⇓
2% of Average Profit
of last 3fy



Corporate Social Responsibility [Section 135]



1 Applicability of CSR :-

Co. having

Net worth \geq ₹ 500 Crores

Turnover \geq ₹ 1000 Crores

Net profit \geq ₹ 5 Crores

During immediately preceding FY

shall constitute CSR committee having composition

Other Co.

Independent director
required

3 director or more
(at least 1 ID)

Independent director not
required

2 or more directors

Private Co. having
only 2 Directors

2 director

Foreign Co.

Atleast 2 persons
- 1 person under sec
380(1)(d) &
- 2nd person nominated by Co.



2. If the amount to be spent by Co. \leq ₹ 50 Lakhs, then CSR committee shall not be required. In such case, function of CSR committee to be discharged by Board.
3. Board report to disclose composition of CSR committee
4. CSR Expenditure
 - a) Board shall ensure that the Co. spends
 - in every FY
 - 2% of average net profits
 - made during 3 immediately preceding FYs
 - b) If Co. has not completed 3 FY since incorporation then take at least 2% of average of immediately preceding FYs
 - c) While spending CSR amount, Co. shall give preference to local area & areas around it where it operates



Ex-1

Co \Rightarrow Networth
 \Rightarrow ₹ 600 Cr.

N/P

Y-1 10 Cr.

Y-2 20 Cr.

Y-3 30 Cr.

\Rightarrow CS Obligh \Rightarrow $\frac{10+20+30}{3} \times 2\%$

\Rightarrow 0.40 Cr
or
40 Lakhs

\Rightarrow Not need to constitute CSR Comm but \Rightarrow then

Ex

Co \Rightarrow T/O \Rightarrow 1200 Cr.

N/P

Y-1 100 Cr.

Y-2 50 Cr.

Y-3 150 Cr.

\Rightarrow CS Obligh
 $\frac{100+50+150}{3} \times 2\%$

\Rightarrow 2 Cr.

\Rightarrow Co to constitute CSR Comm

Ex

Co \Rightarrow Only 2 Yrs Compl

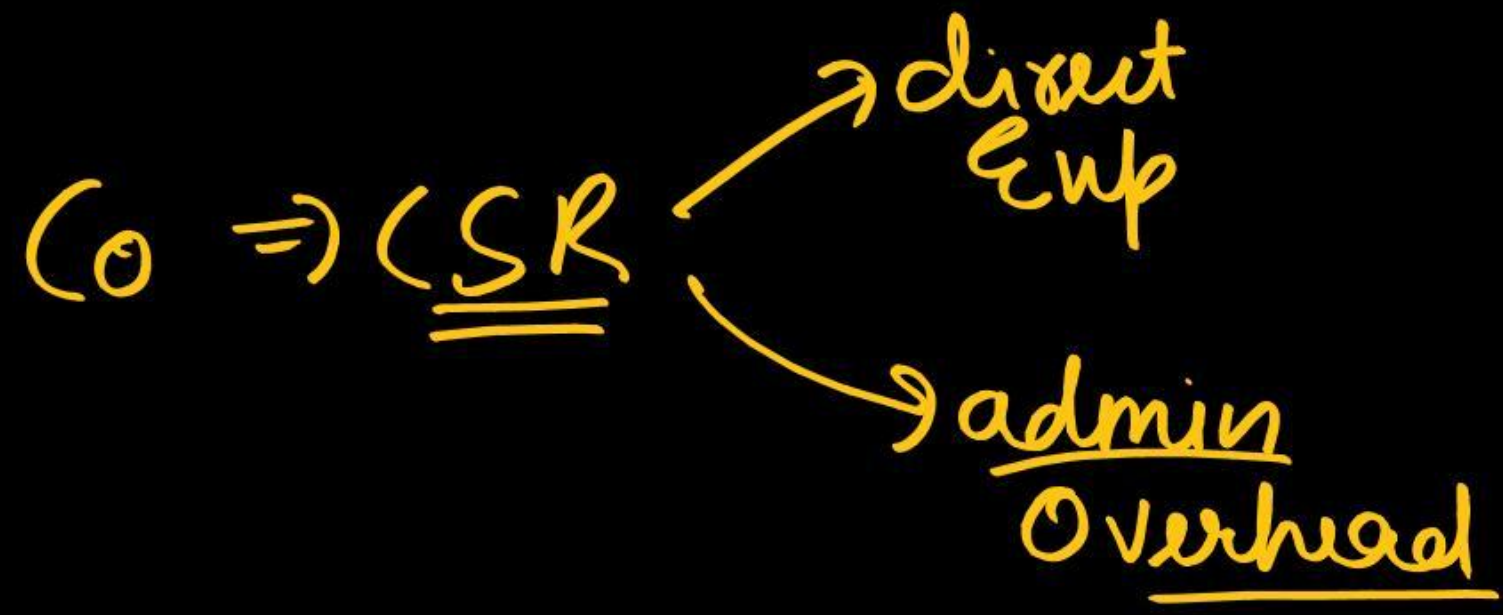
Y-1 \Rightarrow 10 Cr.

