

# E-Book

## Chapter IX – Accounts of Companies Act, 2013



**The Institute of Chartered Accountants of India**

(Set up by an Act of Parliament)

**Southern India Regional Council**

**Chennai**

# **E-Book**

## **Chapter IX – Accounts of Companies Act, 2013**

**This e-book has been authored by  
CA. Asir Raja Selvan**



**The Institute of Chartered Accountants of India**  
(Set up by an Act of Parliament)  
**Southern India Regional Council**  
**Chennai**

Copyright © with SIRC of ICAI

All rights served. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form, or means, electronic, mechanical, photocopying, recording or otherwise without prior permission in writing, from the publisher.

**DISCLAIMER:**

The views expressed in this e-book are of the author(s). The Institute of Chartered Accountants of India (ICAI) and/or Southern India Regional Council of ICAI may not necessarily subscribe to the views expressed by the author(s).

The information cited in this e-book has been drawn primarily by the contributor. While every effort has been made to keep the information cited in this e-book error free, the Institute or any office of the same does not take the responsibility for any typographical or clerical error which may have crept in while compiling the information provided in this e-book.

First Edition: May 2022

Email: [sirc@icai.in](mailto:sirc@icai.in)

Published by: Southern India Regional Council

The Institute of Chartered Accountants of India

ICAI Bhawan

122, Mahatma Gandhi Road

Post Box No. 3314, Nungambakkam,

Chennai - 600034

**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA**  
(Set up by an Act of Parliament)  
**Southern India Regional Council**



**FOREWORD**

The accounts of Government Companies set up under the provisions of the Companies Act (including Companies deemed to be Government Companies as per the provisions of the Companies Act) are audited by the Comptroller and Auditor General of India (CAG) under the provisions of Section 143(6) of Companies Act, 2013.

The shareholders provide capital to the company for running the business. They are in a way, the owners of the company. But, all of them cannot take part in managing the affairs of the company as their number is usually much more. But they have every right to know as to how their money has been dealt with by the directors in a particular period. This is perhaps compulsory disclosure through annual information to the shareholders by the directors about the working and financial position of the company enables them to exercise a more intelligent and purposeful control over the affairs of the company.

For preparation of annual accounts the maintenance of proper books of account is a must. Section 128 of the Companies Act, 2013 contains the provisions for books of account etc. to be kept by company

We are pleased to present before our members and other stakeholders this e-book, **Chapter IX- Accounts of Companies Act, 2013** covering the following aspects:

On behalf of SIRC, I wish to place our sincere gratitude and appreciation to CA. Asir Raja Selvan, for sharing his rich experience and expertise on the Chapter IX- Accounts of Companies Act 2013 amongst our members through this e-book. I also take the privilege of thanking CA. Suresh Kumar for reviewing the basic draft of e-book and adding value to the substance of the e-book.

We are conscious of the fact that in a publication meant for professional accountants like this there is a scope for further improving form, contents, presentation and coverage. Accordingly comments and suggestions on the e-book are welcome at [sirc@icai.in](mailto:sirc@icai.in)

**CA.China Masthan Talakayala**  
Chairman, SIRC of ICAI

## CONTENTS

SLNO	TOPICS
<b>1</b>	<b>Section 128 – Books of account, etc., to be kept by company</b>
<b>2</b>	<b>Sec 129 – Financial Statement</b>
<b>3</b>	<b>Sec 129A - Periodical financial results</b>
<b>4</b>	<b>Sec 130 - Re-opening of Accounts on Court's or Tribunal's Orders</b>
<b>5</b>	<b>Sec 131 – Voluntary Revision of Financial Statements or Board's Report</b>
<b>6</b>	<b>Sec 132 - Constitution of National Financial Reporting Authority</b>
<b>7</b>	<b>Sec 133 - Central Government to prescribe accounting standards</b>
<b>8</b>	<b>Sec 134. Financial Statement, Board's Report</b>
<b>9</b>	<b>Sec 135. Corporate Social Responsibility</b>
<b>10</b>	<b>Sec 136 - Right of member to copies of audited financial statement</b>
<b>11</b>	<b>Sec 137 Copy of financial statement to be filed with Registrar</b>

## Section 128 – Books of account, etc., to be kept by company

### What are Books of Accounts?

As per Sec 2 (13) of Companies Act, 2013, “**books of account**” includes records maintained in respect of—

- (i) All sums of money received and expended by a company and matters in relation to which the receipts and expenditure take place.
- (ii) All sales and purchases of goods and services by the company.
- (iii) The assets and liabilities of the company; and
- (iv) The items of cost as may be prescribed under section 148 in the case of a company which belongs to any class of companies specified under that section.

Every Company Shall –

Maintain Books of Accounts on **Accrual Basis** & according to **Double Entry System**.

Keep the books of Accounts including its branch offices – At its registered office normally?

Keep Financial Statements for every Financial Year which give a true and fair view of the State of Affairs of the Company

### What is Financial Statement?

As per Sec 2(40), “financial statement” in relation to a company, **includes**—

- (i) A **balance sheet** as at the end of the financial year.
- (ii) A **profit and loss account**, or in the case of a company carrying on any activity not for profit, an **income and expenditure** account for the financial year.
- (iii) **cash flow statement** for the financial year.
- (iv) A **statement of changes in equity**, if applicable; and
- (v) Any explanatory note annexed to, or forming part of, any document referred to in sub-clause (i) to sub-clause (iv): Provided that the financial statement, with respect to One Person Company, small company and dormant company, may not include the cash flow statement.

### What is Financial Year?

As per Sec 2 (41) “financial year”, in relation to any company or body corporate, means

The period ending on the 31st day of March every year, and where it has been incorporated on or **after the 1st day of January of a year**, the period ending on the

31st day of March of the following year, in respect whereof financial statement of the company or body corporate is made up:

For a Company incorporated on 12<sup>th</sup> November 2020 – The first financial year will be 12<sup>th</sup> November 2020 to 31<sup>st</sup> March 2021.

For a Company incorporated on 12<sup>th</sup> January 2021 – The first financial year will be 12<sup>th</sup> January 2021 to 31<sup>st</sup> March 2022.

Provided that where a company or body corporate, which is a holding company or a subsidiary or associate company of a company incorporated outside India and is required to follow a different financial year for consolidation of its accounts outside India, the Central Government may, on an application made by that company or body corporate in such form and manner as may be prescribed, allow any period as its financial year, whether or not that period is a year:

### **Whether a company can keep its books of accounts in a place other than its Registered Office?**

Yes, possible to keep the books other than the registered office of the Company.

The decision may be taken in the Board and within 7 days e-form AOC -5 to be filed with the Registrar of Companies giving the full address of that other place. [Rule 2A Notice of Address at which Books of Accounts are to be maintained of The Companies (Accounts) Rules, 2014]

### **An Indian company wish to keep its books of Accounts in Singapore, is it possible?**

**No**, as per the proviso to Sec 128(1), the books of accounts may be kept **only in India**.

### **Rule 3: Manner of Books of Account to be Kept in Electronic Mode**

(1) The books of account and other relevant books and papers maintained in electronic mode shall remain accessible in India so as to be usable for subsequent reference.

Provided that for the financial year commencing on or after the 1<sup>st</sup> day of April, 2022, every company which uses accounting software for maintaining its books of account, **shall use** only such accounting software which **has a feature of recording audit trail** of each and every transaction, creating an edit log of each change made in books of account along with the date when such changes were made and ensuring that the audit trail cannot be disabled.

(2) The books of account and other relevant books and papers referred to in sub-rule (1) shall be retained completely in the format in which they were originally generated, sent or received, or in a format which shall present accurately the information generated, sent or received and the information contained in the electronic records shall remain complete and unaltered.

(3) The information received from branch offices shall not be altered and shall be kept in a manner where it shall depict what was originally received from the branches.

(4) The information in the electronic record of the document shall be capable of being displayed in a legible form.

(5) There shall be a proper system for storage, retrieval, display or printout of the electronic records as the Audit Committee, if any, or the Board may deem appropriate and such records shall not be disposed of or rendered unusable, unless permitted by law:

Provided that the back-up of the books of account and other books and papers of the company maintained in electronic mode, including at a place outside India, if any, shall be kept in servers physically located in India on a periodic basis.

(6) The company shall intimate to the Registrar on an annual basis at the time of filing of financial statement-

- (a) The name of the service provider;
- (b) The internet protocol address of service provider;
- (c) the location of the service provider (wherever applicable);
- (d) where the books of account and other books and papers are maintained on cloud, such address as provided by the service provider.

Explanation.- For the purposes of this rule, the expression “electronic mode” includes “electronic form” as defined in clause (r) of sub-section (1) of section 2 of Information Technology Act, 2000 (21 of 2000) and also includes an electronic record as defined in clause (t) of sub-section (1) of section 2 of the Information Technology Act, 2000 (21 of 2000) and "books of account " shall have the meaning assigned to it under the Act.

#### **If a company has branch office in India or outside India, what is needed to comply?**

Shall be deemed to have complied with the provisions of sub-section (1), if proper books of account relating to the transactions effected at the branch office **are kept at that office** and proper **summarized returns periodically sent by the branch office to the company at its registered office** or the other place referred to in sub-section (1).

#### **Inspection of Books of Accounts of a company by its directors:**

Shall be open for inspection by any director only during Business Hours if maintained within India.

#### **Rule 4: Conditions Regarding Maintenance and Inspection of Certain Financial Information by Directors**

(1) The summarised returns of the books of account of the company kept and **maintained outside India** shall be sent to the registered office **at quarterly intervals**, which **shall be kept and maintained at the registered office** of the company and kept **open to directors for inspection**.

(2) Where any other financial information maintained outside the country is required by a director, the director shall furnish a request to the company setting out the full details of the financial information sought, the period for which such information is sought.

(3) The company shall produce such financial information to the director **within fifteen days** of the date of receipt of the written request.



(4) The financial information required under sub-rules (2) and (3) **shall be sought** for by the **director himself** and **not by or through** his power of attorney holder or agent or representative.

Sec 128 (4) Where an inspection is made under sub-section (3), the officers and other employees of the company shall give to the person making such inspection all assistance in connection with the inspection which the company may reasonably be expected to give.

#### **Period for which the books to be kept in good order:**

Minimum of **8 financial years** immediately preceding a financial year, the company need to keep the books including vouchers in good order.

If a company is under investigation as per Chapter XIV, the Central Government may prescribe longer period.

#### **Penal Provision for Non-Compliance:**

Fine Amount: Rs.50,000 to Rs.5 Lakhs.

**Who will be penalised?** – Managing Director, Whole Time Director in charge of Finance, CFO or other person charged by the Board for complying with this provision.

#### **Regulation 33 of SEBI LODR – Financial Results**

(1) While preparing financial results, **the listed entity shall comply** with the **following**:

(a)The financial results shall be prepared on the basis of **accrual accounting policy** and shall be in accordance with **uniform accounting practices** adopted for all the periods.

(b)The quarterly and year to date results shall be prepared in accordance with the recognition and measurement principles laid down in Accounting Standard 25 or Indian Accounting Standard 31 (AS 25/ Ind AS 34 –Interim Financial Reporting), as applicable, specified in Section 133 of the Companies Act, 2013 read with relevant rules framed thereunder or as specified by the Institute of Chartered Accountants of India, whichever is applicable.

(c)The standalone financial results and consolidated financial results shall be prepared as per **Generally Accepted Accounting Principles in India**:

Provided that in addition to the above, the listed entity may also submit the financial results, as per the International Financial Reporting Standards notified by the International Accounting Standards Board.

