

# Companies Act 2013

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- Chapter IX – Accounts of Companies (128 - 138)
- Companies (Accounts) Rules 2014 (1 - 13)

**Jomon K. George FCA**

# Companies Act 2013 – An Overview

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- An all new enactment
- 470 sections (282 notified)
- 29 chapters
- 7 schedules
- 21 Rules notified

## Companies Act 2013

# Important Schedules

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- Schedule I - Tables – MoA & AoA
- Schedule II - Useful Lives for depreciation
- Schedule III - General instructions for BS & PL
- Schedule VII - CSR Activities

## Companies Act 2013 - An overview of the Structure (Up to Chapter XIII)

Chapter	Sections	Content	Rule
I	1 & 2	Preliminary	The Companies (Specification of definitions details) Rules, 2014
II	3 to 22	Incorporation of Company and incidental matters	The Companies (Incorporation) Rules, 2014
III	23 to 42	Prospectus and Allotment of Securities	The Companies (Prospectus and Allotment of Securities) Rules, 2014
IV	43 to 72	Share Capital and Debentures	The Companies (Share Capital and Debentures) Rules, 2014
V	73 to 76	Acceptance of Deposits by Companies	The Companies (Acceptance of Deposits) Rules, 2014
VI	77 to 87	Registration of Charges	The Companies (Registration of Charges) Rules, 2014
VII	88 to 122	Management and Administration	The Companies (Management and Administration) Rules, 2014
VIII	123 to 127	Declaration and Payment of Dividend	The Companies (Declaration and Payment of Dividend) Rules, 2014
IX	128 to 138	Accounts of Companies	The Companies (Accounts) Rules, 2014 and Companies(CSR Policy Rules) 2014
X	139 to 148	Audit and Auditors	The Companies (Audit and Auditors) Rules, 2014
XI	149 to 172	Appointment and Qualifications of Directors	The Companies (Appointment and Qualification of Directors) Rules, 2014
XII	173 to 195	Meetings of Board and its Powers	The Companies (Meetings of Board and its Powers) Rules, 2014
XIII	196 to 205	Appointment and Remuneration of Managerial Personnel	The Companies (Appt. and Remn. of Managerial Personnel) Rules, 2014

## Books of Account - 128 (209 & 214)

- Books of Account as in 2 (13) on accrual basis, under double entry system & FS which give a true & fair view of the affairs of the company should be kept at RO.

Notice to RoC within 7 days, if kept elsewhere.

- **Can be in electronic mode also.**
- Books of 8 years preceding the FY to be kept.

## Financial Statement – 129 (210 & 211)

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- FS shall give a true & fair view in compliance with ASs referred to in 133. Shall be in the form prescribed in Sch. III
- Board shall lay the accounts in every AGM. CFS shall also be laid in the AGM. **Subsidiary to include Associates & JVs**
- **A statement containing the salient features of the Financial Statements of subsidiaries shall also be attached to the FS.**

## Financial Statement – 129 (210 & 211)

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Where the FS of a company do not comply with AS, it shall disclose the following :

- the deviation
- the reasons for the deviation
- the financial effect if any of such deviation

## Companies Act 2013

### CG to prescribe AS -133 (211)

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



## Companies Act 2013

### Financial Statement, Boards Report -134 (211/217) -

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The FS including CFS shall be approved by the board before they are signed by :

- Chairperson if he is authorised **or** at least by two directors of which one shall be MD &
- CEO if he a director of the company, the CFO and the company secretary

**The auditors report shall be attached to every financial statement**

## Companies Act 2013

### Financial Statement, Boards Report -134 (211/217) -

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- There shall be attached to **statements** laid before a **general meeting** a report of the board of directors which shall include :
  - extract of the annual return
  - number of meetings of the board
  - directors' responsibility statement (**with new points**)
  - declaration by independent directors u/s 149

**Financial Statement, Boards Report -134 (211/217) -**

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- explanations on qualifications of auditors/CS.
  - **related party transactions**
  - state of company's affairs
  - **policy on Managerial Appt. & Remuneration**
  - major changes that have occurred between YE & report

## Financial Statement, Boards Report -134 (211/217)

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- statement on risk management policy
- CSR initiatives & the composition of the committee.
- performance evaluation (only by some companies)
- Loans/Guarantees/Investments u/s 186
- other matters as may be prescribed

## Right to have copies of audited FS -136

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A copy of the FS including CFS along with auditors report which are to be laid in the general meeting shall be sent to every member of the company and debenture trustees, not less than twenty one days of the meeting

In the case of a listed company, it shall be sufficient to keep it at RO for inspection and a **statement with salient features of the above documents are sent in a prescribed form** to those who are entitled to receive the same **unless they ask for the full FS.**

## **Right to have copies of audited FS - 136**

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**The CG may prescribe the manner in which the FS is to be circulated in the case of certain companies**

Every listed company shall place the above documents on its website

Every company having a subsidiary shall place the audited accounts of its subsidiary also on the website.

