

E-Book

• on •

The Companies Act, 2013 and Rules thereon

Notified sections of;

-Chapter IX, "Accounts of Companies"

And

-Chapter X, "Audit and Auditors"

along with its Rules.

[Applicable for NOVEMBER 2014]

(CA FINAL)

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CHAPTER IX

ACCOUNTS OF COMPANIES

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

- (1) Every company shall prepare and keep at its registered office books of account and other relevant books and papers and financial statement for every financial year which give a true and fair view of the state of the affairs of the company, including that of its branch office or offices, if any, and explain the transactions effected both at the registered office and its branches and such books shall be kept on accrual basis and according to the double entry system of accounting:

Provided that all or any of the books of account aforesaid and other relevant papers may be kept at such other place in India as the Board of Directors may decide and where such a decision is taken, the company shall, within seven days thereof, file with the Registrar a notice in writing giving the full address of that other place:

Provided further that the company may keep such books of account or other relevant papers in electronic mode in such manner as may be prescribed.

- (2) Where a company has a branch office in India or outside India, it 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 are sent by the branch office to the company at its registered office or the other place referred to in sub-section (1).
- (3) The books of account and other books and papers maintained by the company within India shall be open for inspection at the registered office of the company or at such other place in India by any director during business hours, and in the case of financial information, if any, maintained outside the country, copies of such financial information shall be maintained and produced for inspection by any director subject to such conditions as may be prescribed:

Provided that the inspection in respect of any subsidiary of the company shall be done only by the person authorised in this behalf by a resolution of the Board of Directors.

- (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.
- (5) The books of account of every company relating to a period of not less than eight financial years immediately preceding a financial year, or where the company had been in existence for a period less than eight years, in respect of all the preceding years together with the vouchers relevant to any entry in such books of account shall be kept in good order:

Provided that where an investigation has been ordered in respect of the company under Chapter XIV, the Central Government may direct that the books of account may be kept for such longer period as it may deem fit.

- (6) If the managing director, the whole-time director in charge of finance, the Chief Financial Officer or any other person of a company charged by the Board with the duty of complying with the provisions of this section, contravenes such provisions, such managing director, whole-time director in charge of finance, Chief Financial officer or such other person of the company shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees or with both.

129. Financial statement.

- (1) 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:

Provided further that 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:

Provided also that the financial statements shall not be treated as not disclosing a true and fair view of the state of affairs of the company, merely by reason of the fact that they do not disclose—

- (a) in the case of an insurance company, any matters which are not required to be disclosed by the Insurance Act, 1938, or the Insurance Regulatory and Development Authority Act, 1999;
 - (b) in the case of a banking company, any matters which are not required to be disclosed by the Banking Regulation Act, 1949;
 - (c) in the case of a company engaged in the generation or supply of electricity, any matters which are not required to be disclosed by the Electricity Act, 2003;
 - (d) in the case of a company governed by any other law for the time being in force, any matters which are not required to be disclosed by that law.
- (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.
- (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 in such form as may be prescribed:

Provided further that the Central Government may provide for the consolidation of accounts of companies in such manner as may be prescribed.

Explanation.—For the purposes of this sub-section, the word “subsidiary” shall include associate company and joint venture.

- (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).
- (5) Without prejudice to sub-section (1), where the financial statements of a company do not comply with the accounting standards referred to in sub-section (1), 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.
- (6) The Central Government may, on its own or on an application by a class or classes of companies, by notification, exempt any class or classes of companies from complying with any of the requirements of this section or the rules made thereunder, if it is considered necessary to grant such exemption in the public interest and any such exemption may be granted either unconditionally or subject to such conditions as may be specified in the notification.
- (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 fifty thousand rupees but which may extend to five lakh rupees, or with both.

Explanation.—For the purposes of this section, except where the context otherwise requires, any reference to the financial statement shall include any notes annexed to or forming part of such financial statement, giving information required to be given and allowed to be given in the form of such notes under this Act.

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 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 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.

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.

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.
- (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:

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 motu* 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
 - (II) not less than ten 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 engaging himself or itself from practice as member of the Institute of Chartered Accountant of India referred to in clause (e) of

sub-section (1) of section 2 of the Chartered Accountants Act, 1949 for a minimum period of six months or for such higher period not exceeding ten years as may be decided 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 Authority constituted under sub-section (6) in such manner as may be prescribed.
- (6) The Central Government may, by notification, constitute, with effect from such date as may be specified therein, an Appellate Authority consisting of a chairperson and not more than two other members, to be appointed by the Central Government, for hearing appeals arising out of the orders of the National Financial Reporting Authority.
- (7) The qualifications for appointment of the chairperson and members of the Appellate Authority, the manner of selection, the terms and conditions of their service and the requirement of the supporting staff and procedure (including places of hearing the appeals, form and manner in which the appeals shall be filed) to be followed by the Appellate Authority shall be such as may be prescribed.
- (8) The fee for filing the appeal shall be such as may be prescribed.
- (9) The officer authorised by the Appellate Authority shall prepare in such form and at such time as may be prescribed its annual report giving a full account of its activities and forward a copy thereof to the Central Government and the Central Government shall cause the annual report to be laid before each House of Parliament.
- (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.

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, in consultation with and after examination of the recommendations made by the National Financial Reporting Authority.

134. Financial Statement, Board's report, etc.

- 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 at least 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 and the Chief Executive Officer, if he is a director in the company, the Chief Financial Officer and the company secretary of the company, wherever they are appointed, or in the case of a One Person Company, only by one director, for submission to the auditor for his report thereon.
- (2) The auditors' report shall be attached to every financial statement.
- (3) There shall be attached to statements laid before a company in general meeting, a report by its Board of Directors, which shall include—
 - (a) the extract of the annual return as provided under sub-section (3) of section 92;
 - (b) number of meetings of the Board;
 - (c) Directors' Responsibility Statement;
 - (d) a statement on declaration given by independent directors under sub-section (6) of section 149;
 - (e) 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;
 - (f) explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made—
 - (i) by the auditor in his report; and
 - (ii) by the company secretary in practice in his secretarial audit report;
 - (g) particulars of loans, guarantees or investments under section 186;
 - (h) particulars of contracts or arrangements with related parties referred to in sub-section (1) of section 188 in the prescribed form;
 - (i) the state of the company's affairs;
 - (j) the amounts, if any, which it proposes to carry to any reserves;
 - (k) the amount, if any, which it recommends should be paid by way of dividend;
 - (l) 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;
 - (m) the conservation of energy, technology absorption, foreign exchange earnings and outgo, in such manner as may be prescribed;
 - (n) 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;
 - (o) the details about the policy developed and implemented by the company on corporate social responsibility initiatives taken during the year;
 - (p) in case of a listed company and every other public company having such paid-up share capital as may be prescribed, 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;

(g) such other matters as may be prescribed.

- (4) The report of the Board of Directors to be attached to the financial statement under this section shall, in case of a One Person Company, mean a report containing explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made by the auditor in his report.
- (5) The Directors' Responsibility Statement referred to in clause (c) of sub-section (3) shall state that—
- (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.
- (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.
- (7) A signed copy of every financial statement, including consolidated financial statement, if any, shall be issued, circulated or published along with a copy each of—
- (a) any notes annexed to or forming part of such financial statement;
 - (b) the auditor's report; and
 - (c) the Board's report referred to in sub-section (3).
- (8) If a company contravenes the provisions of this section, the company shall be punishable with fine which shall not be less than fifty thousand rupees but which may extend to twenty-five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to three years or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees, or with both.

135. Corporate Social Responsibility.

- (1) Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director.
- (2) The Board's report under sub-section (3) of section 134 shall disclose the composition of the Corporate Social Responsibility Committee.
- (3) The Corporate Social Responsibility Committee shall,—
 - (a) formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as 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.
- (4) 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.
- (5) The Board of every company referred to in sub-section (1), shall ensure that the company spends, in every financial year, at least two per cent. of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy:

Provided that the 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:

Provided further that if the company fails to spend such amount, the Board shall, in its report made under clause (b) of sub-section (3) of section 134, specify the reasons for not spending the amount.

Explanation.—For the purposes of this section “average net profit” shall be calculated in accordance with the provisions of section 198.