3 (d) the listed entity shall **submit annual audited standalone financial** results for the financial year, **within sixty days from the end of the financial year** along with the audit report and Statement on Impact of Audit Qualifications applicable only for audit.

## **Sec 129 – Financial Statement**

The financial statements **shall give a true and fair view** of the state of affairs of the company or companies, **comply with the accounting standards** notified under section 133 and **shall be in the form** or forms as may be provided for different class or classes of companies in **Schedule III**:

Provided that the items contained in such financial statements shall be in accordance with the accounting standards:

**Nothing** contained in this sub-section shall apply to

- any insurance or
- banking company or
- any company engaged in the generation or supply of electricity, or
- to any other class of company for which a form of financial statement has been specified in or under the Act governing such class of company:

129 (2) - At every annual general meeting of a company, the Board of Directors of the company shall lay before such meeting financial statements for the financial year.

129 (3) - Where a company has one or more subsidiaries, it **shall, in addition to** financial statements provided under sub-section (2), prepare a **consolidated financial statement** of the company and of all the subsidiaries in the same form and manner as that of its own which shall also be laid before the annual general meeting of the company along with the laying of its financial statement under sub-section (2):

Provided that the company shall also attach along with its financial statement, a separate statement containing the salient features of the financial statement of its subsidiary or subsidiaries associate company or companies and joint venture or ventures under the first proviso to sub-section (3) of section 129 shall be in Form AOC-1 - **Rule 5 - Form of Statement Containing Salient Features of Financial Statements of Subsidiaries, Companies (Accounts) Rules, 2014**

129 (4) - The provisions of this Act applicable to the preparation, adoption and audit of the financial statements of a holding company shall, mutatis mutandis, apply to the consolidated financial statements referred to in sub-section (3).

129 (5) - If a company do not comply with Accounting Standards, then the company shall disclose in its financial statements, the deviation from the accounting standards, the reasons for such deviation and the financial effects, if any, arising out of such deviation.

129 (7) - If a company contravenes the provisions of this section, the managing director, the whole-time director in charge of finance, the Chief Financial Officer or any other person charged by the Board with the duty of complying with the requirements of this section and in the absence of any of the officers mentioned above, all the Directors **shall be punishable** with **imprisonment for a term which may extend to one year** or with **fine which shall not be less than Rs.50,000/-** but which may **extend to Rs.5 lakhs**, or **with both**.

**Exception:** Accounting Standard 17 (Segment Reporting) to the Government companies engaged in defence production

#### **Rule 4A - Forms and Items Contained in Financial Statements, Companies (Accounts) Rules, 2014**

The **financial statements shall be in** the form specified in **Schedule III** to the Act **and comply** with **Accounting Standards** or Indian Accounting Standards **as applicable**:

Provided that the items contained in the financial statements shall be prepared in accordance with the definitions and other requirements specified in the Accounting Standards or the Indian Accounting Standards, as the case may be.”.

#### **Regulation 33 of SEBI LODR – Accounting Standards**

The listed entity shall comply with all the applicable and notified Accounting Standards from time to time.

#### **Sec 129A - Periodical financial results**

The Central Government may, require **such class or classes of unlisted companies**, as may be prescribed, —

- (a) to prepare the **financial results** of the company on **such periodical basis** and in such form as may be prescribed;
- (b) to obtain approval of the Board of Directors and complete **audit or limited review** of such periodical financial results in such manner as may be prescribed; and
- (c) **file a copy with the Registrar within** a period of **30 days** of completion of the relevant period with such fees as may be prescribed.

Note: This section was inserted by the Companies (Amendment) Act, 2020. Notification dated 28th September 2020 Amendment Effective from 22nd January 2021 &

Central Government yet to prescribe the class of companies and the fees for filing.

#### **Sec 130 - Re-opening of Accounts on Court's or Tribunal's Orders**

(1) A company shall not re-open its books of account and not recast its financial statements, unless an application in this regard is made by the Central Government, the Income-tax authorities, the Securities and Exchange Board, any other statutory regulatory body or authority or any person concerned and an order is made by a court of competent jurisdiction or the Tribunal to the effect that—

- (i) the relevant earlier accounts were prepared in a fraudulent manner; or
- (ii) the affairs of the company were mismanaged during the relevant period, casting a doubt on the reliability of financial statements:

Provided that the court or the Tribunal, as the case may be, **shall give notice** to the Central Government, the Income-tax authorities, the Securities and Exchange Board or any other statutory regulatory body or authority concerned or any other person concerned and shall take into consideration the representations, if any, made by that Government or the authorities,

Securities and Exchange Board or the body or authority concerned or the other person concerned before passing any order under this section.

(2) Without prejudice to the provisions contained in this Act the accounts so revised or re-cast under sub-section (1) shall be final.

(3) No order shall be made under sub-section (1) in respect of re-opening of books of account relating to a period earlier than eight financial years immediately preceding the current financial year:

Provided that where a direction has been issued by the Central Government under the proviso to sub-section (5) of section 128 for keeping of books of account for a period longer than eight years, the books of account may be ordered to be re-opened within such longer period.

### **Sec 131 – Voluntary Revision of Financial Statements or Board’s Report**

(1) If it appears to the Directors of a company that—

- (a) the financial statement of the company; or
- (b) the report of the Board,

do not comply with the provisions of section 129 or section 134 they **may prepare revised** financial statement or a revised report in respect of any of the **three preceding financial years after obtaining approval** of the Tribunal on an application made by the company in such form and manner as may be prescribed and a copy of the order passed by the Tribunal shall be filed with the Registrar:

Provided that the Tribunal shall give notice to the Central Government and the Income tax authorities and shall take into consideration the representations, if any, made by that Government or the authorities before passing any order under this section:

Provided further that such revised financial statement or report **shall not be prepared** or filed **more than once in a financial year:**

Provided also that the **detailed reasons** for revision of such financial statement or report **shall also be disclosed** in the **Board's report** in the relevant financial year in which such revision is being made.

(2) Where copies of the previous financial statement or report **have been sent out to members** or **delivered to the Registrar** or laid before the company in general meeting, the revisions must be **confined to**—

- (a) the correction in respect of which the previous financial statement or report do not **comply with the provisions of section 129 or section 134;** and
- (b) the making of any necessary consequential alternation.

(3) The Central Government may make rules as to the application of the provisions of this Act in relation to revised financial statement or a revised director's report and such rules may, in particular—

- (a) make different provisions according to which the previous financial statement or report are replaced or are supplemented by a document indicating the corrections to be made;
- (b) make provisions with respect to the functions of the company's auditor in relation to the revised financial statement or report;
- (c) require the Directors to take such steps as may be prescribed.

### **Sec 132 - Constitution of National Financial Reporting Authority**

(1) The Central Government may, by notification, constitute a National Financial Reporting Authority to provide for matters relating to accounting and auditing standards under this Act.

(1A) The National Financial Reporting Authority shall perform its functions through such divisions as may be prescribed.

(2) Notwithstanding anything contained in any other law for the time being in force, the National Financial Reporting Authority shall—

- (a) make recommendations to the Central Government on the formulation and laying down of accounting and auditing policies and standards for adoption by companies or class of companies or their auditors, as the case may be;
- (b) monitor and enforce the compliance with accounting standards and auditing standards in such manner as may be prescribed;
- (c) oversee the quality of service of the professions associated with ensuring compliance with such standards, and suggest measures required for improvement in quality of service and such other related matters as may be prescribed; and
- (d) perform such other functions relating to clauses (a), (b) and (c) as may be prescribed.

(3) The National Financial Reporting Authority shall consist of a chairperson, who shall be a person of eminence and having expertise in accountancy, auditing, finance or law to be appointed by the Central Government and such other members not exceeding fifteen consisting of part-time and full-time members as may be prescribed:

(3A) Each division of the National Financial Reporting Authority shall be presided over by the Chairperson, or a full-time Member authorised by the Chairperson.

(3B) There shall be an executive body of the National Financial Reporting Authority consisting of the Chairperson and full-time Members of such Authority for efficient discharge of its functions under sub-section (2) other than clause (a) and sub-section (4).

Provided that the terms and conditions and the manner of appointment of the chairperson and members shall be such as may be prescribed:

Provided further that the chairperson and members shall make a declaration to the Central Government in the prescribed form regarding no conflict of interest or lack of independence in respect of his or their appointment:

Provided also that the chairperson and members, who are in full-time employment with National Financial Reporting Authority shall not be associated with any audit firm (including

related consultancy firms) during the course of their appointment and two years after ceasing to hold such appointment.

(4) Notwithstanding anything contained in any other law for the time being in force, the National Financial Reporting Authority shall—

(a) have the power to investigate, either Suo moto or on a reference made to it by the Central Government, for such class of bodies corporate or persons, in such manner as may be prescribed into the matters of professional or other misconduct committed by any member or firm of chartered accountants, registered under the Chartered Accountants Act, 1949:

Provided that no other institute or body shall initiate or continue any proceedings in such matters of misconduct where the National Financial Reporting Authority has initiated an investigation under this section;

(b) have the same powers as are vested in a civil court under the Code of Civil Procedure, 1908, while trying a suit, in respect of the following matters, namely:-

(i) discovery and production of books of account and other documents, at such place and at such time as may be specified by the National Financial Reporting Authority;

(ii) summoning and enforcing the attendance of persons and examining them on oath;

(iii) inspection of any books, registers and other documents of any person referred to in clause (b) at any place;

(iv) issuing commissions for examination of witnesses or documents;

(c) where professional or other misconduct is proved, have the power to make order for—

(A) imposing penalty of—

(I) not less than one lakh rupees, but which may extend to five times of the fees received, in case of individuals; and

not less than five lakh rupees, but which may extend to ten times of the fees received, in case of firms;

(B) debarring the member or the firm from—

I. being appointed as an auditor or internal auditor or undertaking any audit in respect of financial statements or internal audit of the functions and activities of any company or body corporate; or

II. performing any valuation as provided under section 247,

for a minimum period of six months or such higher period not exceeding ten years as may be determined by the National Financial Reporting Authority.

**Explanation** - For the purposes of this sub-section, the expression "professional or other misconduct" shall have the same meaning assigned to it under section 22 of the Chartered Accountants Act, 1949.

(5) Any person aggrieved by any order of the National Financial Reporting Authority issued under clause (c) of sub-section (4), may prefer an appeal before the Appellate Tribunal in such manner and on payment of such fee as may be prescribed.

(10) The National Financial Reporting Authority shall meet at such times and places and shall observe such rules of procedure in regard to the transaction of business at its meetings in such manner as may be prescribed.

(11) The Central Government may appoint a secretary and such other employees as it may consider necessary for the efficient performance of functions by the National Financial Reporting Authority under this Act and the terms and conditions of service of the secretary and employees shall be such as may be prescribed.

(12) The head office of the National Financial Reporting Authority shall be at New Delhi and the National Financial Reporting Authority may, meet at such other places in India as it deems fit.

(13) The National Financial Reporting Authority shall cause to be maintained such books of account and other books in relation to its accounts in such form and in such manner as the Central Government may, in consultation with the Comptroller and Auditor-General of India prescribe.

(14) The accounts of the National Financial Reporting Authority shall be audited by the Comptroller and Auditor-General of India at such intervals as may be specified by him and such accounts as certified by the Comptroller and Auditor-General of India together with the audit report thereon shall be forwarded annually to the Central Government by the National Financial Reporting Authority.

(15) The National Financial Reporting Authority shall prepare in such form and at such time for each financial year as may be prescribed its annual report giving a full account of its activities during the financial year and forward a copy thereof to the Central Government and the Central Government shall cause the annual report and the audit report given by the Comptroller and Auditor-General of India to be laid before each House of Parliament.