Y-2 \Rightarrow 590 Cr.

CS Obligh \Rightarrow $\frac{10+590}{2} \times 2\%$

\Rightarrow 6 Cr.

Co to constitute CS R Committee



Project 1 ⇒ XYZ
2 ⇒ ABC
3 ⇒ PQR

Mr. M

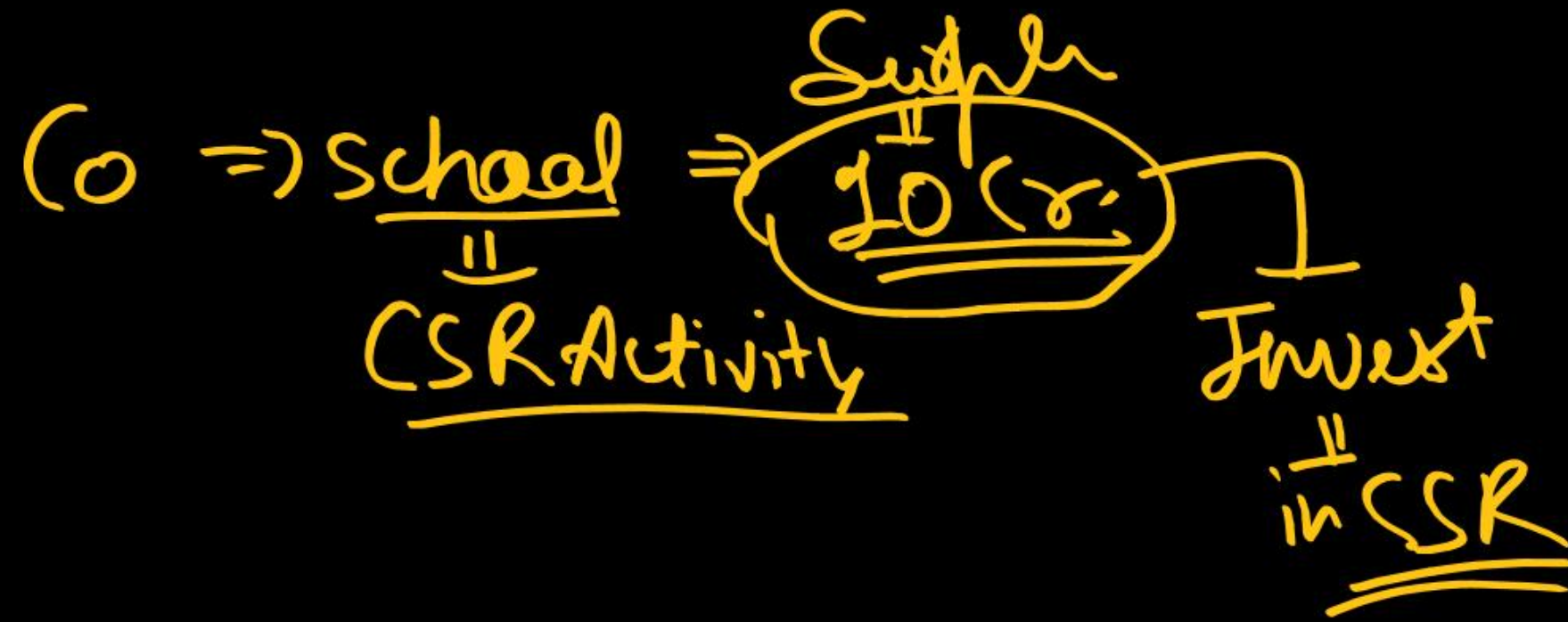


- d) Board shall ensure that admin overheads shall not exceed 5% of total CSR Expense for the FY.
- e) Any surplus arising out of CSR activities shall:-
- not form part of business profit &
 - shall be ploughed back in same project or
 - transfer to unspent CSR A/C & spent in pursuance of CSR or
 - Transfer to fund specified in Sch VII, within 6 months of expiry of FY.