**Penalty for default – Co- 25000 ... Officer 5000**

## Copy of FS to be filed with RoC – 137 (220)

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A copy of the FS including CFS along with auditors report duly adopted in the annual general meeting shall be filed with RoC within 30 days of the meeting with fees/addtl fees u/s 403

If not adopted, the un-adopted statements shall be filed with RoC within 30 days which shall be taken as provisional till the adopted FS are filed with him.

## **Copy of FS to be filed with RoC – 137**

The FS of subsidiaries incorporated outside India shall be attached.

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Where the AGM has not been held, the FS along with statement of reasons for not holding the AGM shall be filed with RoC within 30 days of the due date with fees u/s 403.

### **Penalty for default**

Company - 1000 per day Ltd to 10 lacs

Officer - Imprisonment upto six months and/or fine of 1-5 lacs

For OPC, the FS to be filed within 180 days from the close of the year.



## Internal Audit – 138 (New)

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Certain companies shall appoint an internal auditor who shall be a professional as decided by the board to conduct internal audit of the activities and functions of the company.

The CG may prescribe rules in this regard

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Thank you very much

Jomon K. George

## Companies (Accounts) Rules 2014

### *Manner of keeping books in electronic mode :*

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Shall remain accessible in India so as to be usable for subsequent reference. Shall be capable of being displayed

Should have a proper system for storage & retrieval. Back up should be kept in servers in India. Shall intimate RoC, the details of the service provider

The summarised returns of the BoA kept outside India shall be sent to the RO on quarterly basis which shall be kept open for inspection by directors.



## *Companies (Accounts) Rules 2014*

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Statement containing salient features of the FS of SC/AC/JV shall be in Form **AOC 1**

### *Manner of Consolidation of Accounts:*

the Consolidated FS of a company shall be made in accordance with the provisions of Sch. III and applicable Accounting Standards

Profit/Loss attributable to MI/Owners shall be presented as allocation for the period. MI shall be presented separately within equity

*In the case of a company not required to prepare CFS under AS, it shall be sufficient if it complies with Sch. III.*



## Companies Act 2013

### *Companies (Accounts) Rules 2014*

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AS for this purpose shall mean AS referred in the 1956 Act until new prescriptions come.....

NACAS until NFRA is constituted



## *Companies (Accounts) Rules 2014*

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The boards report shall be prepared based on stand alone FS of the company

It shall contain a separate section on the performance and financial position of the SC/AC/JVs included in CFS.

RP transactions referred in 188 (1) in Form AOC 2



## ***Companies (Accounts) Rules 2014***

### **Boards Report to include :**

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Change in the nature of business, if any..

Names of companies that have become/ceased to be SC/AC/JVs during the year.

Details of deposits covered under Ch. V of the Act and non-compliances, if any...

Cont..

## ***Companies (Accounts) Rules 2014***

### **Boards Report to include :**

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Details of significant orders passed by authorities having an impact on going concern and future operations.

The disclosures on CSR shall be as per annexure to the CSR Policy Rules 2014.

Every listed Co/public company having PuC of 25 crores or more shall include a statement indicating the manner in which formal annual evaluation was done by the board of its own performance, its committees and directors.





***Companies (Accounts) Rules 2014***

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The statement containing salient features of the documents shall be in **Form AOC 3**.



## ***Companies (Accounts) Rules 2014***

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### **Manner of circulation of FS :**

Listed companies and public companies with networth of more than 1 Cr and T/O of more than 10 Cr, the FS may be sent by :

Electronic mode to demat members whose email ids are registered with depository and to NON demat members who have so consented in writing

Physical copies to all others by any mode as in section 20.



## Companies Act 2013

### *Companies (Accounts) Rules 2014*

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Every company shall file FS together with **Form AOC 4**.

Notified Companies shall file FS in XBRL



## Companies (Accounts) Rules 2014

The following class of companies shall appoint an internal auditor :

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Every Listed Company

Unlisted public company having :-

PuC of 50 Cr or more OR turnover of 200 Cr or more OR

Loans from Banks/FIs of 100 Cr or more OR Deposits of 25 Cr or more

Private company having :-

T/O of 200 Cr or more OR Loans from Banks/FIs of 100 Cr or more

Six months to comply, May be an employee of the company

CA may be in practice or not, Board/AC shall decide on the scope etc..