## **The National Financial Reporting Authority Rules 2018**

### **Rule - 3 Classes of companies and bodies corporate governed by the Authority**

(1) The Authority **shall have power to monitor** and enforce compliance with accounting standards and auditing standards, oversee the quality of service under sub-section (2) of section 132 or undertake investigation under sub-section (4) of such section of the **auditors of the following class** of companies and bodies corporate, namely:-

(a) companies whose securities are **listed** on any stock exchange in **India** or **outside India**;

(b) **unlisted public companies** having **paid-up capital** of **not less than Rs.500 Crores** or **having annual turnover** of **not less than Rs.1,000 Crores** or **having, in aggregate,**

**outstanding loans, debentures and deposits of not less than Rs.500 Crores as on the 31<sup>st</sup> March of immediately preceding financial year;**

(c) insurance companies, banking companies, companies engaged in the generation or supply of electricity, companies governed by any special Act for the time being in force or bodies corporate incorporated by an Act in accordance with clauses (b), (c), (d), (e) and (f) of sub-section (4) of section 1 of the Act;

**Explanation** - For the purpose of this clause, “banking company” includes ‘corresponding new bank’ as defined in clause (d) of section 2 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 (5 of 1970) and clause (b) of section 2 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 (40 of 1980) and ‘subsidiary bank’ as defined in clause (k) of section 2 of the Stat Bank of India (Subsidiary Bank) Act, 1959 (38 of 1959).

(d) any body corporate or company or person, or any class of bodies corporate or companies or persons, on a reference made to the Authority by the Central Government in public interest; and

(e) a body corporate incorporated or **registered outside India**, which is a **subsidiary or associate company of any company or body corporate incorporated or registered in India** as referred to in clauses (a) to (d), if the **income or net worth** of such subsidiary or associate company **exceeds 20%** of the **consolidated income or consolidated net worth** of such company or the body corporate, as the case may be, referred to in clauses (a) to (d).

(2) Every existing body corporate other than a company governed by these rules, shall inform the Authority within thirty days of the commencement of these rules, in \*Form NFRA-1, the particulars of the auditor as on the date of commencement of these rules.

(3) Every body corporate, other than a company as defined in clause (20) of section 2, formed in India and governed under this rule shall, **within fifteen days** of appointment of an auditor under sub-section (1) of section 139, **inform the Authority in \*Form NFRA-1**, the particulars of the auditor appointed by such body corporate:

Provided that a body corporate governed under clause (e) of sub-rule (1) shall provide details of appointment of its auditor in \*Form NFRA-1.

(4) A company or a body corporate other than a company governed under this rule shall **continue to be governed** by the Authority for a period of **three years after it ceases** to be listed or its paid-up capital or turnover or aggregate of loans, debentures and deposits falls below the limit stated therein.

#### **Rule 4 Functions and duties of the Authority**

(1) The Authority shall **protect the public interest** and the **interests of investors, creditors** and others associated with the companies or bodies corporate governed under rule 3 by establishing **high quality standards of accounting and auditing** and exercising effective oversight of accounting functions performed by the companies and bodies corporate and auditing functions performed by auditors.

(2) In particular, and without prejudice to the generality of the foregoing, the Authority shall:-



- (a) maintain details of particulars of auditors appointed in the companies and bodies corporate specified in rule 3;
- (b) recommend accounting standards and auditing standards for approval by the Central Government;
- (c) monitor and enforce compliance with accounting standards and auditing standards;
- (d) oversee the quality of service of the professions associated with ensuring compliance with such standards and suggest measures for improvement in the quality of service;
- (e) promote awareness in relation to the compliance of accounting standards and auditing standards;
- (f) co-operate with national and international organisations of independent audit regulators in establishing and overseeing adherence to accounting standards and auditing standards; and
- (g) perform such other functions and duties as may be necessary or incidental to the aforesaid functions and duties.

(3) The Central Government may, by notification, and subject to such conditions, limitations and restrictions as may be specified therein delegate any of its powers or functions under the Act, other than the power to make rules, to the Authority.

#### **Rule 5 - Annual return**

**Every auditor** referred to in rule 3 shall file a return with the Authority on or before 30th November every year in Form NFRA-2.

#### **Rule 6 - Recommending accounting standards and auditing standards**

(1) For the purpose of recommending accounting standards or auditing standards for approval by the Central Government, the Authority-

- (a) shall receive recommendations from the Institute of Chartered Accountants of India on proposals for new accounting standards or auditing standards or for Amendment to existing accounting standards or auditing standards;
- (b) may seek additional information from the Institute of Chartered Accountants of India on the recommendations received under clause (a), if required.

(2) The Authority shall consider the recommendations and additional information in such manner as it deems fit before making recommendations to the Central Government (1) For the purpose of recommending accounting standards or auditing standards for approval by the Central Government, the Authority-

#### **Rule 7 - Monitoring and enforcing compliance with accounting standards**

(1) For the purpose of monitoring and enforcing compliance with accounting standards under the Act by a company or a body corporate governed under rule 3, the **Authority may review the financial statements of such company or body corporate**, as the case may be, and if so required, direct such **company or body corporate or its auditor** by a written notice, to

**provide further information or explanation** or any relevant documents relating to such company or body corporate, within such reasonable time as may be specified in the notice.

(2) The Authority **may require the personal presence of the officers** of the company or body corporate and **its auditor** for seeking additional information or explanation in connection with the review of the financial statements of such company or body corporate.

(3) The Authority **shall publish its findings** relating to non-compliances **on its website** and in such other manner as it considers fit unless it has reasons not to do so in the public interest and it records the reasons in writing.

(4) Where the Authority finds or has reason to believe that any accounting standard has or may have been violated, it may decide on the further course of investigation or enforcement action through its concerned Division.

### **Rule 8 - Monitoring and enforcing compliance with auditing standards**

(1) For the purpose of monitoring and enforcing compliance with auditing standards under the Act by a company or a body corporate governed under rule 3, the Authority may: –

(a) **review working papers** (including audit plan and other audit documents) and communications related to the audit;

(b) **evaluate the sufficiency** of the quality control system of the auditor and the manner of documentation of the system by the auditor; and

(c) perform such other **testing of the audit, supervisory, and quality control procedures** of the auditor as may be considered necessary or appropriate.

(2) The Authority may **require an auditor to report on its governance practices** and internal processes designed to **promote audit quality, protect its reputation** and reduce risks including risk of failure of the auditor and may take such action on the report as may be necessary.

(3) The Authority may seek additional information or may require the personal presence of the auditor for seeking additional information or explanation in connection with the conduct of an audit.

(4) The Authority shall perform its monitoring and enforcement activities through its officers or experts with sufficient experience in audit of the relevant industry.

(5) The **Authority shall publish** its findings relating to **non-compliances on its website** and in such other manner as it considers fit unless it has reasons not to do so in the public interest and it records the reasons in writing.

(6) The Authority **shall not publish proprietary or confidential information** unless it has reasons to do so in the public interest and it records the reasons in writing.

(7) The Authority **may send a separate report** containing proprietary or confidential information to the **Central Government** for its information.

(8) Where the Authority finds or has reason to believe that any law or professional or other standard has or may have been violated by an auditor, it may decide on the further course of investigation or enforcement action through its concerned Division.

### **Rule 9 - Overseeing the quality of service and suggesting measures for improvement**

(1) On the basis of its review, the Authority **may direct an auditor to take measures for improvement of audit quality** including changes in their **audit processes, quality control, and audit reports** and specify a **detailed plan with time-limits**.

(2) It **shall be the duty of the auditor** to make the required improvements **and send a report to the Authority explaining how it has complied** with the directions made by the Authority.

(3) The Authority shall monitor the improvements made by the auditor and take such action as it deems fit depending on the progress made by the auditor.

(4) The Authority may refer cases with regard to overseeing the quality of service of auditors of companies or bodies corporate referred to in rule 3 to the Quality Review Board constituted under the Chartered Accountants Act, 1949 (38 of 1949) or call for any report or information in respect of such auditors or companies or bodies corporate from such Board as it may deem appropriate.

(5) The Authority may take the assistance of experts for its oversight and monitoring activities.

### **Rule 10 - Power to investigate**

(1) Where the Authority has-

(a) received any reference from the Central Government for investigation into any matter of professional or other misconduct under sub-section (4) of section 132 of the Act;

(b) decided to undertake investigation into any matter on the basis of its compliance or oversight activities; or

(c) decided to undertake Suo motu investigation into any matter of professional or other misconduct, after recording reasons in writing for this purpose,

it shall forward the matter to its Division dealing with enforcement for carrying out investigation and other action.

(2) If, during the investigation, the Authority has evidence to believe that any company or body corporate has not complied with the requirements under the Act or rules which involves or may involve fraud amounting to rupees one crore or more, it shall report its findings to the Central Government.

(3) On the commencement of these rules-

(a) the action in respect of cases of professional or other misconduct against auditors of companies referred to in rule 3 shall be initiated by Authority and no other institute or body shall initiate any such proceedings against such auditors:

Provided that no other institute or body shall initiate or continue any proceedings in such matters of misconduct where the Authority has initiated an investigation under this rule;

(b) the action in respect of cases of professional or other misconduct against auditors of companies or bodies corporate other than those referred to in rule 3 shall continue to be proceeded with by the Institute of Chartered Accountants of India as per provisions of the Chartered Accountants Act, 1949 and the regulations made thereunder.

### **Rule 11 - Disciplinary proceedings**

(1) Based on the reference received from the Central Government or findings of its monitoring or enforcement or oversight activities, or on the basis of material otherwise available on record, if the Authority believes that sufficient cause exists to take actions permissible under subsection (4) of section 132, it shall refer the matter to the concerned Division, which shall cause a show-cause notice to be issued to the auditor.

(2) The **show-cause notice shall be in writing**, and shall, inter alia, state—

- (a) the provisions of the Act or rules under which it has been issued;
- (b) the details of the alleged facts;
- (c) the details of the evidence in support of the alleged facts;
- (d) the provisions of the Act, rules or the accounting standards or auditing standards thereunder allegedly violated, or the manner in which the public interest is allegedly affected;
- (e) the actions that the Authority proposes to take or the directions it proposes to issue if the allegations are established;
- (f) the time limit and the manner in which the auditor is required to respond to the show-cause notice;
- (g) the consequences of failure to respond to the show-cause notice; and
- (h) the procedure to be followed for disposal of the show-cause notice.

(3) The show-cause notice **shall enclose copies of documents relied** upon and extracts of relevant portions from the report of investigation or other records.

(4) The show-cause notice **shall be served** on the auditor in the following manner, namely –

- (a) by sending it to the auditor at the address provided by him or provided by the Institute of Chartered Accountants of India (if required by the Authority) by **registered post with acknowledgement due**; or
- (b) by an appropriate electronic means to the **email address** of the auditor provided by him or it or provided by the Institute of Chartered Accountants of India (if required by the Authority):

Provided that where the auditor is a firm –

- (a) a notice to a firm **shall be deemed** to be a notice **to all the partners or employees** of that firm **as on the date of service** of notice;
- (b) the notice shall call upon the firm to disclose the name or names of the partner or partners concerned who shall be responsible for answering the allegations;

(c) the partner whose name is disclosed by the firm shall be responsible for answering the notice against the firm, and if no partner, whether erstwhile or present, of the firm owns responsibility for the allegations made against the firm, then the firm as a whole shall be responsible for answering the allegations, and all the partners and employees of that firm as on the date of occurrence of alleged misconduct, shall be responsible for answering the allegations.