136. Right of member to copies of audited financial statement.

- (1) Without prejudice to the provisions of section 101, a copy of the financial statements, including consolidated financial statements, if any, auditor's report and every other document required by law to be annexed or attached to the financial statements, which are to be laid before a company in its general meeting, shall be sent to every member of the company, to every trustee for the debenture-holder of any debentures issued by the company, and to all persons other than such member or trustee, being the person so entitled, not less than twenty-one days before the date of the meeting:

Provided that in the case of a listed company, the provisions of this sub-section shall be deemed to be complied with, 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 to every member of the company and to every trustee for the holders of any debentures issued by the company not less than twenty-one days before the date of the meeting unless the shareholders ask for full financial statements:

Provided further that the Central Government may prescribe the manner of circulation of financial statements of companies having such net worth and turnover as may be prescribed:

Provided also that a listed company 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:

Provided also that every company having a subsidiary or subsidiaries shall,—

- (a) place separate audited accounts in respect of each of its subsidiary on its website, if any;
 - (b) provide a copy of separate audited financial statements in respect of each of its subsidiary, to any shareholder of the company who asks for it.
- (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.
- (3) If any default is made in complying with the provisions of this section, the company shall be liable to a penalty of twenty-five thousand rupees and every officer of the company who is in default shall be liable to a penalty of five thousand rupees.

137. Copy of financial statement to be filed with Registrar.

- (1) 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 within the time specified under section 403:

Provided that where the financial statements under sub-section (1) are not adopted at annual general meeting or adjourned annual general meeting, such unadopted financial statements along with the required documents under sub-section (1) shall be filed with the Registrar within thirty days of the date of annual general meeting and the Registrar shall take them in his records as provisional till the financial statements are filed with him after their adoption in the adjourned annual general meeting for that purpose:

Provided further that financial statements adopted in the adjourned annual general meeting shall be filed with the Registrar within thirty days of the date of such adjourned annual general meeting with such fees or such additional fees as may be prescribed within the time specified under section 403:

Provided also that a 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 one hundred eighty 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.

- 2) Where the annual general meeting of a company for any year has not been held, 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 thirty 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 within the time specified, under section 403.
- (3) If a company fails to file the copy of the financial statements under sub-section (1) or sub-section (2), as the case may be, before the expiry of the period specified in section 403, the company shall be punishable with fine of one thousand rupees for every day during which the failure continues but which shall not be more than ten lakh rupees, 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 punishable with imprisonment for a term which may extend to six months or with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees, or with both.

138. Internal Audit.

- (1) Such class or classes of companies as may be prescribed shall be required to appoint an internal auditor, who shall either be a chartered accountant or a cost accountant, or such other professional as may be decided by the Board to conduct internal audit of the functions and activities of the company.
- (2) The Central Government may, by rules, prescribe the manner and the intervals in which the internal audit shall be conducted and reported to the Board.

Rules for Chapter IX

Companies (Accounts) Rules, 2014

In exercise of the powers conferred under sub-sections (1) and (3) of section 128, sub-section (3) of section 129, section 133, section 134, sub-section (4) of section 135, sub-section (1) of section 136, section 137 and section 138 read with section 469 of the Companies Act, 2013, and in supersession of the Companies (Central Government's) General Rules and Forms, 1956 or any other rules prescribed under the Companies Act, 1956 (1 of 1956) on matters covered under these rules, except as respects things done or omitted to be done before such supersession, the Central Government hereby makes the following rules, namely:-

1. Short title and commencement. -

- (1) These rules may be called the Companies (Accounts) Rules, 2014.
- (2) They shall come into force on the 1st day of April, 2014.

2. Definitions.- (1) In these rules, unless the context otherwise requires,-

- (a) "Act" means the Companies Act, 2013 (18 of 2013);
- (b) "Annexure" means the Annexure to these rules;
- (c) "Fees" means the fees as specified in the Companies (Registration Offices and Fees) Rules, 2014;
- (d) "Form" or 'e-Form" means a form set forth in Annexure to these rules which shall be used for the matter to which it relates;
- (e) "Schedule" means the Schedule to the Act;
- (f) "section" means the section of the Act;
- (2) The words and expressions used in these rules but not defined and defined in the Act or in the Companies (Specification of definitions details) Rules, 2014, shall have the meanings respectively assigned to them in the Act or in the said Rules.

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.

- (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.

- 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.
- 5. Form of Statement containing salient features of financial statements of subsidiaries.-** The statement containing the salient feature of the financial statement of a company's 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**.
- 6. Manner of consolidation of accounts.-** The consolidation of financial statements of the company shall be made in accordance with the provisions of Schedule III of the Act and the applicable accounting standards:

Provided that in case of a company covered under sub-section (3) of section 129 which is not required to prepare consolidated financial statements under the Accounting Standards, it shall be sufficient if the company complies with provisions on consolidated financial statements provided in Schedule III of the Act.

- 7. Transitional provisions with respect to Accounting Standards.-** (1) The standards of accounting as specified under the Companies Act, 1956 (1 of 1956) shall be deemed to be the accounting standards until accounting standards are specified by the Central Government under section 133.
- (2) Till the National Financial Reporting Authority is constituted under section 132 of the Act, the Central Government may prescribe the standards of accounting or any addendum thereto, as recommended by the Institute of Chartered Accountants of India in consultation with and after examination of the recommendations made by the National

Advisory Committee on Accounting Standards constituted under section 210A of the Companies Act, 1956 (1 of 1956).

- 8. Matters to be included in Board's report.-** (1) The Board's Report shall be prepared based on the stand alone financial statements of the company and the report shall contain a separate section wherein a report on the performance and financial position of each of the subsidiaries, associates and joint venture companies included in the consolidated financial statement is presented.
- (2) The Report of the Board shall contain the particulars of contracts or arrangements with related parties referred to in sub-section (1) of section 188 in the Form **AOC-2**.
- (3) The report of the Board shall contain the following information and details, namely:-
- (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 equipments;
- (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.
- (4) Every listed company and every other public company having a paid up share capital of twenty five crore rupees or more calculated at the end of the preceding financial year shall include, in the report by its Board of directors, 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.
- (5) In addition to the information and details specified in sub-rule (4), the report of the Board shall also contain -
- (i) the financial summary or highlights;
 - (ii) the change in the nature of business, if any;
 - (iii) the details of directors or key managerial personnel who were appointed or have resigned during the year;
 - (iv) the names of companies which have become or ceased to be its Subsidiaries, joint ventures or associate companies during the year;
 - (v) 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;
 - (vi) the details of deposits which are not in compliance with the requirements of Chapter V of the Act;
 - (vii) 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;
 - (viii) the details in respect of adequacy of internal financial controls with reference to the Financial Statements.
- 9. Disclosures about CSR Policy.-** The disclosure of contents of Corporate Social Responsibility Policy in the Board's report and on the company's website, if any, shall be as per annexure attached to the Companies (Corporate Social Responsibility Policy) Rules, 2014.
- 10. Statement containing salient features of financial statements.-** The statement containing features of documents referred to in first proviso to sub-section (1) of section 136 shall be in Form **AOC-3**.
- 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 one crore rupees and turnover of more than ten crore rupees, 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.
- 12. Filing of financial statements and fees to be paid thereon.-**
 - (1) Every company shall file the financial statements with Registrar together with Form **AOC-4**.
 - (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.
- 13. Companies required to appoint internal auditor.-**

- (1) The following class of companies shall be required to appoint an internal auditor or a firm of internal auditors, namely:-
- (a) every listed company;
 - (b) every unlisted public company having-
 - (i) paid up share capital of fifty crore rupees or more during the preceding financial year; or
 - (ii) turnover of two hundred crore rupees or more during the preceding financial year; or
 - (iii) outstanding loans or borrowings from banks or public financial institutions exceeding one hundred crore rupees or more at any point of time during the preceding financial year; or
 - (iv) outstanding deposits of twenty five crore rupees or more at any point of time during the preceding financial year; and
 - (c) every private company having-
 - (i) turnover of two hundred crore rupees or more during the preceding financial year; or
 - (ii) outstanding loans or borrowings from banks or public financial institutions exceeding one hundred crore rupees or more at any point of time during the preceding financial year:

Provided that an existing company covered under any of the above criteria shall comply with the requirements of section 138 and this rule within six months of commencement of such section.

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" shall mean a Chartered Accountant 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.