CSR \Rightarrow 100% \Rightarrow Max^u \Rightarrow Admin OH



What is surplus arising out of CSR activity





(0 ⇒ spent ⇒ 100Cₓ)

Actual spent
80Cₓ (short ⇒ 20Cₓ)

Actual spent
140Cₓ ⇒ 40Cₓ extra

Related
to ongoing
Project

Not related
to ongoing
Project

Board Resⁿ
Next 3 FY
Set off



5.

Co. to spent 2% a/v profit of last 3 FYs

If shortfall

Shortfall relates to ongoing projects

Board specify reason in board report

+

Transfer to unspent CSR A/c within 30 days of expiry of FY

↓

Spent such amount with 3 FY from date of such transfer

↓

Failing which Co. shall transfer to fund specified in Sch VII within 30 days from completion of 3rd FY

Shortfall do not relates to ongoing project

Board specify reason in board report

+

Transfer shortfall to fund specified in Schedule VII within 6 month of expiry of FY

If spent excess

Allowed to set off such excess amount up to immediate succeeding 3 FYs

board resolution shall pass to that effect.

+

Excess amount not include the surplus arising out of the CSR activities



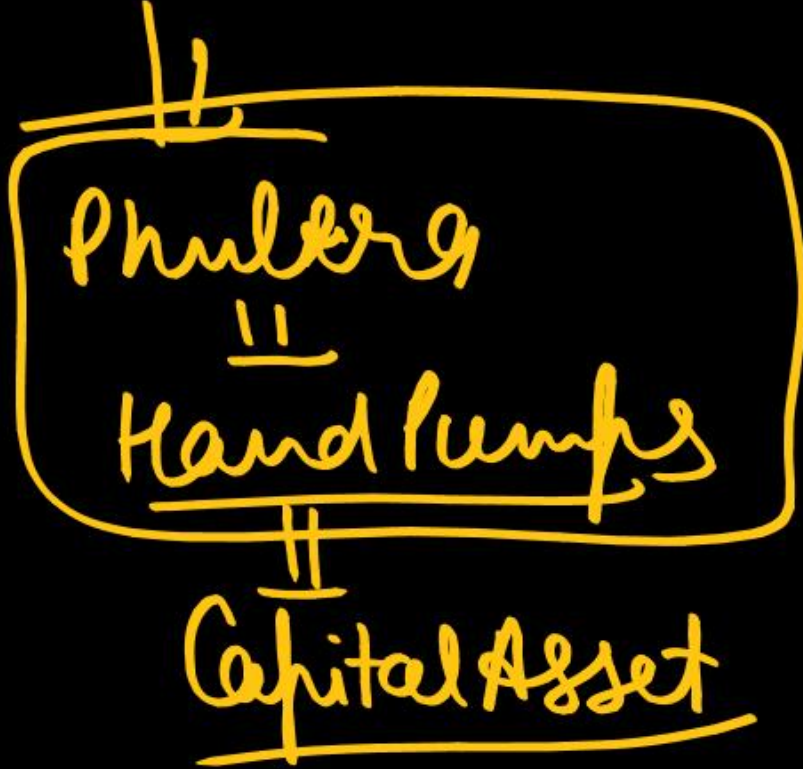
6. Default u/s 135(5) or 135(6)

For Co.	For Officer in default
Lower of	Lower of
a) $2 \times$ (amt. required to transfer to fund or unspent A/C)	a) $1/10^{\text{th}}$ of (amt. required to transfer to fund or unspent A/C)
b) ₹ 1 Crore	b) ₹ 2 Lakhs

7. CSR amount may be spent by a Co. for creation or acquisition of a capital asset, which shall be held by -
- A Co. established under section 8 of the Act, or a Registered Public Trust or Registered Society, having charitable objects and CSR Registration Number under Rule 4(2); or
 - Beneficiaries of the said CSR project, in the form of self-help groups, collectives, entities; or
 - A Public Authority