(5) The Division shall dispose of the show-cause notice within a period of ninety days of the assignment through a summary procedure as may be specified by the Authority, by a reasoned order in adherence to the principles of natural justice including where necessary or appropriate an opportunity of being heard in person, and after considering the submissions, if any, made by the auditor, the relevant facts and circumstances, and the material on record.

Provided that where the disposal does not take place within the said period, the Division shall record the reasons for not disposing off the show-cause notice within the said period, and the chairperson, may, after taking into account the reasons so recorded, extend the aforesaid period by such additional period not exceeding ninety days as he may consider necessary:

Provided further that the chairperson may, if he thinks fit, grant the said extension of period more than once.

(6) The order disposing of a show-cause notice may provide for—

(a) no action;

(b) caution;

(c) action for imposing penalty against auditor under sub-clause (A) of clause (c) of sub-section (4) of section 132 or for debarring the auditor from engaging as such under sub-clause (B) of clause (c) of sub-section (4) of section 132 or both.

(7) The order passed under sub-rule (6) shall not become effective until thirty days have elapsed from the date of issue of the order unless the division states otherwise in the order along with the reason for the same.

(8) The order passed under sub-rule (6) shall be served on the auditor in the manner specified in sub-rule (3) and a copy of the same shall be sent

(i) in all cases to – (a) the Central Government; and (b) the Institute of Chartered Accountants of India;

(ii) in the case of a company referred to in sub-section (5) of section 139 to the Comptroller and auditor General of India;

(iii) in the case of a listed company to the Securities and Exchange Board of India;

(iv) in the case of a bank or a non-banking finance company to the Reserve Bank of India;

(v) in the case of an insurance company to the Insurance Regulatory and Development Authority of India;

(vi) in case the auditor is resident outside India to concerned regulator of such country;

and the same shall be published on the website of the Authority.

## **Rule 12 - Manner of enforcement of orders passed in disciplinary proceedings**

(1) Where the order passed under rule 11 relates to imposition of a monetary penalty on any auditor, the auditor shall deposit the amount of penalty with the Authority within thirty days of the order:

Provided that where the auditor prefers an appeal against the order of the Authority, it shall deposit ten per cent. of the amount of the monetary penalty with the Appellate Tribunal.

(2) If, within thirty days of the order passed under rule 11, the auditor neither pays the penalty nor appeals against the order, the Authority shall, without prejudice to any other action, inform about such non-compliance to every company or body corporate (including those not covered by rule 3) in which the auditor is functioning as auditor and every such company or body corporate shall appoint a new auditor in accordance with the provisions of the Act.

(3) Where the order passed under rule 11 imposes a penalty on the auditor or debars the auditor from practice, the order shall be sent to every company or body corporate in which the auditor is functioning as auditor.

(4) Where the order passed under rule 11 debars the auditor from practice or the order under sub-rule (2) is passed, the order shall be sent to every company or body corporate (including those not covered by rule 3) in which the auditor is functioning as auditor and every such company or body corporate shall appoint a new auditor in accordance with the provisions of the Act.

## **Rule 13 - Punishment in case of non-compliance**

If a company or any officer of a company or an auditor or any other person contravenes any of the provisions of these rules, the company and every officer of the company who is in default or the auditor or such other person **shall be punishable as per the provisions of section 450** of the Act.

## **Rule 14 - Role of chairperson and full-time members**

All matters related to, investigation, monitoring, enforcement and disciplinary proceedings shall be examined and decided by the chairperson or any one or more of the full-time members, acting through one of the Divisions.

## **Rule 15 - Advisory committees, study groups and task forces**

For the effective performance of its functions under the Act, the Authority may constitute advisory committees, study groups and task forces.

## **Rule 16 - Financial reporting advocacy and education**

The Authority shall take suitable measures for the promotion of awareness and significance of accounting standards, auditing standards, auditors' responsibilities, audit quality and such other matters through education, training, seminars, workshops, conferences and publicity.

## **Rule 17 - Confidentiality and security of information**

(1) The Authority and all persons and organisations associated with it shall maintain complete confidentiality and security of the information provided to them for the purpose of the work of the Authority.

(2) The Authority may enter into such contractual arrangements as may be necessary in order to maintain complete confidentiality and security of the information.

### **Rule 18 - Avoidance of conflict of interest**

(1) The Authority shall not enter into any contract, arrangement or relationship or participate in any event that may, or is likely to be perceived to, interfere with its ability to perform its functions and duties in an effective, fair and reasonable manner.

(2) In particular the Authority or any person associated with it shall not receive any funds, assets, donations, favours, gifts or sponsorships from any source other than the Central Government and shall not enter into any liabilities, obligations or commitments except as permitted by the Central Government.

### **Rule 19 - International associations and international assistance**

(1) The Authority may become a member of regional or international associations of independent audit regulators and standard setters on such terms as it deems fit.

(2) The Authority may provide assistance to, or receive assistance from, foreign independent audit regulators in investigation of an auditor in accordance with Indian laws on such terms as it deems fit.

### **Sec 133 - Central Government to prescribe accounting standards**

The Central Government may prescribe the standards of accounting or any addendum thereto, as recommended by the Institute of Chartered Accountants of India, constituted under section 3 of the Chartered Accountants Act, 1949 (38 of 1949), in consultation with and after examination of the recommendations made by the National Financial Reporting Authority.

Provided that until the National Financial Reporting Authority is constituted under section 132 of the Companies Act, 2013 (18 of 2013), the Central Government may prescribe the standards of accounting or any addendum thereto, as recommended by the Institute of Chartered Accountants of India, constituted under section 3 of the Chartered Accountants Act, 1949 (38 of 1949), in consultation with and after examination of the recommendations made by National Advisory Committee on Accounting Standards Constituted under section 210A of the Companies Act, 1956”.

### **Sec 134. Financial Statement, Board’s Report, etc.**

#### **Who can sign the financial statements?**

As per Sec 134(1), the financial statement, including consolidated financial statement, if any, shall be **approved by the Board of Directors before they are signed on behalf of the Board** by the **chairperson** of the company where he is authorised by the Board **or by two Directors out of which** one shall be managing director, if any, and the **Chief Executive Officer, the Chief Financial Officer** and **the company secretary** of the company, wherever they are appointed,

or in the case of One Person Company, only by one director, for submission to the auditor for his report thereon.

### Whether auditor report to be attached to Financial Statements?

Yes, as per Sec 134 (2), The auditors' report shall be attached to every financial statement.

### Why Director's Report to be sent to shareholders?

As per Sec 134 (3), there shall be attached to statements laid before a company in general meeting, a report by its Board of Directors.

### Contents of the Board's Report

As per the provisions of Sec 134(3), the board report shall include

- (i) the web address, if any, where annual return referred to in sub-section (3) of section 92 has been placed★
- (ii) number of meetings of the Board★
- (iii) Directors' Responsibility Statement;★
  - a. in the preparation of the annual accounts, the applicable **accounting standards** had been followed along with proper explanation relating to material departures;
  - b. the Directors had selected such **accounting policies** and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
  - c. the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
  - d. the Directors had prepared the annual accounts on a going concern basis; and
  - e. the Directors, in the case of a **listed company**, had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.

**Explanation -** For the purposes of this clause, the term "internal financial controls" means the policies and procedures adopted by the company for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information;



- f. the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.
- (iv) details in respect of frauds reported by auditors under sub-section (12) of section 143 other than those which are reportable to the Central Government★
- (v) particulars of contracts or arrangements with related parties referred to in sub-section (1) of section 188 in the prescribed form AOC -2 ;★
- (vi) the state of the company's affairs; ★
- (vii) material changes and commitments, if any, affecting the financial position of the company which have occurred between the end of the financial year of the company to which the financial statements relate and the date of the report;★
- (viii) the financial summary or highlights; ★
- (ix) the details of directors or key managerial personnel who were appointed or have resigned during the year; ★
- (x) the details of significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future; ★
- (xi) explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made—
  - a. by the auditor in his report; and ★
  - b. by the company secretary in practice in his secretarial audit report;

★ **Rule 8A. Matters to be included in Board's Report for One Person Company and Small Company** of The Companies (Accounts) Rules, 2014

- (xii) a statement on declaration given by independent Directors under sub-section (6) of section 149 wherever applicable
- (xiii) in case of a company covered under sub-section (1) of section 178, company's policy on Directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under sub-section (3) of section 178;
- (xiv) particulars of loans, guarantees or investments under section 186;
- (xv) the amounts, if any, which it proposes to carry to any reserves;
- (xvi) the amount, if any, which it recommends should be paid by way of dividend;
- (xvii) the conservation of energy, technology absorption, foreign exchange earnings and outgo, in such manner as may be prescribed;

**(A) Conservation of energy-**

- (i) the steps taken or impact on conservation of energy;

(ii) the steps taken by the company for utilising alternate sources of energy;

(iii) the capital investment on energy conservation equipment;

**(B) Technology absorption-**

(i) the efforts made towards technology absorption;

(ii) the benefits derived like product improvement, cost reduction, product development or import substitution;

(iii) in case of imported technology (imported during the last three years reckoned from the beginning of the financial year)-

(a) the details of technology imported;

(b) the year of import;

(c) whether the technology been fully absorbed;

(d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof; and

(iv) the expenditure incurred on Research and Development.

**(C) Foreign exchange earnings and Outgo-**

The Foreign Exchange earned in terms of actual inflows during the year and the Foreign Exchange outgo during the year in terms of actual outflows.

(xviii) a statement indicating development and implementation of a risk management policy for the company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company;

(xix) the details about the policy developed and implemented by the company on **corporate social responsibility** (CSR) initiatives taken during the year;

(xx) The Board's Report of a company covered under these rules pertaining to any financial year shall include an annual report on CSR containing particulars specified in Annexure I or Annexure II, as applicable. [ Rule 8(1) The Companies (Corporate Social Responsibility Policy) Rules, 2014]

(xxi) the composition of the Corporate Social Responsibility Committee. [Sec 135(2)]

(xxii) if the company fails to spend 2% average Net Profit on CSR, specify the reasons for not spending the amount [Sec 135(5)]

(xxiii) the change in the nature of business, if any;

(xxiv) the names of companies which have become or ceased to be its Subsidiaries, joint ventures or associate companies during the year;

- (xxv) the details relating to deposits, covered under Chapter V of the Act,-
  - a. accepted during the year;
  - b. remained unpaid or unclaimed as at the end of the year;
  - c. whether there has been any default in repayment of deposits or payment of interest thereon during the year and if so, number of such cases and the total amount involved-
    - i. at the beginning of the year;
    - ii. maximum during the year;
    - iii. at the end of the year
- (xxvi) the details of deposits which are not in compliance with the requirements of Chapter V of the Act;
- (xxvii) the details in respect of adequacy of internal financial controls with reference to the Financial Statements.
- (xxviii) a disclosure, as to whether maintenance of cost records as specified by the Central Government under sub-section (1) of section 148 of the Companies Act, 2013, is required by the Company and accordingly such accounts and records are made and maintained,
- (xxix) a statement that the company has complied with provisions relating to the constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013
- (xxx) the details of application made or any proceeding pending under the Insolvency and Bankruptcy Code, 2016 (31 of 2016) during the year along with their status as at the end of the financial year. \*#
- (xxxi) the details of difference between amount of the valuation done at the time of one-time settlement and the valuation done while taking loan from the Banks or Financial Institutions along with the reasons thereof \*#

In addition to the above, every **listed company** and every other **public company** having a **paid-up share capital of Rs.25 Crores or more** calculated at the end of the preceding financial year **shall include**, in the report by its Board of directors

- (xxxii) a statement indicating the manner in which formal annual evaluation has been made by the Board of its own performance and that of its committees and individual directors.
- (xxxiii) a statement regarding opinion of the Board with regard to integrity, expertise and experience (including the proficiency) of the independent directors appointed during the year”.