Rules for CSR under Section 135 Companies (Corporate Social Responsibility) Policy Rules. 2014

In exercise of the powers conferred under section 135 and sub-sections (1) and (2) of section 469 of the Companies Act, 2013 (18 of 2013), the Central Government hereby makes the following rules. namely: -

1. Short title and commencement. –

- (1) These rules may be called the Companies (Corporate Social Responsibility Policy Rules. 2014.
- (2) They shall come into force on the 1st day of April, 2014

2. Definitions.-

- (1) In these rules, unless the context otherwise requires' -
 - (a) "Act" means the Companies Act, 2013;
 - (b) "Annexure" means the Annexure appended to these rules;
 - (c) "Corporate Social Responsibility (CSR)" means and includes but is not limited to:
 - (i) Projects or programs relating to activities specified in Schedule VII to the Act or
 - (ii) Projects or programs relating to activities undertaken by the board of directors of a company (Board) in pursuance of recommendations of the CSR Committee of the Board as per declared CSR Policy of the company subject to the condition that such policy will cover subjects enumerated in Schedule VII of the Act
 - (d) "CSR Committee" means the Corporate Social Responsibility Committee of the Board referred to in section 135 of the Act
 - (e) "CSR Policy" relates to the activities to be undertaken by the company as specified in Schedule VII to the Act and the expenditure thereon, excluding activities undertaken in pursuance of normal course of business of a company);
 - (f) "Net profit" means the net profit of a company as Per its financial statement prepared in accordance with the applicable Provisions of the Act, but shall not include the following, namely :-
 - (i) any profit arising from any overseas branch or branches of the company' whether operated as a separate company or otherwise; and
 - (ii) any dividend received from other companies in India, which are covered under and complying with the Provisions of section 135 of the Act:

Provided that net profit in respect of a financial year for which the relevant financial statements were prepared in accordance with the provisions of the Companies Act, 1956, (1 of 1956) shall not be required to be re-calculated in accordance with the provisions of the Act:

Provided further that in case of a foreign company covered under these rules, net profit means the net profit of such company as per profit and loss account prepared in terms of clause (a) of sub-section (l) of section 381 read with section 198 of the Act.

- (2) Words and expressions used and not defined in these rules but defined in the Act shall have the same meanings respectively assigned to them in the Act.

3. Corporate Social Responsibility. -

- (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 fulfills the criteria specified in sub-section (1) 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.

- (2) Every company which ceases to be a company covered under sub-section (1) of section 135 of the Act for three consecutive financial years shall not be required to -
 - (a) constitute a CSR Committee; and
 - (b) comply with the provisions contained in sub-section (2) to (5) of the said section'

till such time it meets the criteria specified in sub-section (1) of section 135

4. CSR Activities.-

- (1) The CSR activities shall be undertaken by the company, as per its stated CSR Policy, as projects or programs or activities (either new or ongoing), excluding activities undertaken in pursuance of its normal course of business.
- (2) The Board of a company may decide to undertake its CSR activities approved by the CSR Committee, through a registered trust or a registered society or a company established by the company or its holding or subsidiary or associate company under section 8 of the Act or otherwise:

Provided that-

- (i) if such trust, society or company is not established by the company or its holding or subsidiary or associate company, it shall have an established track record of three years in undertaking similar programs or projects;
 - (ii) the company has specified the project or programs to be undertaken through these entities, the modalities of utilization of funds on such projects and programs and the monitoring and reporting mechanism.
- (3) A company may also collaborate with other companies for undertaking projects or programs 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 programs in accordance with these rules
- (4) Subject to the provisions of sub-section (5) of section 135 of the Act the CSR projects or programs or activities undertaken in India only (shall amount to CSR expenditure
- (5) The CSR projects or programs or activities that benefit only the employees of the company and their Families shall not be considered as CSR activities in accordance with section 135 of the Act'
- (6) Companies may build CSR capacities of their own personnel as well as those of their Implementing agencies through Institutions with established track records of at least three financial years but such expenditure shall not exceed five percent. of total CSR expenditure of the company in one financial year.
- (7) Contribution of any amount directly or indirectly to any political party under section 182 of the Act, shall not be considered as CSR activity.

5. CSR Committees,-

1. The companies mentioned in the rule 3 shall constitute CSR Committee as under.-
 - (i) an unlisted public company or a private company covered under sub-section (I) of section I 35 which is not required to appoint an independent director pursuant to sub-section (4) of section 149 of the Act, shall have its CSR Committee without such director;
 - (ii) a private company having only two directors on its Board shall constitute its CSR Committee with two such directors:
 - (iii) with respect to a foreign company covered under these rules, the CSR Committee shall comprise of at least two persons of which one person shall be as specified under clause (d) of sub-section (1) of section 3 80 of the Act and another person shall be nominated by the foreign company.
- (2) The CSR Committee shall institute a transparent monitoring mechanism for implementation of the CSR projects or programs or activities undertaken by the company.

6. CSR Policy.-

- (1) The CSR Policy of the company shall, inter-alia, include the following, namely -
 - (a) a list of CSR projects or programs which a company plans to undertake falling within the purview of the Schedule VII of the Act, specifying modalities of execution of such project or programs and implementation schedules for the same; and
 - (b) monitoring process of such projects or programs:

Provided that the CSR activities does not include the activities undertaken in pursuance of normal course of business of a company.

Provided further that the Board of Directors shall ensure that activities included by a company in its Corporate Social Responsibility Policy are related to the activities included in Schedule VII of the Act.

- (2) The CSR Policy of the company shall special that the surplus arising out of the CSR projects or programs or activities shall not form part of the business profit of a company.

- 7. CSR Expenditure-** CSR expenditure shall include all expenditure including contribution to corpus, for projects or programs relating to CSR activities approved by the Board on the recommendation of its CSR Committee, but does not include any expenditure on alt item not in conformity or not in line with activities which fall within the purview of Schedule VII of the Act.

8. CSR Reporting-

- (1) The Board's Report of a company covered under these rules pertaining to a financial year commencing on or after the 1st day of April, 2014 shall include an annual report on CSR containing particulars specified in Annexure.
- (2) In case of a foreign company, the balance sheet filed under sub-clause (b) of sub-section (1) of section 381 shall contain an Annexure regarding report on CSR.

9. Display of CSR activities on its website -

The Board of Directors of the company shall, after taking into account the recommendations of CSR Committee, approve the CSR Policy for the company and

disclose contents of such policy in its report and the same shall be displayed on the company's website, if any, as per the particulars specified in the Annexure.

FORMAT FOR THE ANNUAL REPORT ON CSR ACTIVITIES TO BE INCLUDED IN THE BOARD'S REPORT

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.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S. No.	CSR project or activity undertaken	Sector in which the Project is covered	Projects or programs (1) Local area or other (Specify the State or district where the Projects or programs was undertaken)	Amount outlay (budget) Project or programs wise	Amount spent on the Project or programs Sub heads (1) Direct expenditure on the projects or programs (2) Overheads	Cumulative expenditure upto the reporting period	Amount spent: Direct or through implementing Agency*
1							
2							
3							
	TOTAL						

*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.

FORMS for Chapter IX

FORM AOC- 4 [See Section 137 of the Companies Act 2013 and Rule 12 (1) of Companies (Accounts) Rules, 2014	Form for filing financial statement and other documents with the Registrar
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Note-

- All fields marked in *are to be mandatorily filled.
- Figures appearing in the e-Form should be entered in Absolute Rupees only. Figures should not be rounded off in any other unit like hundreds, thousands, lakhs, millions or crores.