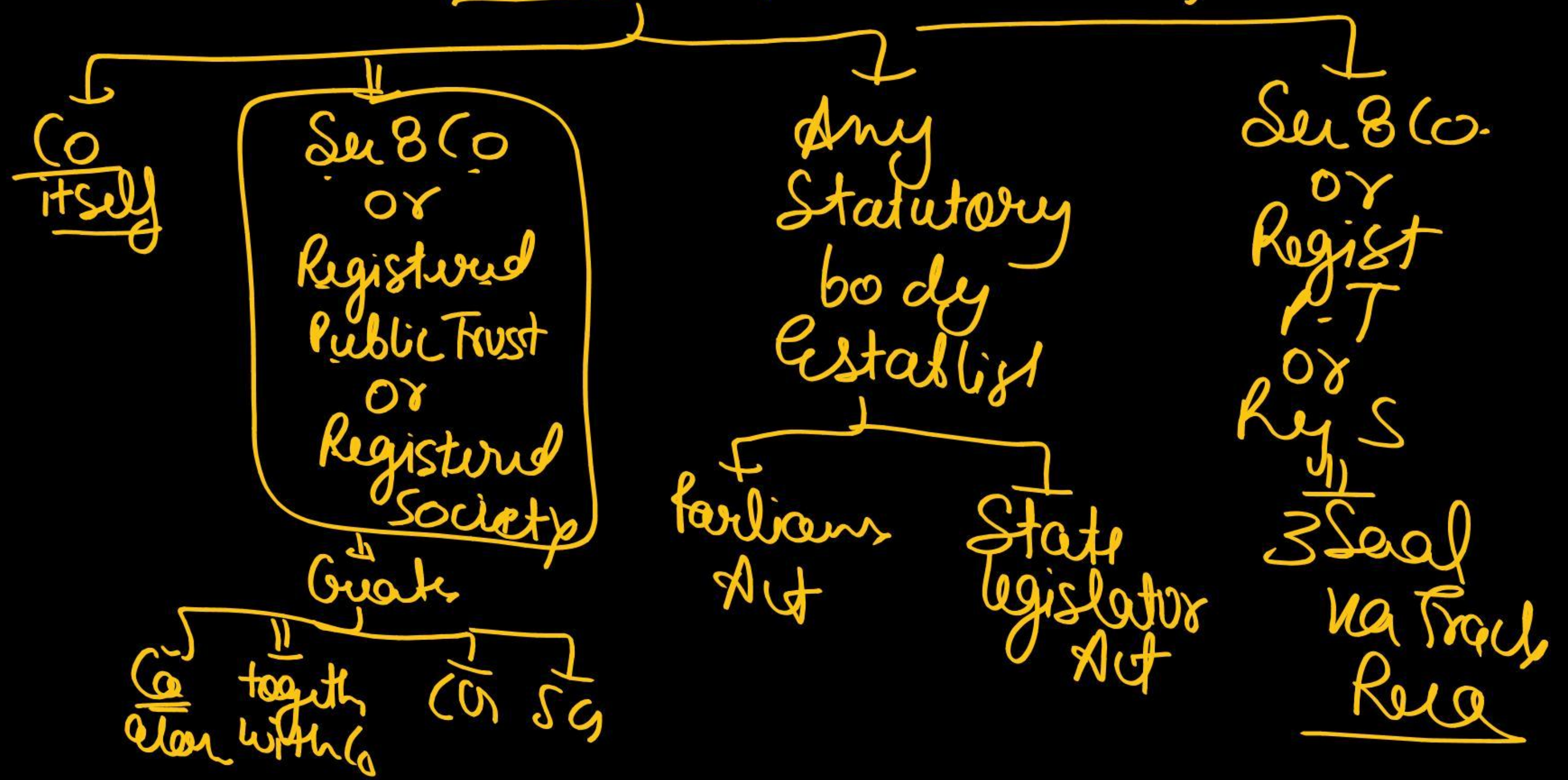


Co ⇒ CSR Activu





Method to implement CSR Project





6. Implementation of CSR projects
CSR activities are undertaken by

a) **Co. itself** or

b) **through Section 8 Co. or Registered Public Trust or Registered society**
established

