CS DIVESH GOYAL
Practicing Company Secretary
GOYAL DIVESH& ASSOCIATE

Mob: +918130757966
csdiveshgoyal@gmail.com

COMPLIANCE CHECKLIST FOR SMALL COMPANY

UNDER COMPANIES ACT 2013

SERIES NO- 40

There are two categories of Private Limited Company for compliances purpose:

A. Small Company
B. Non- Small Company

SMALL COMPANY:

Let's first discuss what is Small Company:

INTRODUCTION:

The concept of "Small Company" has been introduced for the first time by the Companies Act, 2013. The Act identifies some companies as small companies based on their capital and turnover for the purpose of providing certain relief/exemptions to these companies. Most of the exemptions provided to a small company are same as that provided to a One Person Company.

DEFINITION:

Section 2(85) defines a Small Company as –

"small company" means a company, other than a public company,—

1. Paid-Up Share capital of which does not exceed fifty lakh rupees or such higher amount as may be prescribed

AND

2. Turnover of which as per its last profit and loss account does not exceed two crore rupees or such higher amount as may be prescribed:

Mob: +918130757966
csdiveshgoyal@gmail.com

Provided that nothing in this Section shall apply to—

1. a holding company or a subsidiary company;
2. a company registered under Section 8; or
3. a company or body corporate governed by any special Act

CLARIFICATION BY MCA:-

(a) In section 2, in clause (85), in sub-clause (i), for the word "or" occurring at the end, the word "and" shall be substituted; and

SALIENT FEATURES:

- Only a private company can be classified as a small company.
- Holding company, subsidiary company, charitable company and company governed by any Special Act cannot be classified as a small company.
- For a small company, both conditions to be fulfilled the paid up capital should not exceed Rs. 50 Lac or the turnover as per last statement of profit & loss should not exceed Rs. 2 Crore.
- The status of a company as "Small Company" may change from year to year. Thus the benefits which are available during a particular year may stand withdrawn in the next year and become available again in the subsequent year.

Mob: +918130757966
csdiveshgoyal@gmail.com

- For qualifying as a small company, it is enough if both the capital and turnover are less than prescribed limit It is not sufficient if only one of the requirement is met without meeting the other requirement.

EXAMPLES:

I. A Pvt. Ltd. Is having turnover of Rs. 1.60 Crore and paid up Capital of Rs. 30 lac as on 31.04.2014.

STATUS: SMALL COMPANY (Till Capital doesn't exceed 50 Lac during F. Y. 14-15)

II. A Pvt. Ltd. Is having Turnover of Rs. 5 Crore and paid up Capital of Rs. 30 Lac on 31.04.2014.

STATUS: SMALL COMPANY upto 13th February, 2014 and NON SMALL COMPANY w.e.f. 13th February, 2015 (Because of MCA Circular dated: 13th February, 2015)

III. A Pvt. Ltd. Is having Turnover of Rs. 1.60 Crore and paid up Capital of Rs. 80 Lac on 31.04.2014

STATUS: SMALL COMPANY upto 13th February, 2014 and NON SMALL COMPANY w.e.f. 13th February, 2015 (Because of MCA Circular dated: 13th February, 2015)