Authorised capital of the company as on the date of filing (in Rs.) _____

Number of members of the company as on the date of filing (in Rs.) _____

SEGMENT- I: INFORMATION AND PARTICULARS IN RESPECT OF BALANCE SHEET**Part A****I. General information of the company**

1. (a) Corporate identity number (CIN) of company _____ (Pre-fill)
(b) Global Location number (GLN) of company _____
2. Name of the company _____
3. (a) Address of the registered office of the company

(b) *e-mail ID of the company _____
4. (a) * Financial year to which balance sheet relates
From _____ (DD/MM/YYYY) To _____
(DD/MM/YYYY)
(b) *Date of Board of directors' meeting in which balance sheet was approved
_____ (DD/MM/YYYY)
(c) Details of director (s), Managing Director, manager, secretary of the company who have signed the balance sheet

Following details are to be entered in case date of balance sheet is on or after 1st July, 2007
Provide Director Identification number (DIN) in case of director, Managing Director and Income-tax permanent number (Income-tax PAN) in case of manager, Secretary

DIN or Income-tax PAN _____ (Pre fill) Designation _____
Name _____
Date of signing of balance sheet _____ (DD/MM/YYYY)

[Information to be provided for each person]

5. (a) * Date of Board of directors' meeting in which Board's report referred to under section 134 was approved _____ (DD/MM/YYYY)
(b) Details of director (s), Managing Director who have signed the Board's Report

Following details are to be entered in case date of Board of directors' meeting is on or after 1st July, 2007

DIN _____ (Pre fill) Designation _____
Name _____
Date of signing of Board's report _____ (DD/MM/YYYY)

[Information to be provided for each person]

6. * Date of signing of reports on the balance sheet by the auditors _____ (DD/MM/YYYY)
7. (a) * Whether annual general meeting (AGM) held _____ Yes _____ No
 (b) if yes, date of AGM _____ (DD/MM/YYYY)
 (c) * Due date of AGM _____ (DD/MM/YYYY)
 (d) date of AGM in which accounts are adopted by shareholders _____ (DD/MM/YYYY)
 (e) * Whether any extension for financial year or AGM granted _____ Yes _____ No
 (f) if yes, due date of AGM after grant of extension _____ (DD/MM/YYYY)
8. (a) * Whether the company is a subsidiary company as defined under section 2 (87) _____
 Yes _____ No
 (b) CIN of the holding company, if applicable _____ (Pre fill)
 (c) Name of the holding company _____
 (d) Provision pursuant to which the company has become a subsidiary _____
9. (a) * Whether the company has a subsidiary company as defined under section 2 (87) _____
 Yes _____ No
 (b) If yes, then indicate number of subsidiary company (s) _____

CIN of subsidiary company _____
Name of subsidiary company _____
Section under which the company has become a subsidiary _____

10. * Number of auditors _____
 (I) (a) Category of auditor _____ individual _____ Auditor's firm
 (b) * Income-tax PAN of auditor or auditor's firm _____
 (c) * Name of the auditor or auditor's firm _____
 (d) * Membership number of auditor or auditor's firm's registration number _____
 (e) Address of the auditor or auditor's firm
 Line I _____
 Line II _____
 *City _____ *State _____ Country _____ *Pin code _____
- (f) Details of the member representing the above firm
 Name _____
 Membership No _____
- (g) *SRN of Form relating to appointment of auditors _____
 [Information to be provided for each person]

11. (a) In case of a government company, whether Comptroller and Auditor- General of India (CAG of India) has commented upon or supplemented the audit report under section 143 of the Companies Act 2013 _____ Yes
_____ No

(b) Provide details of comment (s) or supplement (s) received from CAG of India

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(b) Director's reply (s) on comments received from CAG of India

--

(d) Whether CAG of India has conducted supplementary or test audit under section 143 ____ Yes
____ No

12 (a) * Whether Schedule III of the Companies Act, 2013 is applicable _____ Yes _____ No

(b) * Type of Industry _____

Note: In case the type of industry is other than Banking or Power or Insurance or NBFC, then select Commercial and Industrial (C&I)

Part –B I. BALANCE SHEET (As per Schedule III of the Companies Act 2013 applicable for the financial year commencing on or after 1.4.2011)

	Particulars	Figures as at the end of (Current reporting period) (in Rs.) (DD/MM/YYYY)	Figures as at the end of (Previous reporting period) (in Rs.) (DD/MM/YYYY)
I.	EQUITY AND LIABILITIES		
	Shareholders' funds		
	(a) Share capital		
	(b) Reserves and surplus		
	(c) Money received against share warrants		
(2)	Share application money pending allotment		
(3)	Non-current liabilities		
	(a) Long-term borrowings		
	(b) Deferred tax liabilities (Net)		
	(b) Deferred tax liabilities (Net)		
	(d) Long-term provisions		
(4)	Current liabilities		

	(a) Short-term borrowings		
	(b) Trade payables		
	(c) Other current liabilities		
	(d) Short-term provisions		
	TOTAL		
II.	ASSETS		
(1)	Non Current Assets		
	(a) Fixed assets		
	(i) Tangible assets		
	(ii) Intangible assets		
	(iii) Capital work-in-progress		
	(iv) Intangible assets under development		
	(b) Non-current investments		
	(c) Deferred tax assets (net)		
	(d) Long-term loans and advances		
	(e) Other non-current assets		
(2)	Current assets		
	(a) Current investments		
	(b) Inventories		
	(c) Trade receivables		
	(d) Cash and cash equivalents		
	(e) Short-term loans and advances		
	(f) Other current assets		
	TOTAL		

Part I. BALANCE SHEET (Applicable for financial year commencing before 01.04.2011)

Particulars	Figures as at the end of (Current reporting period) (in Rs.) (DD/MM/YYYY)	Figures as at the end of (Previous reporting period) (in Rs.) (DD/MM/YYYY)
Sources of funds		
Paid-up Capital		
Share application money (pending allotment)		
Reserves and Surplus		
Secured Loans		
Unsecured Loans		
Deferred tax liabilities (Net)		
Others (Please specify)		
TOTAL		
Application of Funds		
Gross Fixed Assets (including intangible assets)		
Less: Depreciation and amortization		

Net Fixed assets		
Capital work-in-progress		
Investments		
Deferred tax assets (net)		
Current assets, loans and advances		
(a) Inventories		
(b) Sundry Debtors		
(c) Cash and bank balances		
(d) Other current assets		
(e) Loans and advances		
Less: Current liabilities and provisions		
(a) Liabilities		
(b) Provisions		
Net Current assets		
Miscellaneous expenditure to the extent not written off or adjusted		
Profit and Loss account		
Other (Please specify)		
TOTAL		

**II. Detailed Balance sheet items (Amount in Rs.) as on balance sheet date
(Applicable in case of financial year commencing on or after 1.4.2011)**

A. Details of long term borrowings (unsecured)

Particulars	Current period reporting	Previous period reporting
Bonds/debentures		
Term Loans		
- from banks		
- from other parties		
Deferred payment liabilities		
Deposits		
Loans and advances from related parties		
Long term maturities of finance lease obligations		
Other loans and advances		
Total Long Term borrowings (unsecured)		
Out of above total, aggregate amount guaranteed by directors		

B. Details of short term borrowings (unsecured)

Particulars	Current reporting period	Previous reporting period
Loans repayable on demand		
Term Loans		
- from banks		
- from other parties		
Loans and advances from related parties		
Deposits		
Other loans and advances		
Total short term borrowings (unsecured)		
Out of above total, aggregate amount guaranteed by directors		

C. Details of long term loans and advances (unsecured, considered good)

Particulars	Current reporting period	Previous reporting period
Capital Advances		
Security Deposits		
Loans and advances to other related parties		
Other loans and advances		
Total Long term loan and advances		
Less: Provisions/ Allowances for bad and doubtful loans and advances		
- From related parties		
- From others		
Net long term loan and advances (unsecured, considered good)		
Loans and advances due by directors/ other officers of the company (refer note 6. L (iv) of Schedule III)		

D. Details of long term loans and advances (doubtful)

Particulars	Current reporting period	Previous reporting period
Capital Advances		
Security Deposits		
Loans and advances to other		

related parties		
Other loans and advances		
Total Long term loan and advances		
Less: Provisions/ Allowances for bad and doubtful loans and advances		
- From related parties		
- From others		
Net long term loan and advances (doubtful)		
Loans and advances due by directors/ other officers of the company (refer note 6. L (iv) of Schedule III)		

E. Details of trade receivables

Particulars	Current reporting period		Previous reporting period	
	Exceeding six months	Within six months	Exceeding six months	Within six months
Secured, Considered good				
Unsecured, Considered good				
Doubtful				
Total Trade receivables				
Less: Provisions/ Allowances for bad and doubtful debts				
Net Trade receivables				
Debt due by (directors/ other officers of the company (refer note 6. M (iii) of Schedule III)				

III. Financial parameters – Balance sheet items (Amount in Rs.) as on balance sheet date (unless specified otherwise)

1. *Amount of issue for contracts without payment received in cash during reporting period _____
2. *Share application money given _____
3. *Share application money given during the reporting period _____
4. *Share application money received during the reporting period _____
5. *Paid-up capital held by foreign company _____ per cent
6. *Paid-up capital held by foreign holding and/ or through its subsidiaries _____ per cent