by Co. alone or

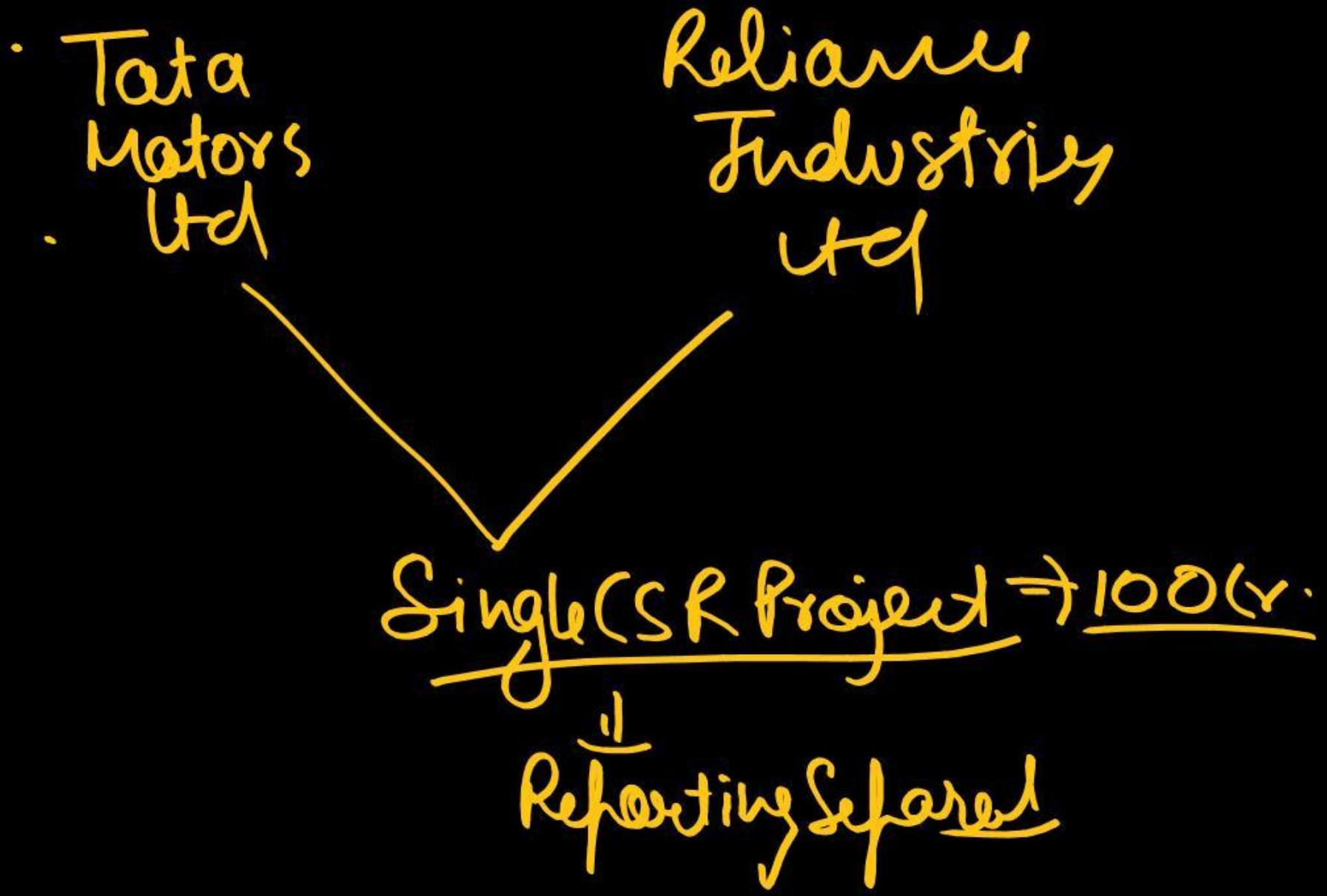
along with any other Co. or

By CG or

By SG or

c) any **statutory body** established under Act of Parliament or state legislature

d) A Co. established under section 8 of the Act, or a registered public trust or a registered society having an established track record of **at least three years in undertaking similar activities.**





8. A Co. may also collaborate with other Companies for undertaking projects provided respective Cos. are in a position to report separately on such project.

9. Impact Assessment

(a) Every Co having avg CSR obligation \geq ₹ 10 Crores in 3 immediately Preceding FYS

shall

- undertake impact assessment
- through independent agency
- of CSR projects having outlays \geq ₹ 1 Crores &
- which have been completed not less than 1 Year before undertaking the impact study