IV. A Pvt. Ltd. Is having Turnover of Rs. 5 Crore and paid up Capital of Rs. 80 Lac on 31.04.2014

STATUS: NON SMALL COMPANY W.E.F. 1st April, 2014

CS DIVESH GOYAL
Practicing Company Secretary
GOYAL DIVESH& ASSOCIATE

Mob: +918130757966
csdiveshgoyal@gmail.com

RELIEFS/ BENEFITS AVAILABLE TO A SMALL COMPANY:-

S. No.	Section	Nature of compliance	Precaution to be taken	Remarks
1.	173(3)	No. of Board Meetings	Minimum two board meeting held during every calendar year: In this case minimum gap between both meetings must be at least 90 days. If more than two Board Meetings held during the year, then no requirement of minimum time gap between the meetings	Documents required to be prepared for Board Meeting: **AS PER ANNEXURE –A BELOW**
2.	96	General Meeting Small Company in addition to other meetings must hold one Annual General Meeting every year.	Note: ✓ Time: AGM shall be called during **'Business Hour'**. ✓ Day: AGM should not be held on **'National Holiday'**. ✓ Place: AGM shall be held at either - Registered office of company or - At some other place within the city, town or village in which registered office of the	• **Time gap between two Annual General meeting must not more than 15 month; or** • Within 6 month from the end of financial year of company

			Company is situates.	
3.	101	Notice of General Meeting	▪ There should be 21 clear days notice for calling of General Meeting. ▪ Notice can be send by following modes: – Electronic mode or – Writing ▪ Process for sending of notice through email given in Rule 18 of Chapter VII.	Other Important Provision relating to this is: **AS PER ANNEXURE –B BELOW**
4.	184(1)	MBP-1 ▪ <u>At First Meeting of Board of Director:</u> Every company shall take disclosure of interest of director from every director of company at first meeting of Board of directors every year. ▪ <u>At the meeting whenever there is</u>	Imp. Note: IN GENERAL PRACTICE • If director of a company deals in shares and there is frequent change in Shareholding of Companies then there will be change in disclosure of interest of director in every Meeting. Director <u>*will give MBP-1 before every meeting.*</u> • If there is no change in interest of director then director will give <u>*declaration of non*</u>	*** As per section 179(3) every declaration of interest of director to be filed e-form in MGT-14. • If there is change in shareholding or directorship is required to be filed in every Board Meeting.

Mob: +918130757966
csdiveshgoyal@gmail.com

		any change in Interest: Wherever there is any change in interest of director, the director will give MBP-1 to Company at the board meeting held after such change.	*change of share holding or directorship* at every board meeting, until there is no change.	
5.	179(3)	MGT-14 In small company there are many purposes where company is required to file MGT-14 with ROC. Mandatory purpose are following:	➢ Resolution for disclosure of Interest of director with ROC. ➢ Resolution for Adoption of Balance sheet ➢ Resolution for adoption of Director's Report. Most Imp: In case of Small Company- Company can hold "**Single**" Board Meeting for all the above mentioned three resolutions.	EXAMPLE **AS PER ANNEXURE –C BELOW**
6.		AOC-1	Small Company is required to file every year in e-form-AOC-1 "Statement containing salient features of financial statement of	Company is required to file e-form AOC-1 within 30 days from the date of

Mob: +918130757966
csdiveshgoyal@gmail.com

			Company	AGM
7.	92	MGT-7	Company is required to file in e-form MGT-7 "Annual Return" of Company	Company is required to file e-form MGT-7 within 60 days from the date of AGM
8.	**Note:** If Small Company don't pass any OTHER resolutions and don't conduct any work for which other forms are required to be filed by company with ROC then only above mentioned three forms are mandatory for Small Company for a financial year under Companies Act, 2013. For General awareness there are more than 50 resolutions under Companies Act, 2013 for which company are required to file form MGT-14 with ROC			
9.	92	Preparation of Annual Return	This year there are major changes in formats of Annual Return and numerous in formations are to be complied and disclosed in new form (MGT-7).	For F. Y. 2014-15 Annual Return MGT-7 is of near 40 pages. Many disclosures and information are required to fill under annual return. Preparation of Annual Return itself a big task under Companies Act, 2013.
10.	134	Preparation of Director's Report	Same like Annual Return format and requirements of	Section- 134 deals with disclosures to