### **Who has to sign the Board’s Report?**

As per Sec 134(6), the Board's report and any annexures thereto under sub-section (3) **shall be signed** by its **chairperson** of the company if he is authorised by the Board and where he is not so authorised, shall be signed **by at least two Directors**, one of whom shall be a managing director, or by the director where there is one director.

## **Penal Provision**

Sec 134(8) - If a company is in default in complying with the provisions of this section, the **company shall be liable** to a **penalty of Rs.3 Lakhs** and **every officer** of the company who is in default **shall be liable** to a **penalty of Rs.50,000/-**.

## **Regulation 34 - Annual Report of SEBI LODR**

(1) The listed entity shall submit to the stock exchange and publish on its website:

- (a) a copy of the annual report sent to the shareholders along with the notice of the annual general meeting not later than the day of commencement of dispatch to its shareholders
- (b) in the event of any changes to the annual report, the revised copy along with the details of and explanation for the changes shall be sent not **later than 48** hours after the annual general meeting.

(2) The **annual report shall contain** the following:

(a) **audited financial statements** i.e., balance sheets, profit and loss accounts etc, and Statement on Impact of Audit Qualifications as stipulated in regulation 33(3)(d), if applicable;

(b) **consolidated financial statements** audited by its statutory auditors;

(c) **cash flow statement** presented only under the indirect method as prescribed in Accounting Standard-3 or Indian Accounting Standard 7, as applicable, specified in Section 133 of the Companies Act, 2013 read with relevant rules framed thereunder or as specified by the Institute of Chartered Accountants of India, whichever is applicable;

(d) **directors report**;

(e) management discussion and analysis report -either as a part of directors' report or addition thereto;

(f) for the **top one thousand listed entities** based on market capitalization, a business responsibility report describing the initiatives taken by the listed entity from an environmental, social and governance perspective, in the format as specified by the Board from time to time:

Provided that the requirement of submitting a business responsibility report shall be discontinued after the financial year 2021–22 and thereafter, with effect **from** the financial year 2022–**23**, the top one thousand listed entities based on market capitalization shall **submit a business responsibility and sustainability report** in the format as specified by the Board from time to time:

Provided further that even during the financial year 2021–22, the top one thousand listed entities may voluntarily submit a business responsibility and sustainability report in place of the mandatory business responsibility report:

Provided further that the remaining listed entities including the entities which have listed their specified securities on the SME Exchange, may voluntarily submit such reports.

Explanation: For the purpose of this clause, market capitalization shall be calculated as on the 31st day of March of every financial year.

(3) The annual report shall contain any other disclosures specified in Companies Act, 2013 along with other requirements as specified in Schedule V of these regulations.

### **Sec 135. Corporate Social Responsibility**

**Applicability:** Sec 135. (1) Every company having

**Networth  $\geq$  Rs.500 Cr** OR

**Turnover  $\geq$  Rs.1000 Cr** OR

**Net Profit  $\geq$  Rs.5 Cr**

during the **immediately preceding financial year shall constitute** a Corporate Social Responsibility Committee of the Board.

#### **Exception**

Where the amount to be spent by a company under sub-section (5) **does not exceed Rs.50 Lakhs**, and the Board of Directors of such company shall discharge the functions of CSR committee.

#### **Rule - 3 (1) Corporate Social Responsibility of The Companies (Corporate Social Responsibility Policy) Rules, 2014**

1) Every company including its **holding or subsidiary**, and a **foreign company** defined under clause (42) of section 2 of the Act **having its branch office or project office in India**, which fulfils the criteria specified in sub-section (I) of section 135 of the Act **shall comply** with the provisions of **section 135** of the Act and these rules:

Provided that **net worth, turnover or net profit** of a **foreign company** of the Act shall be **computed** in accordance with balance sheet and Profit and loss account of such company prepared in accordance with the provisions of clause (a) of sub-section (1) of **section 381** and **section 198** of the Act

**If a company which was into CSR provisions did not meet any condition as specified in Sec 135 (1) for the year ended 31.3.2021 and the company decided to stop their CSR related activity from 1.4.2021 - Comment**

As per Rule - 3 (2) Corporate Social Responsibility of The Companies (Corporate Social Responsibility Policy) Rules, 2014, every company which ceases to be a company covered under subsection (1) of section 135 of the Act for three consecutive financial years shall not be required to comply with Sec 135.

### **Composition of Corporate Social Responsibility Committee**

**3 or more** directors with at least one Independent Director

For companies where appointment of independent director is not applicable, then **2 or more directors** (19/09/2018)

**For foreign company:** Two, one the person authorised to receive notice on behalf of the company as per Sec 380(1)(d) and one nominated by the foreign company

### **Functions of Corporate Social Responsibility Committee**

- a. formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company in areas or subject, specified in Schedule VII;
- b. recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and
- c. monitor the Corporate Social Responsibility Policy of the company from time to time.

**Rule 5 (2) CSR Committee** of The Companies (Corporate Social Responsibility Policy) Rules, 2014

The **CSR Committee shall formulate** and recommend to the Board, an annual action plan in pursuance of its CSR Policy, which shall include the following, namely:-

- (a) the list of CSR projects or programmes that are approved to be undertaken in areas or subjects specified in Schedule VII of the Act;
- (b) the manner of execution of such projects or programmes as specified in sub-rule (1) of rule 4;
- (c) the modalities of utilisation of funds and implementation schedules for the projects or programmes;
- (d) monitoring and reporting mechanism for the projects or programmes; and
- (e) details of need and impact assessment, if any, for the projects undertaken by the company:

Provided that Board may alter such plan at any time during the financial year, as per the recommendation of its CSR Committee, based on the reasonable justification to that effect.

### **Board's Responsibility**

The Board of every company referred to in sub-section (1) shall,—

- a. after taking into account the recommendations made by the Corporate Social Responsibility Committee, approve the Corporate Social Responsibility Policy for the company and disclose contents of such Policy in its report and also place it on the company's website, if any, in such manner as may be prescribed; and
- b. ensure that the **activities** as are included in Corporate Social Responsibility Policy of the company are undertaken by the company.
- c. shall ensure that the company spends, in every financial year, **at least 2% of the average net profits** of the company **made during the 3 immediately preceding financial** years.

**Explanation** : For the purposes of this section “net profit” shall not include such sums as may be prescribed, and shall be calculated in accordance with the provisions of section 198

- d. company **shall give preference** to the **local area and areas around it where it operates**, for spending the amount earmarked for Corporate Social Responsibility activities:
- e. **Shall transfer unspent amount** (not related to ongoing project) to a fund specified in Schedule VII, **within** a period of **6 months** of the expiry of the financial year.
- f. Unspent amount related to ongoing project shall be transferred by the company within a period of **30 days from the end of the financial year to a special account** to be opened by company called the **Unspent Corporate Social Responsibility Account** and to be spent for the intended project within period of 3 financial years from the date of transfer.

The **remaining unspent amount** in the **bank account** to be transferred to Fund specified in Schedule VII, within a **period of 30 days** from the date of completion of the third financial year.

- g. The Board of Directors of the Company **shall mandatorily disclose** the **composition of the CSR Committee, and CSR Policy and Projects approved by the Board on their website**, if any, for public access. [ Rule - 9 Display of CSR activities on its website of The Companies (Corporate Social Responsibility Policy) Rules, 2014]

### **Schedule VII - Activities which may be included by companies in their Corporate Social Responsibility Policies Activities relating to:**

- (i) Eradicating hunger, poverty and malnutrition, “promoting health care including preventive health care” and sanitation 4[including contribution to the Swachh Bharat Kosh set-up by the Central Government for the promotion of sanitation] and making available safe drinking water.
- (ii) promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.
- (iii) promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior

citizens and measures for reducing inequalities faced by socially and economically backward groups.

(iv) ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water 4[including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga.

(v) protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional art and handicrafts;

(vi) measures for the benefit of armed forces veterans, war widows and their dependents, Central Armed Police Forces (CAPF) and Central Para Military Forces (CPMF) veterans, and their dependents including widows;

(vii) training to promote rural sports, nationally recognised sports, Para-Olympic sports and Olympic sports

(viii) contribution to the prime minister's national relief fund 8[or Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund) or any other fund set up by the central govt. for socio economic development and relief and welfare of the schedule caste, tribes, other backward classes, minorities and women;

(ix) (a) Contribution to incubators or research and development projects in the field of science, technology, engineering and medicine, funded by the Central Government or State Government or Public Sector Undertaking or any agency of the Central Government or State Government; and

(b) Contributions to public funded Universities; Indian Institute of Technology (IITs); National Laboratories and autonomous bodies established under Department of Atomic Energy (DAE); Department of Biotechnology (DBT); Department of Science and Technology (DST); Department of Pharmaceuticals; Ministry of Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy (AYUSH); Ministry of Electronics and Information Technology and other bodies, namely Defence Research and Development Organisation (DRDO); Indian Council of Agricultural Research (ICAR); Indian Council of Medical Research (ICMR) and Council of Scientific and Industrial Research (CSIR), engaged in conducting research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals (SDGs).

(x) rural development projects

(xi) slum area development.

**Explanation** - For the purposes of this item, the term `slum area' shall mean any area declared as such by the Central Government or any State Government or any other competent authority under any law for the time being in force.

(xii) disaster management, including relief, rehabilitation and reconstruction activities.

**Rule 4. CSR Implementation of** The Companies (Corporate Social Responsibility Policy) Rules, 2014



(1) The **Board** shall ensure that the CSR activities are undertaken by the company **itself or through** -

(a) a **company** established under **section 8** of the Act, or a **registered public trust or a registered society**, registered under section 12A and 80 G of the Income Tax Act, 1961 (43 of 1961), **established by the company**, either **singly or along with any other company**, or

(b) a **company established** under section 8 of the Act or a registered trust or a registered society, **established** by the **Central Government or State Government**; or

(c) any **entity established** under an **Act of Parliament** or a **State legislature**;  
or

(d) a **company** established under **section 8** of the Act, or a **registered public trust or a registered society**, registered under section 12A and 80G of the Income Tax Act, 1961, and **having an established track record** of **at least three years** in undertaking similar activities.

(2) (a) **Every entity**, covered under sub-rule (1), who intends to undertake any CSR activity, **shall register** itself with the Central Government **by filing the form CSR-1** electronically with the Registrar, **with effect from the 1<sup>st</sup> day of April 2021**:

Provided that the provisions of this sub-rule shall not affect the CSR projects or programmes approved prior to the 01st day of April 2021.

(b) Form CSR-1 shall be signed and submitted electronically by the entity and shall be verified digitally by a Chartered Accountant in practice or a Company Secretary in practice or a Cost Accountant in practice.

(c) On the submission of the Form CSR-1 on the portal, a unique **CSR Registration Number** shall be generated by the system automatically.

(3) A company may engage international organisations for designing, monitoring and evaluation of the CSR projects or programmes as per its CSR policy as well as for capacity building of their own personnel for CSR.

(4) A company may also collaborate with other companies for undertaking projects or programmes or CSR activities in such a manner that the CSR committees of respective companies are in a position to report separately on such projects or programmes in accordance with these rules.

(5) The **Board** of a company **shall satisfy** itself that the **funds** so disbursed have been **utilised for the purposes** and in the manner as **approved by it** and the **Chief Financial Officer** or the person responsible for financial management **shall certify to the effect**.

(6) In case of ongoing project, the Board of a Company shall monitor the implementation of the project with reference to the approved timelines and year-wise allocation and shall be competent to make modifications, if any, for smooth implementation of the project within the overall permissible time period.