$C_0 \Rightarrow$ Impact assn \Rightarrow AM

\perp

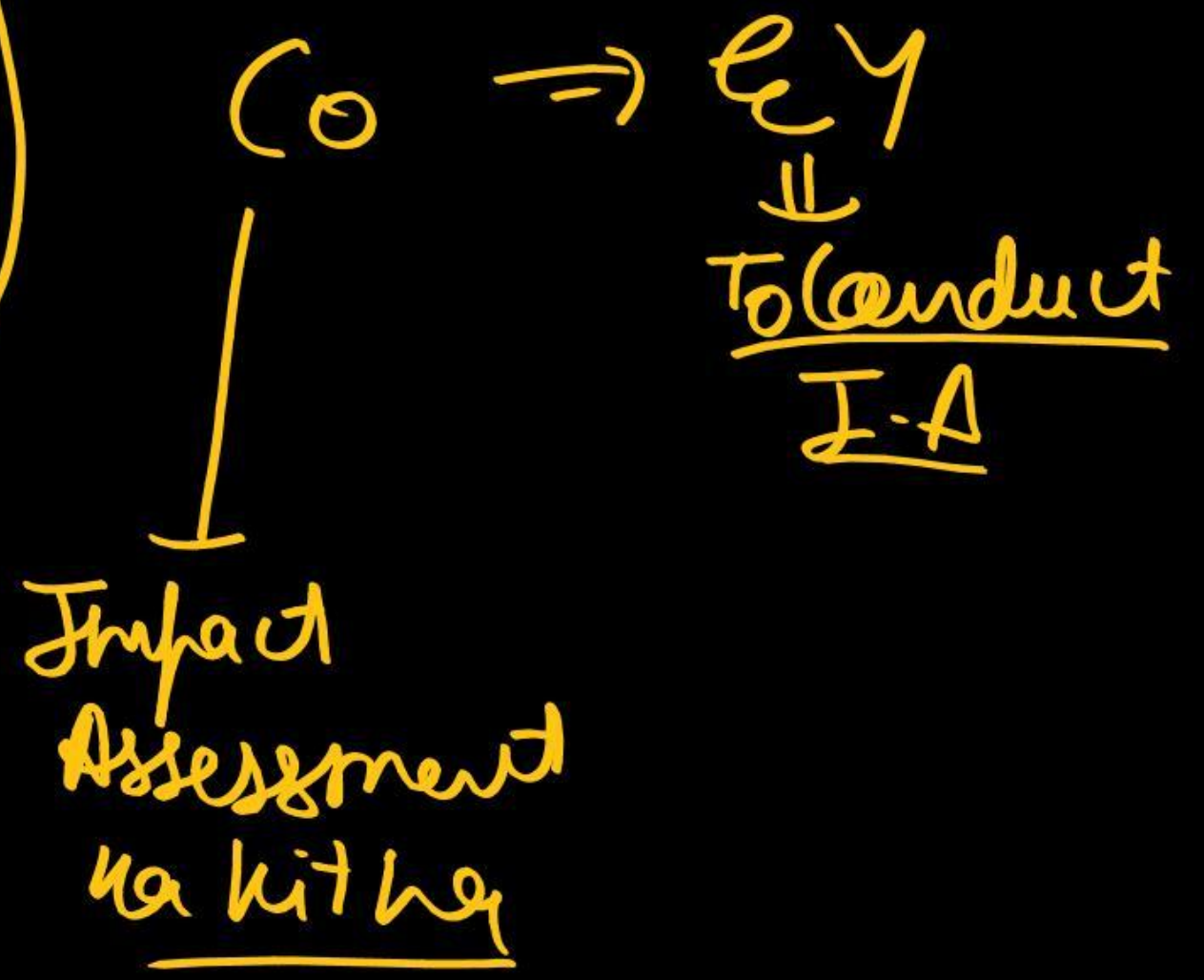
$P_1 \Rightarrow$ 50 only | No Asses

$P_2 \Rightarrow$ 2 (800) | Asses

$P_3 \Rightarrow$ 1 (800) | Asses



Impact Assessment





- b) Impact assessment reports - placed before BOD & annexed to annual report on CSR
- c) Maximum amount on impact assessment
Higher of 2% of total CSR exp or ₹ 50 lakhs