7. *Number of shares bought back during the reporting period _____
8. *Deposits accepted or renewed during the reporting period _____
9. *Deposits matured and claimed but not paid during reporting period _____
10. *Deposits matured and claimed but not paid _____
11. *Deposits matured, but not claimed _____
12. *Unclaimed matured debentures _____
13. *Debentures claimed but not paid _____
14. *Interest on deposits accrued and due but not paid _____
15. *Unpaid dividend _____
16. *Investment in subsidiary companies _____
17. *Investment in government companies _____
18. *Capital reserve _____
19. *Amount due for transfer to Investor Education and Protection Fund (IEPF) _____
20. *Inter-corporate deposits _____
21. *Gross value of transaction as per AS- 18 (if applicable) _____
22. *Capital subsidies or grants received from government authority(s) _____
23. *Calls unpaid by directors _____
24. *Calls unpaid by others _____
25. *Forfeited shares (amount originally paid-up) _____
26. *Forfeited shares reissued _____
27. *Borrowing from foreign institutional agencies _____
28. *Borrowing from foreign companies _____
29. *Inter-corporate borrowings -secured _____
30. *Inter-corporate borrowings –unsecured _____
31. *Commercial Paper _____
32. *Conversion of warrants into equity shares during the reporting period _____
33. *Conversion of warrants into preference shares during the reporting period _____
34. *Conversion of warrants into debentures during the reporting period _____
35. *Warrants issued during the reporting period (In foreign currency) _____
36. *Warrants issued during the reporting period (In Rs.) _____
37. *Default in payment of short term borrowings and interest thereon _____
38. *Default in payment of long term borrowings and interest thereon _____
39. *Whether any operating lease has been converted to financial lease or vice-a-versa__ Yes
____ No

Provides details of such conversions

--

40. Net Worth of the company _____
41. Number of shareholders to whom shares allotted under private placement _____ during the reporting period
42. *Secured Loan _____
43. *Gross fixed assets (including intangible assets) _____
44. *Depreciation and amortization _____
45. *Miscellaneous expenditure to the extent not written off or adjusted _____

IV. Shares capital raised during the reporting period (Amount in Rs.)

	Equity Shares	Preference Shares	Total
(a) Public Issue			
(b) Bonus Issue			
(c) Rights Issue			
(d) Private placement arising out of conversion of debentures/ preference			
(e) Other Private Placement			
(f) Preferential allotment arising out of conversion of debentures/ preference			
(g) Other Preferential allotment			
(h) Employee Stock Option Plan (ESOP)			
(i) Other			
(j) Total amount of shares capital raised during the reporting period			

V .Details of qualification(s), reservation(s) or adverse remark(s) made by auditors

1. *Whether auditors' report has been qualified or has any reservations or contains adverse remarks ___ Yes ___ No

2. (a) Auditor's qualification(s), reservation(s) or adverse remark(s) in the auditors' report

(b) Director's comments on qualification(s), reservation(s) or adverse remark(s) of the auditors as per Board's report

VI. Details w.r.t Companies (Auditor's Report) Order, 2003 (CARO)

- Whether Companies (Auditor's Report) Order, 2003 (CARO) applicable _____ Yes ___ NO
- Auditor's comment on the items specified under Companies (Auditor's Report) Order, 2003 (CARO)

Particulars	Auditor's comments of report
Fixed Assets	
Inventories	
Loans given or taken by the company	
Related Party Transactions/ Section 188	
Acceptance of deposits	
Maintenance of Cost records	
Statutory dues	
End use of borrowed funds	
Special Stature- Chit fund companies	
Nidhi/mutual benefit fund – special aspects	
Term Loans	
Preferential Allotments	
Disclosure of end use of funds	
Others	

VII. Details related to cost records and cost audit

1. *Whether maintenance of cost records by the company has been mandated under Cost Accounting Record Rules __ Yes __ No
2. *Whether audit of cost records of the company has been mandated by Central Government __ Yes __ No
3. If yes, names of the product of activity groups under cost audit

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SEGMENT II: INFORMATION AND PARTICULARS IN RESPECT OF PROFIT AND LOSS ACCOUNT

Part- A

I. STATEMENT OF PROFIT AND LOSS (As per Schedule III to the Companies Act, 2013 applicable for the financial year commencing on or after 1.4.2011)

Particulars	Figures for the current reporting period (in) From _____ (DD/MM/YYYY)	Figures for the previous reporting period (in) From _____ (DD/MM/YYYY) To _____

		To (DD/MM/YYYY)	(DD/MM/YYYY)
I.	Revenue from operations	xxx	Xxx
	Domestic Turnover		
	(i) Sale of goods manufactured		
	(ii) Sale of goods traded		
	(iii) Sale or supply of services		
	Export Turnover		
	(i) Sale of goods manufactured		
	(ii) Sale of goods traded		
	(iii) Sale or supply of services		
II.	Other income		
III.	Total Revenue (I + II)		
IV.	Expenses		
	Cost of materials consumed		
	Purchases of Stock-in-Trade		
	Changes in inventories of finished goods		
	Work-in-progress and Stock-in-Trade		
	Employee benefits expense		
	Managerial Remuneration		
	Payment to auditors		
	Insurance expenses		
	Power and Fuel		
	Finance costs		
	Depreciation and amortization expense		
	Other expenses		
	Total expenses		
V	Profit before exceptional and extraordinary items and tax (III-IV)		
VI	Exceptional items		
VII	Profit before extraordinary items and tax (V - VI)		
VIII	Extraordinary Items		
IX	Profit before tax (VII- VIII)		
X	Tax expense:		
	(1) Current tax		
	(2) Deferred tax		
XI	Profit (Loss) for the period from continuing operations (VII-VIII)		
XII	Profit/(loss) from discontinuing operations		
XIII	Tax expense of discontinuing operations		
XIV	Profit/(loss) from Discontinuing operations (after tax) (XII-XIII)		
XV	Profit/ (Loss) (XI + XIV)		

XVI	Earnings per equity share		
	(1) Basic		
	(2) Diluted		

Part A**I. STATEMENT OF PROFIT AND LOSS (Applicable for financial year commencing before 01.4.2011)**

Particulars	Figures for the period (Current financial year) (in) From _____ (DD/MM/YYYY) To _____ (DD/MM/YYYY)	Figures for the period (previous financial year) (in) From _____ (DD/MM/YYYY) To _____ (DD/MM/YYYY)
Domestic Turnover		
(iv) Sale of goods manufactured		
(v) Sale of goods traded		
(vi) Sale or supply of services		
Export Turnover		
(iv) Sale of goods manufactured		
(v) Sale of goods traded		
(vi) Sale or supply of services		
Other income		
Total Income		
Raw material consumed (see Note 1)		
Purchase made for resale (See Note 2)		
Consumption of Stores and Spare Parts (See Note 3)		
(Increase) or decrease in finished goods, work-in-progress		
Salaries, Wages and Bonus		
Managerial Remuneration		
Payment to auditors		
Interest		
Insurance expenses		
Power and Fuel		
Depreciation and amortization expense		
Other expenditure		
Total expenditure		
Net Profit or Net Loss (before tax and appropriation)		
Income Tax including deferred tax		

Note 1: Raw material consumed is to be given as per following calculation-
 Opening stock of raw materials+ purchase of raw materials- closing stock of raw materials

Not 2: Purchase made for re—sale is to be given as per following calculation-
 Opening stock of goods traded + purchases of goods traded- closing stock of goods traded

Note 3: Consumption of stores and spare parts to be given as per following calculation-
 Opening stock of stores and spares + purchases of stores and spares – closing stock of store and spare

II. Detailed Profit and Loss items (Amount in) (applicable in case of financial year commencing on or after 01.04.2011)

A. Details of earning in foreign exchange

Particulars	Current reporting period	Previous reporting period
Exports of goods calculated in F.O.B. basis		
Interest and dividend		
Royalty		
Know-how		
Professional and Consultation fees		
Other Income		
Total Earning in Foreign Exchange		

B. Details of expenditure in foreign exchange

Particulars	Current reporting period	Previous reporting period
Imports of goods calculated in CIF basis		
(i) Raw Material		
(ii) Component and spare parts		
(iii) Capital goods		
Expenditure on account of		
Royalty		
Know-how		
Interest		
Other matters		
Dividend paid		
Total Expenditure in Foreign Exchange		