**Rule – 7 CSR Expenditure of The Companies (Corporate Social Responsibility Policy) Rules, 2014**

(1) The board shall ensure that the **administrative overheads** shall **not exceed 5%** of total CSR expenditure of the company for the financial year.

“**Administrative overheads**” means the expenses incurred by the company for ‘general management and administration’ of Corporate Social Responsibility functions in the company but shall not include the expenses directly incurred for the designing, implementation, monitoring, and evaluation of a particular Corporate Social Responsibility project or programme;

(2) Any **surplus** arising out of the **CSR activities** shall **not** form part of the **business profit** of a company and shall be ploughed back into the same project or shall be transferred to the Unspent CSR Account and spent in pursuance of CSR policy and annual action plan of the company or transfer such surplus amount to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial year.

(3) Where a company **spends** an amount in **excess** of requirement provided under sub-section (5) of section 135, such excess amount **may be set off** against the requirement to spend under sub-section (5) of section 135 **up to immediate succeeding 3 financial years** subject to the conditions that -

(i) the excess amount available for set off shall not include the surplus arising out of the CSR activities, if any, in pursuance of sub-rule (2) of this rule.

(ii) the Board of the company **shall pass a resolution** to that effect.

(4) The CSR amount may be spent by a company for creation or acquisition of a capital asset, which shall be held by -

(a) a company established under section 8 of the Act, or a Registered Public Trust or Registered Society, having charitable objects and CSR Registration Number under sub-rule (2) of rule 4; or

(b) beneficiaries of the said CSR project, in the form of self-help groups, collectives, entities; or

(c) a public authority:

Provided that any capital asset created by a company prior to the commencement of the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021, shall within a period of **180 days** from such commencement comply with the requirement of this rule, which may be extended by a further period of not more than ninety days with the approval of the Board based on reasonable justification.

**Rule – 8 CSR Reporting of The Companies (Corporate Social Responsibility Policy) Rules, 2014**

(2) In case of a foreign company, the balance sheet filed under clause (b) of sub-section (1) of section 381 of the Act, shall contain an annual report on CSR containing particulars specified in Annexure I or Annexure II, as applicable.

(3) (a) Every company **having average CSR obligation of Rs.10 Cr or more** in pursuance of subsection (5) of section 135 of the Act, in **the three immediately preceding financial years, shall undertake impact assessment**, through an independent agency, of **their CSR projects having outlays of Rs.1 Cr or more**, and which have been **completed not less than one year before undertaking the impact study**.

(b) The impact assessment reports shall be placed before the Board and shall be annexed to the annual report on CSR.

(c) A Company undertaking **impact assessment** may book the **expenditure** towards Corporate Social Responsibility for that financial year, which **shall not exceed 5% of the total CSR expenditure for that financial year or Rs.50 Lakhs whichever is less**.

**Non-Compliance of CSR Provisions**

- the company **shall be liable to a penalty of twice the amount** required to be transferred by the company to the Fund specified in Schedule VII **or the Unspent CSR Account**, as the case may be, **or Rs.1 Cr, whichever is less**.

**AND**

- **every officer** of the company who is in default shall be liable to a penalty of **one-tenth of the amount** required to be transferred by the company to such Fund specified in Schedule VII, or the **Unspent CSR Account**, as the case may be, or **Rs.2 Lakhs, whichever is less**.

**Sec 136 - Right of member to copies of audited financial statement**

Financial statements including consolidated financial statements, audit report, and every other document going to be laid in the Annual General Meeting **shall be sent** to every member of the company, every trustee of the debenture holders and to other person so entitled not **less than 21** days before the date of the AGM.

Company can send the above in less than 21 days if agreed by members:

(a) holding, if the company has a share capital, **majority in number** entitled to vote **and who represent not less than ninety-five per cent** of such part of the paid-up share capital of the company as gives a right to vote at the meeting; or

(b) having, if the company **has no share capital, not less than ninety five percent** of the **total voting power** exercisable at the meeting:

**Exceptions**

1. In case of section 8 company - in Sub-section (1) of Section 136 for the words "twenty-one days", the words "**fourteen days**" shall be substituted. - Notification dated 5th June 2015
2. In case of **Nidhi company** –

Section 136 (1) shall apply, subject to the modification that, in the case of members who **do not** individually or jointly hold shares of **more than Rs.1,000/- in face value or more than 1%** of the **total paid-up share** capital whichever is less, it **shall be sufficient** compliance with the provisions of the section if an intimation is sent by **public notice in newspaper circulated** in the **district** in which the **Registered Office of the Nidhi is situated** stating the date, time and venue of Annual General Meeting and the financial statement with its enclosures can be inspected at the registered office of the company, and the financial statement with enclosures are affixed in the Notice Board of the company and a member is entitled to vote either in person or through proxy. - Notification dated 5<sup>th</sup> June 2015.

In case of **Listed Company**,

if the copies of the documents are made available **for inspection** at its **registered office during working hours for a period of twenty-one days** before the date of the meeting and a **statement containing the salient features** of such documents in the prescribed form or copies of the documents, as the company may deem fit, is sent is enough to comply the provision of this section.

#### **Rule -10 Statement Containing Salient Features of Financial Statements of The Companies (Accounts) Rules, 2014**

The statement containing features of documents referred to in first proviso to sub-section (1) of section 136 shall be in **Form AOC-3**.

Provided that the **Companies which** are required to **comply** with Companies (**Indian Accounting standards**) Rules,2015 shall forward their statement in form **AOC-3A**

**Shall** also place its financial statements including consolidated financial statements, if any, and all other documents required to be attached thereto, **on its website**, which is maintained by or on behalf of the company.

Every listed company **having a subsidiary or subsidiaries shall place separate audited accounts in respect of each of subsidiary on its website**, if any: Provided also that a listed company which has a subsidiary incorporated outside India (herein referred to as "foreign subsidiary") -

(a) where such foreign subsidiary is statutorily required to prepare consolidated financial statement under any law of the country of its incorporation, the requirement of this proviso shall be met if consolidated financial statement of such foreign subsidiary is placed on the website of the listed company;

(b) where such foreign subsidiary is not required to get its financial statement audited under any law of the country of its incorporation and which does not get such financial

statement audited, the holding Indian listed company may place such unaudited financial statement on its website and where such financial statement is in a language other than English, a translated copy of the financial statement in English shall also be placed on the website.

### **Rule 11: Manner of Circulation of Financial Statements in Certain Cases**

In case of all **listed companies** and such **public companies** which have a **net worth of more than Rs.1 Crore and turnover of more than Rs.10 Crore**, the financial statements may be sent-

- (a) by electronic mode to such members whose shareholding is in dematerialised format and whose email Ids are registered with Depository for communication purposes;
- (b) where Shareholding is held otherwise than by dematerialised format, to such members who have positively consented in writing for receiving by electronic mode; and
- (c) by despatch of physical copies through any recognised mode of delivery as specified under section 20 of the Act, in all other cases i.e., by registered post or by speed post or by courier service or by leaving it at its registered office or by means of such electronic or other mode

### **Whether a shareholder can ask for the copy of the audited financials of its subsidiary ?**

Yes, as per the proviso to Sec 136(2), provided that every company having a subsidiary or subsidiaries shall provide a copy of separate audited or unaudited financial statements as prepared in respect of each of its subsidiary to any member of the company who asks for it

### **Whether a member has the right to inspect the financials at the Registered office?**

Yes, as per Sec 136(2), a company **shall allow** every member or trustee of the holder of any debentures issued by the company to inspect the documents stated under sub-section (1) at its registered office during business hours.

### **Non compliance of this section attracts**

For the **company** shall be liable to a **penalty** of **Rs.25,000/-**

For **every officer of the company** who is in default shall be liable to a penalty of **Rs.5,000/-**

### **Sec - 137 Copy of financial statement to be filed with Registrar**

A **copy of the financial statements, including consolidated financial statement**, if any, along with all the documents which are required to be or attached to such financial statements under this Act, **duly adopted at the annual general meeting** of the company, **shall be filed** with the Registrar **within thirty days** of the date of annual general meeting in such manner, with such fees or additional fees as may be prescribed

**Even** if the **financials** are **not adopted**, the unadopted financials **has to be filed** with the Registrar within 30 days from the date of the AGM and the Registrar shall consider the same as Provisional till adopted one is filed.

**One Person Company shall file** a copy of the **financial statements duly adopted** by its member, along with all the documents which are required to be attached to such financial statements, **within 180 days from the closure of the financial year**

Provided also that a company **shall**, along with its financial statements to be **filed with** the Registrar, **attach the accounts of its subsidiary** or subsidiaries which have been incorporated outside India and **which have not established their place of business in India.**

Provided also that in the case of a subsidiary which has been incorporated outside India (herein referred to as “foreign subsidiary”), which is **not required to get its financial statement audited** under any law of the country of its incorporation and which does not get such financial statement audited, the requirements of the fourth proviso shall be met **if the holding Indian company files such unaudited financial statement along with a declaration to this effect** and where such financial statement is in a language **other than English, along with a translated copy of the financial statement in English.**

#### **If the AGM could not be held for a company, then whether to file financial statements?**

As per Sec 137(2), Yes, the financial statements along with the documents required to be attached under sub-section (1), duly signed **along with the statement of facts and reasons for not holding the annual general meeting shall be filed** with the Registrar **within 30 days of the last date before which the annual general meeting should have been held** and in such manner, with such fees or additional fees as may be prescribed.

#### **Penal provisions**

If a company fails to file the financial statements within the due date with the Registrar, **Rs.100/-** per day will be the additional fee.

If a company fails to file within specified expiry period, company shall be liable to a penalty]]] of **Rs.10,000/-** and in case of **continuing failure**, with a further penalty of **Rs.100/-** for each day during which such failure continues, subject to a **maximum of Rs.2 Lakhs**

and the **Managing Director** and the **Chief Financial Officer** of the company, if any, and, in the absence of the managing director and the Chief Financial Officer, any other director who is charged by the Board with the responsibility of complying with the provisions of this section, and, in the absence of any such director, **all the Directors** of the company, shall be liable to a penalty of **Rs.10,000/-** and in case of continuing failure, with further penalty of **Rs.100/-** for **each day** after the first during which such failure continues, subject to a **maximum of Rs.50,000/-**.

#### **Rule - 12 Filing of Financial Statements and Fees to be Paid Thereon of The Companies (Accounts) Rules, 2014**

(1) **Every company shall file** the financial statements with Registrar together with Form AOC-4 and the **consolidated financial statements**, if any, with form **AOC-4 CFS**.

(1A) **Every Non-Banking Financial Company (NBFC)** that is required to comply with Indian Accounting Standards (**Ind AS**) **shall file** the financial statements with Registrar together with **Form AOC-4 NBFC (Ind AS)** and the **consolidated financial statement**, if any, with Form **AOC-4 CFS NBFC (Ind AS)**.

(2) The class of companies as may be notified by the Central Government from time to time, shall mandatorily file their financial statement in Extensible Business Reporting Language (XBRL) format and the Central Government may specify the manner of such filing under such notification for such class of companies.

**Explanation** - For the purposes of this sub-rule, the term “Extensible Business Reporting Language” means a standardised language for communication in electronic form to express, report or file financial information by companies under this rule.

(3) The fees or additional fees referred to in sub-section (1) of section 137 and in the second proviso to the said sub-section and in sub-section (2) of the said section shall be as specified in the Companies (Registration Offices and Fees) Rules, 2014.