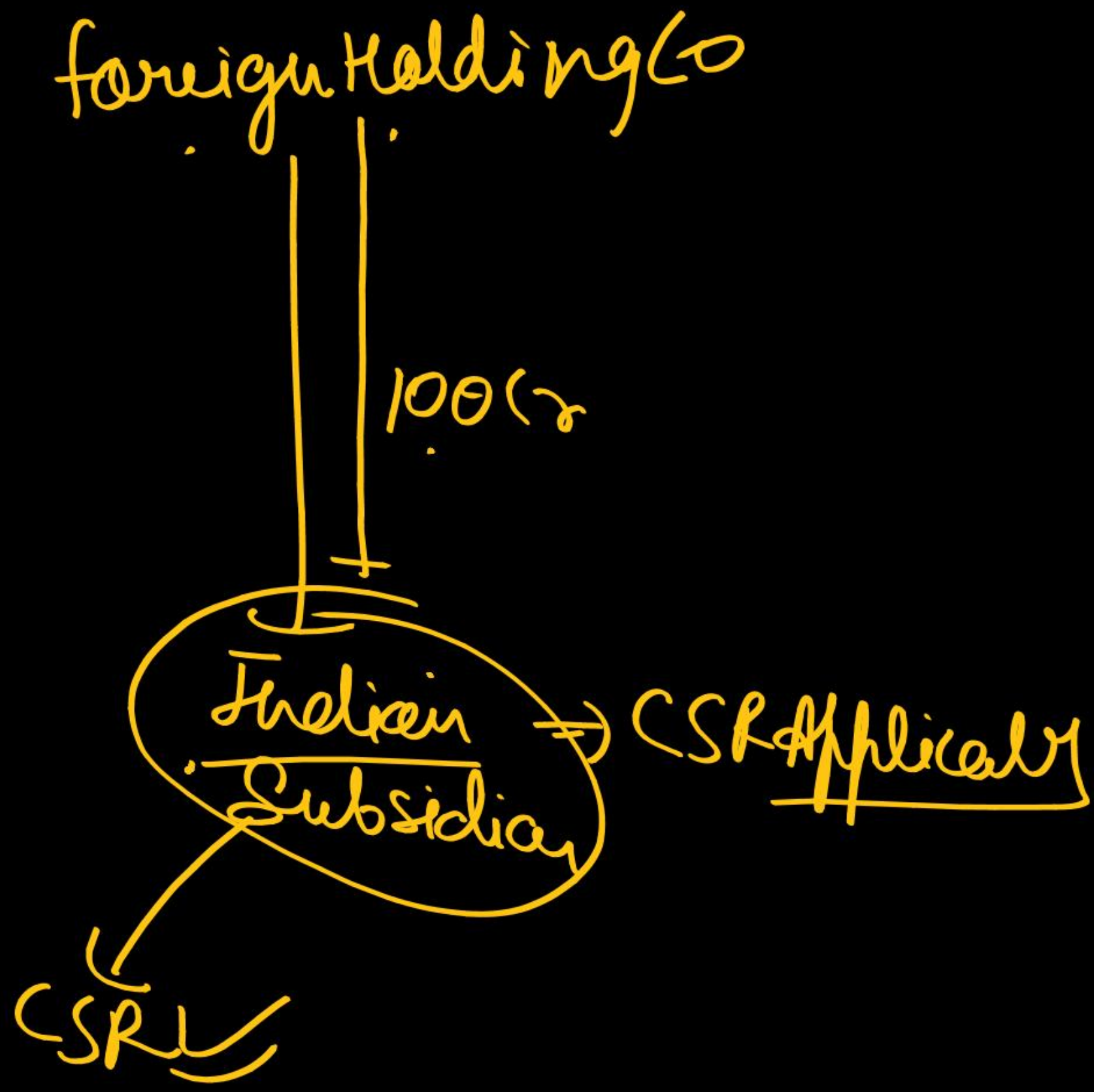




A Co. may engage international organisations for designing, monitoring and evaluation of the CSR projects as well as for capacity building of their own personnel for CSR.

Note:

Expenditure incurred by Foreign Holding Co. for CSR activities in India will qualify as CSR spending of the Indian subsidiary, if, the CSR expenditures are routed through Indian subsidiaries and if the Indian subsidiary is required to do so as per section 135 of the Act.





Activities which are not counted as CSR

- ① Amount spent O/S India
- ② Activity in the ordinary course of business
- ③ Only for employees



Section 132 ⇒ NFRA

National Financial Reporting
Authority



Constitution of NFRA [Section 132]



1. CG may by notification constitute NFRA
2. Functions of National Financial Reporting Authority (NFRA)
 - a) Recommendation to CG on formulation & laying down of Accounting & Auditing policies and standards
 - b) Monitor & Enforce Compliance with A/c & Auditing Standards
 - c) Oversee Quality of Service of professions associated with ensuring compliance of such standard
 - d) Promote awareness in relation to the compliance of accounting standards and auditing standards;
 - e) Co-operate with national and international organisations of independent audit regulators in establishing and overseeing adherence to accounting standards and auditing standards; and
 - f) Perform such other functions and duties as may be necessary or incidental to the aforesaid functions and duties.



3. Composition of NFRA

- a) Chairperson - appointed by CG having expertise in accountancy, auditing, finance or law
- b) Other Members not exceeding 15 - Part time or full time



- The following persons shall be appointed as part time members of NFRA, namely:
- a. One member to represent the MCA, who shall be an officer not below the rank of Joint Secretary, ex-officio;
 - b. One member to represent the CAG of India, who shall be an officer not below the rank of Accountant General or Principal Director, ex-officio;
 - c. One member to represent the RBI, who shall be an officer not below the rank of Executive Director, ex-officio;
 - d. One member to represent the SEBI, who shall be an officer not below the rank of Executive Director, ex-officio;
 - e. President, ICAI, ex-officio;
 - f. Chairperson, Accounting Standards Board, ICAI, ex-officio;
 - g. Chairperson, Auditing and Assurance Standards Board, ICAI, ex-officio; and
 - h. Two experts from the field of accountancy, auditing, finance or law.