Mob: +918130757966
csdiveshgoyal@gmail.com

			Director's Report has also changed. Director's Report will be based on the transactions of the Company. Preparation of Director's report is not same for all the Companies. Therefore, preparation of Director's report is good exercise under Companies Act, 2013.	be given in Director Report.
11.	145	Preparation of Auditor's Report	There are lots of responsibilities imposed on Auditor's under Companies Act, 2013. Auditor has to check many provisions of Companies Act, 2013 and Accounting standards for preparation of Auditor's Report. Companies Act, 2013 impose responsibilities on Auditor. • Under companies Act, 2013 auditor will be appointing for 5 financial years. • Every year in General Meeting shareholder will ratify the auditor. • In case of non-retification it will	

Mob: +918130757966
csdiveshgoyal@gmail.com

			considered as casual vacancy of auditor	

ANNEXURE- A

Documents required to be prepared for Board Meeting:

i. Notice of Meeting
ii. Agenda of Meeting
iii. Attendance sheet of Meeting
iv. Minutes of Meeting
v. Leave of Absence, if any
vi. MBP-1 or Declaration if no change
vii. Certified true copy of Resolution, if required to be filed

ANNEXURE- B

I. Things to be mention in the Notice:
- Place, Day, Date and
- Hour of Meeting
- A statement of the business be transacted as such meeting.

II. Notice of Meeting given to:
- Every **member** of Company or legal representative of any deceased member or the assignee of an insolvent member
- The **auditor** of the Company
- To every **director** of Company.

III. Calling on shorter notice:

Mob: +918130757966
csdiveshgoyal@gmail.com

General Meeting (including Annual General Meeting) can be called on shorter notice, if:

- Consent is given in writing or
- By electronic mode

By not less than 95% of member entitled to vote at such meeting

iv. Auditor to attend General Meeting:

a) All the Notice and other Communications relating to General Meeting shall be forwarded to the Auditor of the Company.

b) The Auditor will attend all the General Meeting of the Company.

Exempted Only

When auditor will send letter for exemption from attendance in General Meeting to Company and Company may grant leave to him for not attending the General Meeting by passing resolution at the General Meeting.

If anyone want (Draft letter from auditor to Company And Company to Auditor attached at the end and resolution for exemption) then mail me at csdiveshgoyal@gmail.com . . . .

c) If auditor is not exempted by the Company then Auditor himself or his authorized representative (who shall also be qualified to be an auditor) will attend the general meeting and will be heard at such meeting on any part of the business which concerns him as auditor.

Documents required to be prepared for General Meeting:

i. Notice of Meeting.
ii. Explanatory statement.
iii. Minutes of Meeting.
iv. Attendance sheet signed from Member, Directors & Auditor.
v. If auditor are not present at the meeting then:
    - Leave of absence from the auditor.

- Acceptance of Leave of absence from the auditor.

vi. CTC of resolution, if required to be filed.

ANNEXURE- C

Example

i. If Small company holds first Board meeting of financial year after finalization of accounts e.g. in September, then:
   - ✓ Company will take MBP-1 in that Board Meeting
   - ✓ Adopt Balance Sheet and Director's Report in same Board Meeting.
   - ✓ File one MGT-14 for all three above mentioned resolution's.

Most Important terms:

- Business Hour: 9:00 a.m. to 6:00 p.m.
- National Holiday: A day declared as National Holiday by the Central Government.
- 21 Clear days: exclude both date of issue of notice and date of receipt of notice. In general 21 clear days mean 23 days.

(Author – CS Divesh Goyal, GOYAL DIVESH & ASSOCIATES Company Secretary in Practice from Delhi and can be contacted at csdiveshgoyal@gmail.com) Disclaimer: The entire contents of this document have been prepared on the basis of relevant provisions and as per the information existing at the time of the preparation. Though utmost efforts has made to provide authentic information, it is suggested that to have better understanding kindly cross-check the relevant sections, rules under the Companies Act, 2013. The observations of the author are personal view and the authors do not take responsibility of the same and this cannot be quoted before any authority without the written

CS Divesh Goyal
GOYAL DIVESH & ASSOCIATE
Mob: +91-8130757966
csdiveshgoyal@gmail.com