### **Filing of financial statements with Registrar Companies (Filing of Documents and Forms in XBRL) Rules, 2015**

1. The following class of companies **shall file their financial statements** and other documents under section 137 of the Act with the Registrar in e-form AOC-4 XBRL as per Annexure-I:-

- (i) companies **listed with stock exchanges** in India and their Indian subsidiaries;
- (ii) companies having **paid up capital of Rs.5 Crores or above;**
- (iii) companies having **turnover of Rs.100 Crores or above;**
- (iv) all companies which are **required to prepare their** financial statements in accordance with Companies (**Indian Accounting Standards**) Rules, 2015

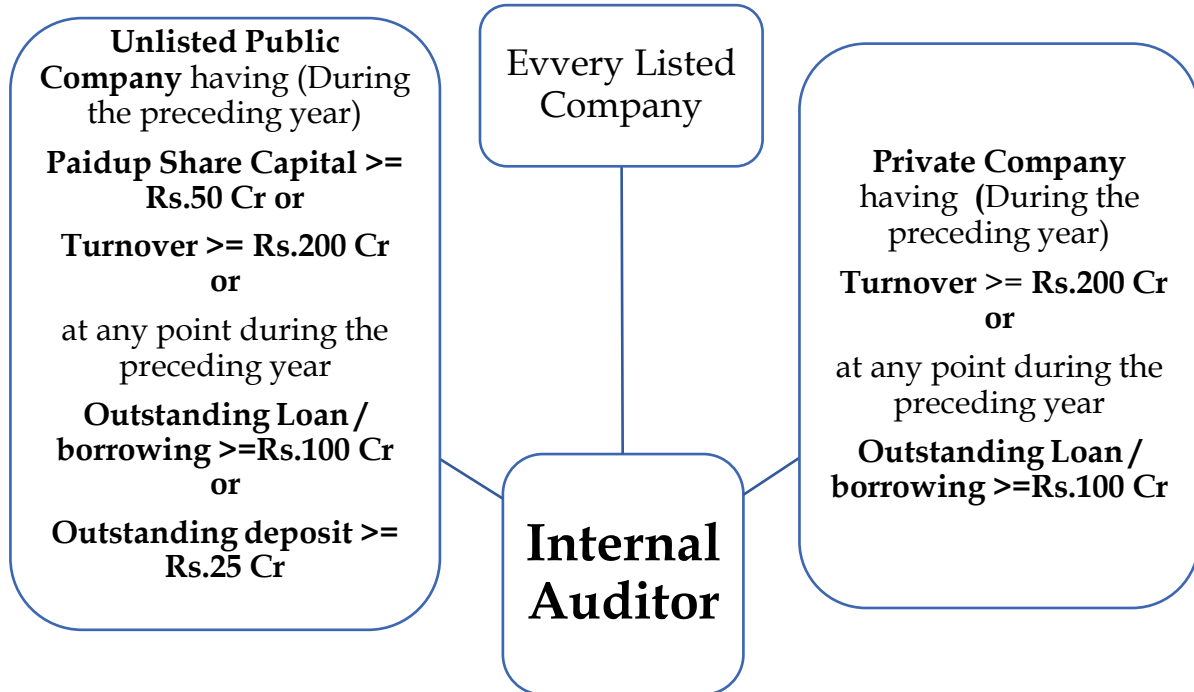
Provided that the companies preparing their financial statements under the Companies (Accounting Standards) Rules, 2006 shall file the statements using the Taxonomy provided in Annexure-II and companies preparing their financial statements under Companies (Indian Accounting Standards) Rules, 2015, shall file the statements using the Taxonomy provided in Annexure-II A: Provided further that non-banking financial companies, housing finance companies and companies engaged in the business of banking and insurance sector are exempted from filing of financial statements under these rules.”

(2) The companies **which have filed their** financial statements under sub-rule (1) **shall continue to file** their financial statements and other documents though they may **not fall under the class of companies specified therein in succeeding years.**

(3) The companies which have filed their financial statements under the erstwhile rules, namely the Companies (Filing of Documents and Forms in Extensible Business Reporting Language) Rules, 2011, shall continue to file their financial statements and other documents as prescribed in sub-rule (1) though they do not fall under the class of companies specified therein.

**Rule - 13 Companies Required to Appoint Internal Auditor of The Companies (Accounts) Rules, 2014**

(1) The following class of companies **shall** be required to **appoint an internal auditor** which may be either an individual or a partnership firm or a body corporate, namely:-



**Explanation-** For the purposes of this rule –

- (i) the internal auditor **may or may not** be an **employee of the company**;
- (ii) the term “Chartered Accountant” or “Cost Accountant” shall mean a “Chartered Accountant” or a “Cost Accountant”, as the case may be, whether engaged in practice or not’.

(2) The Audit Committee of the company or the Board shall, in consultation with the Internal Auditor, formulate the scope, functioning, periodicity and methodology for conducting the internal audit.

\* \* \*



## “ANNEXURE -I”

### FORMAT FOR THE ANNUAL REPORT ON CSR ACTIVITIES TO BE INCLUDED IN THE BOARD’S REPORT FOR FINANCIAL YEAR

**COMMENCED PRIOR TO 1<sup>ST</sup> DAY OF APRIL 2020**

1. A brief outline of the company’s CSR Policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR Policy and projects or programs.
2. The Composition of the CSR Committee.
3. Average net profit of the company for last three financial years
4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above)
5. Details of CSR spent during the financial year.
  - (a) Total amount to be spent for the financial year;
  - (b) Amount unspent, if any;
  - (c) Manner in which the amount spent during the financial year is detailed below.

Sl. No.	CSR Project or Activity Identified	Sector in which the Project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	Amount outlay (budget) project or program s wise	Amount spent on the projects or programs Sub-heads: (1) Direct expenditure on projects or programs. (2) Overheads:	Cumulative expenditure up to the reporting period.	Amount spent: Direct or through implementing agency*
	<b>Total</b>						

\* Give details of implementing agency:

6. In case the company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report.

7. A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the company.

Sd/-  (Chief Executive Officer or Managing Director or Director)	Sd/-  (Chairman CSR Committee)	Sd/-  Person specified under clause (d) of sub-section (1) of section 380 of the Act (Wherever applicable).
---	--------------------------------------	---

**“ANNEXURE -II”**

FORMAT FOR THE ANNUAL REPORT ON CSR ACTIVITIES TO BE INCLUDED IN THE  
BOARD’S REPORT FOR FINANCIAL YEAR

**COMMENCING ON OR AFTER 1<sup>ST</sup> DAY OF APRIL 2020**

1. Brief outline on CSR Policy of the Company.
2. Composition of CSR Committee:

Sl. No.	Name of Director	Designation / Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year

3. Provide the web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the company.
4. Provide the details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social responsibility Policy) Rules, 2014, if applicable (attach the report).
5. Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any

Sl. No.	Financial Year	Amount available for set-off from preceding financial years (in Rs)	Amount required to be set- off for the financial year, if any (in Rs)
1			
2			
3			
	<b>TOTAL</b>		

6. Average net profit of the company as per section 135(5).
7. (a) Two percent of average net profit





Sl. No.	Project ID.	Name of the Project.	Financial Year in which the project was commenced.	Project duration.	Total amount allocated for the project (In Rs.).	Amount spent on the project in the reporting Financial Year (in Rs).	Cumulative amount spent at the end of reporting Financial Year. (In Rs.)	Status of the project - Completed /Ongoing.
1.								
2.								
3.								
	TOTAL							

10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year

**(Asset-wise details).**

- (a) Date of creation or acquisition of the capital asset(s).
- (b) Amount of CSR spent for creation or acquisition of capital asset.
- (c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc.
- (d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset).

11. Specify the reason(s) if the company has failed to spend two per cent of the average net profit as per section 135(5).

Sd/-	Sd/-	Sd/-
(Chief Executive Officer or Managing Director or Director)	(Chairman CSR Committee)	Person specified under clause (d) of sub-section (1) of section 380 of the Act (Wherever applicable).

## Amendment to Schedule III

### Background:

- Amendments made to disclosure requirements **to align with amended CARO** Reporting requirements, which are applicable to audit reports on Financial Statements for the **financial year beginning on or after 1.04.2021**.

### Rounding off

The rounding off in the presentation of the financials is mandated now

Depending upon the Total Income (~~not turnover~~) of the company, the figures appearing in the Financial Statements **shall** be rounded off as given below:—

Turnover- <b>Total Income</b>	Rounding off
(a) less than one hundred crore rupees	To the nearest hundreds, thousands, lakhs or millions, or decimals thereof.
(b) one hundred crore rupees or more	To the nearest lakhs, millions or crores, or decimals thereof.

### Balance Sheet

II. ASSETS			
Non-current assets			
(1) (a) Property, Plant and Equipment <b>and Intangible assets</b>			
(i) <del>Tangible Assets</del> <b>Property, Plant and Equipment</b>			

### Addition in the notes related to Share Capital:

In addition to the existing disclosures the following also to be updated in the notes

**(m) A company shall disclose Shareholding of Promoters\* in the Notes as below:**

Shares held by promoters at the end of the year				
S. No	Promoter name	No. of Shares**	%Of total shares**	% Change during the year***
Total				

\*Promoter here means promoter as defined in the Companies Act, 2013.

\*\* Details shall be given separately for each class of shares

\*\*\* percentage change shall be computed with respect to the number at the beginning of the year or if issued during the year for the first time then with respect to the date of issue.

In notes related to Short Term Borrowing add the following

**(v) current maturities of Long term borrowings shall be disclosed separately.**

In notes related to Trade Payable Ageing Schedule to be added

**The following ageing schedule shall be given for Trade payables due for payment:-**

**Trade Payables ageing schedule**

	(Amount in Rs.)				
Particulars	Outstanding for following periods from due date of payment#				
	Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
(i) MSME					
(ii) Others					
(iii) Disputed dues					
- MSME					
- Others					
Total					

# Similar information shall be given where no due date of payment is specified in that case disclosure shall be from the date of the transaction.

Unbilled dues shall be disclosed separately;

**In notes related to other current liabilities no need to disclose the following**

~~Current maturities of long term debt~~

**Depreciation Table to incorporate the changes as indicated earlier like**

~~Tangible Assets~~ - **Property, Plant and Equipment**

Also, a reconciliation of the gross and net carrying amounts of each class of assets at the beginning and end of the reporting period showing additions, disposals, acquisitions through business combinations, amount of change due to revaluation (if change is 10% or more in the aggregate of the net carrying value of each class of intangible assets) and other adjustments and the related depreciation and impairment losses or reversals shall be disclosed separately.

**Under Long-term loans and advances the following disclosure is omitted**

~~Security Deposits~~

**Under the heading Other non-current assets the following changes to be incorporated in the notes**

**Security Deposits** has been brought here from long term loans & advances

For Trade Receivable the following ageing schedule to be added

(Amount in Rs.)

Particulars	Outstanding for following periods from due date of payment#					Total
	Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	
(i) Undisputed Trade receivables – considered good						
(ii) Undisputed Trade Receivables – considered doubtful						
(iii) Disputed Trade Receivables considered good						

# Similar information shall be given where no due date of payment is specified, in that case disclosure shall be from the date of the transaction. Unbilled dues shall be disclosed separately.”

**The following new point to be included in the notes if:**

If, in the opinion of the Board, any of the assets other than Property, Plant and Equipment, Intangible assets and non-current investments **do not have a value** on realisation in the ordinary course of business at least equal to the amount at which they are stated, the fact that the Board is of that opinion, shall be stated.

**The following Additional Regulatory Information to be included in the notes related to the Balance Sheet:**

**(i) Title deeds of Immovable Property not held in name of the Company [CARO 2020**

**(i) c]**

The company shall provide the details of all the immovable property (other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee) whose title deeds are not held in the name of the company in format given below and where such immovable property is jointly held with others, details are required to be given to the extent of the company's share.