III. Financial parameters – Profit and loss account items (amount in) during the reporting period

1. *Proposed Dividend _____ per cent
2. *Earning per share (in Rs) Basic _____ Diluted _____
3. *Income in foreign currency _____
4. *Expenditure in foreign currency _____
5. *Revenue subsidies or grants received from government authority(s) _____
6. *Rent paid _____
7. *Consumption of stores and spare parts _____
8. * Gross value of the transaction with the related parties as per AS-18 (if applicable) _____
9. *Bad debts of related parties as per AS-18 (if applicable) _____

IV. Details related to principal products or services of the company

Total number of product/ services category(s) _____

Product or service category code (ITC/ NPCS 4 digit code) _____

Description of the product or service category _____

Turnover of the product or service category (in Rs.) _____

Highest Turnover contributing product or service code **(ITC/ NPCS 8 digit code)** _____

Description of the product or service _____

Turnover of the highest contributing product or service (in Rs.) _____

Note – Please refer to 'Indian Trade Classification' based on harmonized commodity description and coding system issues by the ministry of Commerce & Industry for Product Codes and National Product Classification for Services (NPCS) for Services codes issued by Ministry of Statistics & Programme Implementation, Government of India.

V. Details of qualification(s), reservation(s) or adverse remark(s) made by auditors.

1. *Whether auditors' report has been qualified or has any reservations or contains adverse remarks ____ Yes ____ No
2. (a) Auditor's qualification(s), reservation(s) or adverse remark(s) in the auditors' report

- (b) Director's comments on qualification(s), reservation(s) or adverse remark of the auditors as per Board's report

Segment C: Reporting of Corporate Social Responsibility (CSR)

1. *Period for which CSR is being reported From _____ (DD/MM/YYYY)
To _____ (DD/MM/YYYY)
2. (a) *Whether information includes information about subsidiary company(s) ____ Yes ____ No
(b) If yeas, then indicate number of such subsidiary company(s) _____

3. (a) *Whether information includes information about any other entity(s) ____ Yes ____ No
(e.g. supplies, value chain etc.)
(b) If yes, then indicate number of such entity(s) _____
4. (a) *Does the company have a written CSR policy ____ Yes ____ No If yes, attach a copy
(b) Brief contents of the CSR policy _____
____ Overview of projects or preforms proposed to be undertaken
____ We-link of company at which CSR policy is places
____ Web link projects or performs undertaken
____ Others
5. The Composition of the CSR Committee
6. Average net profit of the company for last three financial years.
7. Prescribed CSR Expenditure (two per cent. off the amount as in item 6 above)
8. 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.

(1) S. No.	(2) CSR project or activity undertaken	(3) Sector in which the Project is covered	(4) Projects or program s (1) Local area or other (Specify the State or district where the Projects or program s was undertaken)	(5) Amount outlay (budget) Project or program s wise	(6) Amount spent on the Project or progra ms Sub heads (1) Direct expend iture on the project s or progra ms (2) Overhe ads	(7) Cumulative expenditure upto the reporting period	(8) Amount spent: Direct or through impleme nting Agency*
1							
2							
3							
	TOTAL						

*Give details of implementing agency:

9. 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 reasons for not spending the amount in its Board report.

10. 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.

Segment D: DISCLOSURE ABOUT RELATED PARTY TRANSACTIONS

Disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis
 - (a) Name(s) of the related party and nature of relationship
 - (b) Nature of contracts/arrangements/transactions
 - (c) Duration of the contracts / arrangements/transactions
 - (d) Salient terms of the contracts or arrangements or transactions including the value, if any
 - (e) Justification for entering into such contracts or arrangements or transactions
 - (f) Date(s) of approval by the Board
 - (g) Amount paid as advances, if any:
 - (h) Date on which the special resolution was passed in general meeting as required under first proviso to section 188
2. Details of material contracts or arrangement or transactions at arm's length basis
 - (a) Name(s) of the related party and nature of relationship
 - (b) Nature of contracts/arrangements/transactions
 - (c) Duration of the contracts / arrangements/transactions
 - (d) Salient terms of the contracts or arrangements or transactions including the value, if any:
 - (e) Date(s) of approval by the Board, if any:
 - (f) Amount paid as advances, if any:

Attachments

- | | |
|---|--------|
| 1.*Copy of balance sheet duly authenticated as per section 134 (including Board's report, auditors' report and other documents) | Attach |
| 2. Statement of subsidiaries as per section 129 | Attach |
| 3. Statement of the fact and reasons for not adopting balance sheet in The annual general meeting (AGM) | Attach |
| 4. Statement of the fact and reasons for not holding the AGM | Attach |
| 5 Approval letter of extension of financial year or AGM | Attach |
| 6. Supplementary or test audit report under section 143 | Attach |
| 7. **Copy of Profit and Loss Account duly authenticated as per section 134 | Attach |
| 8. Company CSR policy | Attach |
| 9. Company CSR report | Attach |
| 10. Details of subsidiary(s) | Attach |
| 11. Details of other entity(s) | Attach |
| 12. Optional attachment(s) | Attach |

Verification

I confirm that all the particulars mentioned above are as per the attached balance sheet and profit and loss account and other related documents, all of which are duly signed and authenticated as required under the Companies Act, 2013.

I also confirm that to the best of my knowledge and belief, the information given in the form and its attachments is correct and complete.

I have been authorised by the Board of directors' resolution number * _____ dated____ (DD/MM/YYYY)

To sign and submit this form.

To be digitally signed by

Managing Director or manager or secretary of the company _____

*Designation _____

*Din of the director or Managing Director; or

Income- tax PAN of the manager; or _____

Membership number, if applicable or income-tax PAN of the secretary _____

(Secretary of a company who is not a member of ICSI, may quote his/her income-tax PAN)

Annexure Form AOC-I

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

Statement containing salient features of the financial statement of subsidiaries/ associate companies/ joint ventures

Part "A": Subsidiaries

(Information in respect of each subsidiary to be presented with amounts in Rs)

1. Sl. No.
2. Name of the subsidiary
3. Reporting period for the subsidiary concerned, if different from the holding company's reporting period
4. Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries.
5. Share capital
6. Reserves & surplus
7. Total assets
8. Total Liabilities
9. Investments
10. Turnover
11. Profit before taxation
12. Provision for taxation
13. Profit after taxation
14. Proposed Dividend
15. % of shareholding

Notes: The following information shall be furnished at the end of the statement:

1. Names of subsidiaries which are yet to commence operations
2. Names of subsidiaries which have been liquidated or sold during the year.

Part "B": Associates and Joint Ventures

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures

Name of Associates/ Joint ventures	Name 1	Name 2	Name 3
1. Latest audited Balance Sheet Date			
2. Shares of associates/ Joint Ventures held by the company on the year end			
No.			
Amount of investment in Associates/ Joint Ventures			
3. Description of how there is significant influence			
4. Reason why the associate/ joint			

venture is not consolidated			
5. Networth attributable to Shareholding as per latest Audited Balance Sheet			
6. Profit/ Loss for the year			
i. Considered in Consolidation			
ii. Not Considered in Consolidation			

1. Names of associates or joint ventures which are yet to commence operations
2. Names of associates or joint ventures which have been liquidated or sold during the year.

Note : This Form is to be certified in the same manner in which the Balance Sheet is to be certified.