4. Each division of NFRA shall be presided over
 - by chairperson or
 - Full time member authorised by chairperson
5. Executive body of NFRA consisting of chairperson & full-time members of such authority for efficient discharge of its functions
6. Chairperson & members shall give declaration to CG regarding no conflict of interest or lack of independence
7. Chairperson & members who are in full-time employment of NFRA shall not be associated with any audit firm or related consultancy firm during course of such appointment & 2 years after ceasing to hold such appointment



Powers of NFRA to investigate :- The NFRA

- have power to investigate into matters of professional or other misconducts committed by CA or firm of CA under CA Act, 1949
- have power to investigate suo moto or reference by CG
- **No other institute shall initiate or continue any proceedings, where NFRA has initiated investigation.**
- have same power as vested in Civil Court.
 - a) Discovery and production of BOA and other documents, at such place and at such time as may be specified by the NFRA;
 - b) Summoning and enforcing the attendance of persons and examining them on oath;
 - c) Inspection of any books, registers and other documents of any person referred to in clause (b) at any place;
 - d) Issuing commissions for examination of witnesses or documents;



7. Penalty by NFRA

a) where professional or other misconduct is proved, NFRA have power to make order for

i. Imposing Penalty

Liable (in case of)	Minimum	Maximum
Individual	one lakh rupee	5 times of the fees received
Firms	five lakh rupees	10 times of the fees received



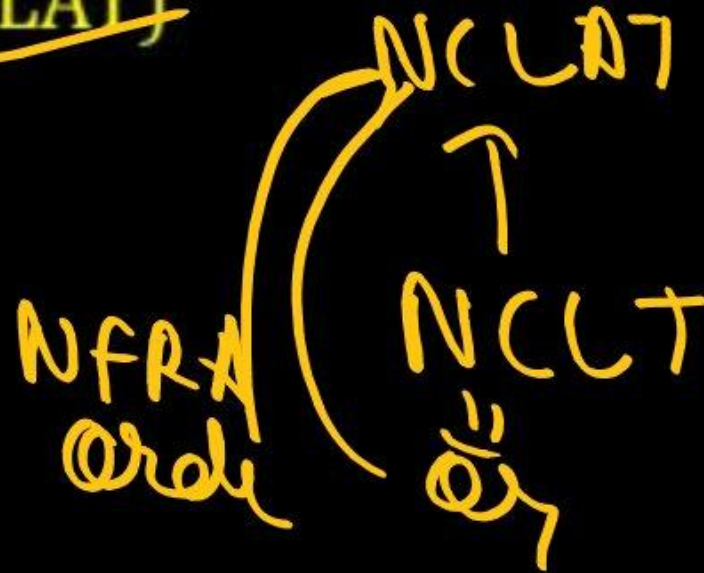
ii. Debarring the member / firm from:-

- Being appointed as
- Auditor ✗
 - Internal auditor ✗
 - Any other assignment ✗

Performing
Valuation
u/s 247

Minimum - 6 Months
Maximum - 10 Years
As determined by NFRA

8. Any person aggrieved by order of NFRA may prefer an appeal before Appellate Tribunal (NCLAT)





9. Scope of NFRA:-

NFRA shall have power to monitor and enforce compliance with AS and auditing standards, oversee the quality of service or undertake investigation of the auditors of the following class of companies and bodies corporate, namely:

- a) Co. whose securities are listed on any stock Exchange in India or outside India
- b) Unlisted Public Co. having
 - PUSC not less than ₹500 Crores or
 - Annual T/O not less than ₹1000 Crores or
 - o/s loans / debentures & deposits of not less than ₹ 500 Crores
 - as on 31st March of immediately Preceding FY
- c) Insurance Cos. / banking Cos. / Electricity Cos. / companies governed by special Act



- d) Any BC / Co. / Person on reference made to NFRA by CG in public interest
- e) BC incorporated or registered outside India, which is subsidiary or associate of any of the above mentioned companies if the income or net worth of such subsidiary or associate Co. exceeds 20% of consolidated income or consolidated Net worth of such above mentioned Cos.

10. Accounts of NFRA

- a) BOA ⇒ Maintain in manner prescribed by CG in consultation with C&AG
- b) Audit - C & AG



c) Annual Report ⇒ for each FY giving full A/c of its activities during FY

d) NFRA ⇒ forward to CG ⇒

*laydaw ⇒ Before each of
parliament*

- A/Cs. As certified

by C&AG

- Auditor's Report
- Annual Report



Thank
you