Relevant line item in the Balance sheet	Description of item of property	Gross carrying value	Title deeds held in the name of	Whether title deed holder is a promoter, director or relative# of promoter*/director or employee of promoter/director	Property held since which date	Reason for not being held in the name of the company**
PPE	Land, Building					**also indicate if in dispute



Investment Property	Land, Building					
PPE retired from active use and held for disposal	Land, Building					
Others						

#Relative here means relative as defined in the Companies Act, 2013.

\*Promoter here means promoter as defined in the Companies Act, 2013.

(ii) Where the Company has revalued its Property, Plant and Equipment, the company shall disclose as to whether the revaluation is based on the valuation by a registered valuer as defined under rule 2 of the Companies (Registered Valuers and Valuation) Rules, 2017. [**CARO 2020 (i) d**]

**Following disclosures shall** be made where Loans or Advances in the nature of **loans are granted to promoters, directors, KMPs** and the **related parties** (as defined under Companies Act, 2013,) either severally or jointly with any other person, that are:

(a) Repayable on demand or

(b) Without specifying any terms or period of repayment [**CARO 2020 (iii) f**]

Type of Borrower	Amount of loan or advance in the nature of loan outstanding	Percentage to the total Loans and Advances in the nature of loans
Promoters		
Directors		
KMPs		
Related Parties		

**For Capital-work-in progress, following ageing schedule shall be given:**

(Amount in Rs.)

CWIP	Amount in CWIP for a period of				Total*
	Less than 1 year	1-2 years	2-3 years	More than 3 years	

Projects in progress					
Projects temporarily suspended					

\*Total shall tally with CWIP amount in the balance sheet.

**(b) For capital-work-in progress, whose completion is overdue or has exceeded its cost compared to its original plan, following CWIP completion schedule shall be given\*\*:**

(Amount in Rs.)

CWIP	To be completed in			
	Less than 1 year	1-2 years	2-3 years	More than 3 years
Project 1 Project 2				

\*\*Details of projects where activity has been suspended shall be given separately.

**For Intangible assets under development, following ageing schedule shall be given:**

(Amount in Rs.)

Intangible assets under development	Amount in CWIP for a period of				Total*
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress					
Projects temporarily suspended					

\* Total shall tally with the amount of Intangible assets under development in the balance sheet.

(b) For Intangible assets under development, whose completion is overdue or has exceeded its cost compared to its original plan, following Intangible assets under development completion schedule shall be given \*\*:

(Amount in Rs.)

Intangible assets under development	To be completed in			
	Less than 1 year	1-2 years	2-3 years	More than 3 years
Project 1 Project 2				

\*\*Details of projects where activity has been suspended shall be given separately.

### **Details of Benami Property held [CARO 2020 (i) e]**

Where any proceedings have been initiated or pending against the company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and the rules made thereunder, the company shall disclose the following:-

- (a) Details of such property, including year of acquisition, (b) Amount thereof,
  - (c) Details of Beneficiaries,
  - (d) If property is in the books, then reference to the item in the Balance Sheet, (e) If property is not in the books, then the fact shall be stated with reasons,
  - (f) Where there are proceedings against the company under this law as an abetter of the transaction or as the transferor then the details shall be provided,
  - (g) Nature of proceedings, status of same and company's view on same.
- (vii) Where the Company has borrowings from banks or financial institutions on the basis of security of current assets, it shall disclose the following:- [ CARO 2020 (ii) b]
- (a) Whether quarterly returns or statements of current assets filed by the Company with banks or financial institutions are in agreement with the books of accounts.
  - (b) if not, summary of reconciliation and reasons of material discrepancies, if any to be adequately disclosed.

### **Wilful Defaulter\* [CARO 2020 (ix) b]**

Where a company is a declared wilful defaulter by any bank or financial Institution or other lender, following details shall be given:

- (a) Date of declaration as wilful defaulter,
- (b) Details of defaults (amount and nature of defaults),

\* "wilful defaulter" here means a person or an issuer who or which is categorized as a wilful defaulter by any bank or financial institution (as defined under the Act) or consortium thereof, in accordance with the guidelines on wilful defaulters issued by the Reserve Bank of India.

### **Relationship with Struck off Companies**

Where the company has any transactions with companies struck off under section 248 of the Companies Act, 2013 or section 560 of Companies Act, 1956, the Company shall disclose the following details:-

Name of struck off Company	Nature of transactions with struck-off Company	Balance outstanding	Relationship with the Struck off company, if any, to be disclosed
----------------------------	--	---------------------	---

	Investments in securities		
	Receivables		
	Payables		
	Shares held by stuck off company		
	Other outstanding balances (To be specified)		

**(x) Registration of charges or satisfaction with Registrar of Companies**

Where any charges or satisfaction yet to be registered with Registrar of Companies beyond the statutory period, details and reasons thereof shall be disclosed.

**(xi) Compliance with number of layers of companies**

Where the company has not complied with the number of layers prescribed under clause (87) of section 2 of the Act read with Companies (Restriction on number of Layers) Rules, 2017, the name and CIN of the companies beyond the specified layers and the relationship/extent of holding of the company in such downstream companies shall be disclosed.

**Following Ratios to be disclosed:-**

- |                                       |                                    |
|---------------------------------------|------------------------------------|
| (a) Current Ratio,                    | (g) Trade payables turnover ratio, |
| (b) Debt-Equity Ratio,                | (h) Net capital turnover ratio,    |
| (c) Debt Service Coverage Ratio,      | (i) Net profit ratio,              |
| (d) Return on Equity Ratio,           | (j) Return on Capital employed,    |
| (e) Inventory turnover ratio,         | (k) Return on investment.          |
| (f) Trade Receivables turnover ratio, |                                    |

The company shall explain the items included in numerator and denominator for computing the above ratios. Further explanation shall be provided for any change in the ratio by more than 25% as compared to the preceding year.

**Compliance with approved Scheme(s) of Arrangements**

Where any Scheme of Arrangements has been approved by the Competent Authority in terms of sections 230 to 237 of the Companies Act, 2013, the Company shall disclose that the effect of such Scheme of Arrangements have been accounted for in the books of account of the Company in accordance with the Scheme and in accordance with accounting standards and deviation in this regard shall be explained.

**Utilisation of Borrowed funds and share premium: [CARO 2020 (iii)]**

A) Where company has advanced or loaned or invested funds (either borrowed funds or share premium or any other sources or kind of funds) to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding (whether recorded in writing or otherwise) that the Intermediary shall

(i) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company (Ultimate Beneficiaries) or

(ii) provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries; the company shall disclose the following:-

(I) date and amount of fund advanced or loaned or invested in Intermediaries with complete details of each Intermediary.

(II) date and amount of fund further advanced or loaned or invested by such Intermediaries to other intermediaries or Ultimate Beneficiaries along with complete details of the ultimate beneficiaries.

(III) date and amount of guarantee, security or the like provided to or on behalf of the Ultimate Beneficiaries

(IV) declaration that relevant provisions of the Foreign Exchange Management Act, 1999 (42 of 1999) and Companies Act has been complied with for such transactions and the transactions are not violative of the Prevention of Money-Laundering act, 2002 (15 of 2003).;

(B) Where a company has received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the company shall

(i) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or

(ii) provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries, the company shall disclose the following:-

(I) date and amount of fund received from Funding parties with complete details of each Funding party.

(II) date and amount of fund further advanced or loaned or invested other intermediaries or Ultimate Beneficiaries along with complete details of the other intermediaries or ultimate beneficiaries.

(III) date and amount of guarantee, security or the like provided to or on behalf of the Ultimate Beneficiaries

(IV) declaration that relevant provisions of the Foreign Exchange Management Act, 1999 (42 of 1999) and Companies Act has been complied with for such transactions and the transactions are not violative of the Prevention of Money-Laundering act, 2002 (15 of 2003).

**Financial Statements for a company whose financial statements are drawn up in compliance of the Companies (Indian Accounting Standards) Rules, 2015.**

**In Balance Sheet, the change is highlighted**

**EQUITY AND LIABILITIES**

**Equity**

**(a) Equity Share capital**

**(b) Other Equity**

**LIABILITIES**

**Non-current liabilities**

**(a) Financial Liabilities**

**(i) Borrowings**

**(ia) Lease liabilities**

**Under Current liabilities**

**Lease liabilities**

After Balance Sheet, include Statement of Change in Equity for current year & previous year in the following format for Share Capital & Other equity

Balance at the beginning of the current reporting period	Changes in Equity Share Capital due to prior period errors	Restated balance at the beginning of the reporting period	Changes in equity share capital during the current year	Balance at the end of the current reporting period

**In the Notes to Accounts under Property, Plant & Equipment, include the following**

**Reconciliation** of the **gross and net carrying amounts of each class of assets** at the beginning and end of the reporting period showing additions, disposals, acquisitions through business combinations, amount of change **due to revaluation** (if change is 10% or more in the aggregate of the net carrying value of each class of Property, Plant and Equipment) and other adjustments and the related depreciation and impairment losses or reversals shall be disclosed separately

**Notes to contain the Receivables table as follows**

Particulars	Outstanding for following periods from due date of payment#					Total
	Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	
(i) <b>Undisputed</b> Trade receivables – considered <b>good</b>						
(ii) Undisputed Trade Receivables – significant <b>increase in credit risk</b>						
(iii) Undisputed Trade Receivables – <b>Credit Impaired</b>						
(iv) <b>Disputed</b> Trade Receivables considered <b>good</b>						
(v) Disputed Trade Receivables significant <b>increase in credit risk</b>						
(vi) Disputed Trade Receivables – <b>Credit Impaired</b>						

Under the heading of Loans – Security Deposit is omitted and new headings added as below:

**IX. Other financial assets**

- (i) Security Deposits
- (ii) Bank deposits with more than 12 months maturity
- (iii) others (to be specified)” ;

Where the company has not used the borrowings from banks and financial institutions for the specific purpose for which it was taken at the balance sheet date, the company shall disclose the details of where they have been used.

## PART II – STATEMENT OF PROFIT AND LOSS

**Include the following in the notes related to Revenue in case of Sec 8 Companies**

### **Grants or donations received**

#### **Undisclosed income [ CARO 2020 (viii)]**

The Company shall give details of any transaction **not recorded in the books** of accounts that has been surrendered or disclosed as income during the **year in the tax assessments under** the Income Tax Act, 1961 such as, search or survey or any other relevant provisions of the Income Tax Act, 1961, unless there is immunity for disclosure under any scheme and also shall state whether the previously unrecorded income and related assets have been properly recorded in the books of account during the year.;

#### **Corporate Social Responsibility (CSR) [ CARO 2020 (xx)]**

Where the company is **covered under section 135** of the companies act, the following **shall be disclosed** with regard to CSR activities:-

- (a) amount required to be spent by the company during the year,
- (b) amount of expenditure incurred,
- (c) shortfall at the end of the year,
- (d) total of previous years shortfall,
- (e) reason for shortfall,
- (f) nature of CSR activities,
- (g) details of related party transactions, e.g., contribution to a trust controlled by the company  
in relation to CSR expenditure as per relevant Accounting Standard,
- (h) where a provision is made with respect to a liability incurred by entering into a contractual obligation, the movements in the provision during the year should be shown separately.

#### **Details of Crypto Currency or Virtual Currency**

Where the Company has traded or invested in Crypto currency or Virtual Currency during the financial year, the following shall be disclosed:-

- (a) profit or loss on transactions involving Crypto currency or Virtual Currency
- (b) amount of currency held as at the reporting date,
- (c) deposits or advances from any person for the purpose of trading or investing in Crypto Currency/ virtual currency.