Form No. AOC-2

(Pursuant to *clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014*)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis
 - (a) Name(s) of the related party and nature of relationship
 - (b) Nature of contracts/arrangements/transactions
 - (c) Duration of the contracts / arrangements/transactions
 - (d) Salient terms of the contracts or arrangements or transactions including the value, if any
 - (e) Justification for entering into such contracts or arrangements or transactions
 - (f) date(s) of approval by the Board
 - (g) Amount paid as advances, if any:
 - (h) Date on which the special resolution was passed in general meeting as required under first proviso to section 188
2. Details of material contract, arrangement or transaction at arm's length basis
 - (a) Name (s) of the related party and nature of relationship
 - (b) Nature of contracts/ arrangements/ transactions
 - (c) Duration of the contracts/ arrangements/ transactions
 - (d) Salient terms of the contracts or arrangements or transactions including the value, if any:
 - (e) Date (s) of approval by the Board, if any:
 - (f) Amount paid as advances, if any:

Form shall be signed by the persons who have signed the Board's report

FORM AOC-3

(Pursuant to first proviso to sub-section (1) of section 136 of the Act and Rule 10 of Companies (Accounts) Rules, 2014)

Statement containing salient features of Balance Sheet and Profit and Loss Account

Form of Abridged Financial Statements

Name of the Company

Abridged Balance Sheet as at (Rupees in)

Figures at the end of

S. No	Particulars	Figures as at the end of (Current reporting period) (in Rs.) (DD/MM/YYYY)	Figures as at the end of (Previous reporting period) (in Rs.) (DD/MM/YYYY)
I.	EQUITY AND LIABILITIES		
	Shareholders' funds		
	(a) Paid up Share capital		
	(i) Equity		
	(ii) Preference		
	(b) Reserves and surplus		
	(i) Capital Reserve (including Revaluation Reserve, if any)		
	(ii) Revenue Reserves		
	(iii) Surplus		
	(c) Money received against share warrants		
(2)	Share application money pending allotment		
(3)	Non-current liabilities		
	(a) Long-term borrowings		
	(b) Deferred tax liabilities (Net)		
	(b) Deferred tax liabilities (Net)		
	(d) Long-term provisions		
(4)	Current liabilities		
	(a) Short-term borrowings		
	(b) Trade payables		
	(c) Other current liabilities		
	(d) Short-term provisions		
	TOTAL of (1) to (4)		
II.	ASSETS		
(1)	Non Current Assets		
	(a) Fixed assets		
	(i) Tangible assets (original cost less		

	depreciation)		
	(ii) Intangible assets (original cost less depreciation)		
	(iii) Capital work-in-progress		
	(iv) Intangible assets under development		
	(b) Non-current investments		
	(c) Deferred tax assets (net)		
	(d) Long-term loans and advances		
	(e) Other non-current assets		
(2)	Current assets		
	(a) Current investments		
	(b) Inventories		
	(c) Trade receivables		
	(d) Cash and cash equivalents		
	(e) Short-term loans and advances		
	(f) Other current assets		
	TOTAL of (5) to (6)		

NOTE: Complete Balance Sheet, Statement of Profit and Loss, other statements and notes thereto prepared as per the requirements of Schedule III to the Act are available at the Company's website at link _____

Abridged Profit and Loss Account for the ended on _____

(Rupees in)

	Particulars	Figures for the current reporting period (in) (DD/MM/YYYY)	Figures for the previous reporting period (DD/MM/YYYY)
I.	Income		
	Revenue from operations (details to be given as per *)		
II.	Other income		
III.	Total Revenue (I + II)		
IV.	Expenditure		
	(a) Cost of materials consumed		
	(b) Purchases of Stock-in-Trade		
	(c) Changes in inventories of finished goods work-in-progress and Stock-in-Trade		
	(d) Employee benefits expense		
	(e) Finance Costs		
	(f) Depreciation and amortization		

	expense		
	(g) Other expenses		
	Total Expenditure		
V	Profit before exceptional and extraordinary items and tax (III-IV)		
VI	Exceptional items		
VII	Profit before extraordinary items and tax (V - VI)		
VIII	Extraordinary Items		
IX	Profit / (Loss) before tax (VII- VIII)		
X	(1)Tax expense (2) Deferred tax		
XI	Profit (Loss) for the period from continuing operations (VII-VIII)		
XII	Profit/(loss) from discontinued operations		
XIII	Tax expense of discontinuing operations		
XIV	Profit/(loss) from Discontinued operations (after tax) (XII-XIII)		
XV	Profit/ (Loss) for the year (XI + XIV)		
XVI	Earnings per equity share		
	(1) Basic		
	(2) Diluted		

* Details of Revenue from Operations:

a) In respect of a company other than a finance company, revenue from operations shall be disclosed as under:

(Rupees in)

S. No	Particulars	Figures for the current reporting period (in) (DD/MM/YYYY)	Figures for the previous reporting period (DD/MM/YYYY)
I	Sale of products manufactured		
II	Sale of goods traded		
III	Revenue from services provided		
IV	Other operation al Revenue		

b) In respect of a finance company, revenue from operations shall be disclosed as under:

- (a) Revenue from interest; and
- (b) Revenue from Other financial services

NOTES TO THE ABRIDGED BALANCE SHEET AND THE ABRIDGED PROFIT AND LOSS ACCOUNT

1. The amounts to be shown here should be the same as shown in the corresponding aggregated heads in the financial statements as per Schedule III or as near thereto as possible.
2. The total amount of contingent liabilities and that of commitments should be shown separately.
3. All notes forming part of the financial statements as per Schedule III to which specific attention has been drawn by the auditors or which form a subject matter of qualification by the auditor should be reproduced.
4. If fixed assets are revalued, the amount of revaluation to be shown separately for the first five years subsequent to the date of revaluation.
5. Any item which constitutes 20% or more of the total income or expenditure (including provisions) should be shown separately.
6. Amount, if material, by which any item shown in the profit and loss account are affected by any change in the accounting policy, should be disclosed separately.
7. Notes shall include the notes, if any, contained in the complete financial statements pertaining to the following:
 - (a) Period and amount of defaults on the balance sheet date in repayment of loans and interest
 - (b) Amalgamations, acquisitions, restructurings and demergers during the reporting period.
 - (c) Material events affecting the going concern assumption.
 - (d) Investigation and inspection conducted or ordered under the provisions of Companies Act, 2013.
 - (e) Non-compliance with any law during the reporting period.
 - (f) Any other note considered significant by the management.
8. Book value and Market value of quoted Investments (both for current year as well as previous year) be mentioned.
9. Notes in the abridged balance sheet should be given the same number as in the main balance sheet.
10. Disclosure of Related Party Transaction shall be made in terms of the requirements of Accounting Standards.
11. Details of cash and cash equivalents shall be disclosed as follows:
 - (a) Balances with banks;
 - (b) Cheques, drafts on hand;
 - (c) Cash in hand;
 - (d) Others(specify nature)
12. In terms of Accounting Standard (AS)3, Cash Flow Statement, wherever required and notified, the following abridged Cash Flow Statement shall be included:

Abridged Cash Flow Statement

S. No	Particulars	Figures for the current reporting period (in) (DD/MM/YYYY)	Figures for the previous reporting period (DD/MM/YYYY)

	Cash flows from operating activities		
	Cash flows from operating activities		
	Cash flows from financing activities		
	Net increase and decrease in Cash and cash equivalents		
	Cash and cash equivalents at the beginning of period		
	Cash and cash equivalents at the end of period		

13. Segment revenue, segment capital employed (segment assets minus segment liabilities) and segment result for business segments or geographical segments, whichever is the enterprise's primary basis of segment reporting (disclosure of segment information shall be presented) only if the company is required, in terms of Accounting Standards.
14. Level of rounding off should be the same as in the main balance sheet and the profit and loss account.
15. Where compliance with the requirements of the Act including Accounting Standards as applicable to the companies require any change in treatment or disclosure including addition, amendment, substitution or deletion in the head/subhead or any changes *inter se* in the financial statements or statements forming part thereof, the same shall be made.

The above stated salient features of the Balance Sheet and the Profit and Loss Account should be authenticated in the same manner as the Main financial statements.

AUDITOR'S REPORT

Auditor's Report shall be submitted by the statutory auditors in accordance with the Auditing Standards. Auditor's report on unabridged financial statements shall also be given.

DIRECTOR'S REPORT

Salient features of Director's Report shall be disclosed.

CONSOLIDATED FINANCIAL STATEMENTS

1. Where a company is required to prepare Consolidated Financial Statements, *i.e.* consolidated balance sheet and consolidated statement of profit and loss, the company shall *mutatis mutandis* follow the requirements of Schedule III of the Act, as applicable to a company in the preparation of balance sheet and statement of profit and loss. In addition, the consolidated financial statements shall disclose the information as per the requirements specified in the applicable Accounting Standards including the items specified at Serial numbers (1) and (2) under the heading "general instructions for the preparation of consolidated financial statements" contained in the said Schedule.

Note : To be certified in the same manner in which the Balance Sheet is to be certified.

CHAPTER X

AUDIT AND AUDITORS

139. Appointment of auditors.

- (1) Subject to the provisions of this Chapter, every company shall, at the first annual general meeting, appoint an individual or a firm as an auditor who shall hold office from the conclusion of that meeting till the conclusion of its sixth annual general meeting and thereafter till the conclusion of every sixth meeting and the manner and procedure of selection of auditors by the members of the company at such meeting shall be such as may be prescribed:

Provided that the company shall place the matter relating to such appointment for ratification by members at every annual general meeting:

Provided further that before such appointment is made, the written consent of the auditor to such appointment, and a certificate from him or it that the appointment, if made, shall be in accordance with the conditions as may be prescribed, shall be obtained from the auditor:

Provided also that the certificate shall also indicate whether the auditor satisfies the criteria provided in section 141:

Provided also that the company shall inform the auditor concerned of his or its appointment, and also file a notice of such appointment with the Registrar within fifteen days of the meeting in which the auditor is appointed.

Explanation.—For the purposes of this Chapter, “appointment” includes reappointment.

- (2) No listed company or a company belonging to such class or classes of companies as may be prescribed, shall appoint or re-appoint—
- (a) an individual as auditor for more than one term of five consecutive years; and
 - (b) an audit firm as auditor for more than two terms of five consecutive years:

Provided that—

- (i) an individual auditor who has completed his term under clause (a) shall not be eligible for re-appointment as auditor in the same company for five years from the completion of his term;
- (ii) an audit firm which has completed its term under clause (b), shall not be eligible for re-appointment as auditor in the same company for five years from the completion of such term:

Provided further that as on the date of appointment no audit firm having a common partner or partners to the other audit firm, whose tenure has expired in a company immediately preceding the financial year, shall be appointed as auditor of the same company for a period of five years:

Provided also that every company, existing on or before the commencement of this Act which is required to comply with provisions of this sub-section, shall comply with the requirements of this sub-section within three years from the date of commencement of this Act:

Provided also that, nothing contained in this sub-section shall prejudice the right of the company to remove an auditor or the right of the auditor to resign from such office of the company.

- (3) Subject to the provisions of this Act, members of a company may resolve to provide that—
 - (a) in the audit firm appointed by it, the auditing partner and his team shall be rotated at such intervals as may be resolved by members; or
 - (b) the audit shall be conducted by more than one auditor.
- (4) The Central Government may, by rules, prescribe the manner in which the companies shall rotate their auditors in pursuance of sub-section (2).
Explanation.—For the purposes of this Chapter, the word “firm” shall include a limited liability partnership incorporated under the Limited Liability Partnership Act, 2008.
- (5) Notwithstanding anything contained in sub-section (1), in the case of a Government company or any other company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, the Comptroller and Auditor-General of India shall, in respect of a financial year, appoint an auditor duly qualified to be appointed as an auditor of companies under this Act, within a period of one hundred and eighty days from the commencement of the financial year, who shall hold office till the conclusion of the annual general meeting.
- (6) Notwithstanding anything contained in sub-section (1), the first auditor of a company, other than a Government company, shall be appointed by the Board of Directors within thirty days from the date of registration of the company and in the case of failure of the Board to appoint such auditor, it shall inform the members of the company, who shall within ninety days at an extraordinary general meeting appoint such auditor and such auditor shall hold office till the conclusion of the first annual general meeting.
- (7) Notwithstanding anything contained in sub-section (1) or sub-section (5), in the case of a Government company or any other company owned or controlled, directly or indirectly, by the Central Government, or by any State Government, or Governments, or partly by the Central Government and partly by one or more State Governments, the first auditor shall be appointed by the Comptroller and Auditor-General of India within sixty days from the date of registration of the company and in case the Comptroller and Auditor-General of India does not appoint such auditor within the said period, the Board of Directors of the company shall appoint such auditor within the next thirty days; and in the case of failure of the Board to appoint such auditor within the next thirty days, it shall inform the members of the company who shall appoint such auditor within the sixty days at an extraordinary general meeting, who shall hold office till the conclusion of the first annual general meeting.
- (8) Any casual vacancy in the office of an auditor shall—
 - (i) in the case of a company other than a company whose accounts are subject to audit by an auditor appointed by the Comptroller and Auditor-General of India, be filled by the Board of Directors within thirty days, but if such casual vacancy is as a result of the resignation of an auditor, such appointment shall also be approved by the

company at a general meeting convened within three months of the recommendation of the Board and he shall hold the office till the conclusion of the next annual general meeting;

- (ii) in the case of a company whose accounts are subject to audit by an auditor appointed by the Comptroller and Auditor-General of India, be filled by the Comptroller and Auditor-General of India within thirty days:

Provided that in case the Comptroller and Auditor-General of India does not fill the vacancy within the said period, the Board of Directors shall fill the vacancy within next thirty days.

- (9) Subject to the provisions of sub-section (1) and the rules made thereunder, a retiring auditor may be re-appointed at an annual general meeting, if—
 - (a) he is not disqualified for re-appointment;
 - (b) he has not given the company a notice in writing of his unwillingness to be re-appointed; and
 - (c) a special resolution has not been passed at that meeting appointing some other auditor or providing expressly that he shall not be re-appointed.
- (10) Where at any annual general meeting, no auditor is appointed or re-appointed, the existing auditor shall continue to be the auditor of the company.
- (11) Where a company is required to constitute an Audit Committee under section 177, all appointments, including the filling of a casual vacancy of an auditor under this section shall be made after taking into account the recommendations of such committee.

140. Removal, resignation of auditor and giving of special notice.

- (1) The auditor appointed under section 139 may be removed from his office before the expiry of his term only by a special resolution of the company, after obtaining the previous approval of the Central Government in that behalf in the prescribed manner:

Provided that before taking any action under this sub-section, the auditor concerned shall be given a reasonable opportunity of being heard.

- (2) The auditor who has resigned from the company shall file within a period of thirty days from the date of resignation, a statement in the prescribed form with the company and the Registrar, and in case of companies referred to in sub-section (5) of section 139, the auditor shall also file such statement with the Comptroller and Auditor-General of India, indicating the reasons and other facts as may be relevant with regard to his resignation.
- (3) If the auditor does not comply with sub-section (2), he or it shall be punishable with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees.
- (4) (i) Special notice shall be required for a resolution at an annual general meeting appointing as auditor a person other than a retiring auditor, or providing expressly that a retiring auditor shall not be re-appointed, except where the retiring auditor has completed a consecutive tenure of five years or, as the case may be, ten years, as provided under sub-section (2) of section 139.
 - (ii) On receipt of notice of such a resolution, the company shall forthwith send a copy thereof to the retiring auditor.

- (iii) Where notice is given of such a resolution and the retiring auditor makes with respect thereto representation in writing to the company (not exceeding a reasonable length) and requests its notification to members of the company, the company shall, unless the representation is received by it too late for it to do so,—
- (a) in any notice of the resolution given to members of the company, state the fact of the representation having been made; and
 - (b) send a copy of the representation to every member of the company to whom notice of the meeting is sent, whether before or after the receipt of the representation by the company, and if a copy of the representation is not sent as aforesaid because it was received too late or because of the company's default, the auditor may (without prejudice to his right to be heard orally) require that the representation shall be read out at the meeting:

Provided that if a copy of representation is not sent as aforesaid, a copy thereof shall be filed with the Registrar:

Provided further that if the Tribunal is satisfied on an application either of the company or of any other aggrieved person that the rights conferred by this sub-section are being abused by the auditor, then, the copy of the representation may not be sent and the representation need not be read out at the meeting.

- (5) Without prejudice to any action under the provisions of this Act or any other law for the time being in force, the Tribunal either *suo motu* or on an application made to it by the Central Government or by any person concerned, if it is satisfied that the auditor of a company has, whether directly or indirectly, acted in a fraudulent manner or abetted or colluded in any fraud by, or in relation to, the company or its directors or officers, it may, by order, direct the company to change its auditors:

Provided that if the application is made by the Central Government and the Tribunal is satisfied that any change of the auditor is required, it shall within fifteen days of receipt of such application, make an order that he shall not function as an auditor and the Central Government may appoint another auditor in his place:

Provided further that an auditor, whether individual or firm, against whom final order has been passed by the Tribunal under this section shall not be eligible to be appointed as an auditor of any company for a period of five years from the date of passing of the order and the auditor shall also be liable for action under section 447.

Explanation I.—It is hereby clarified that the case of a firm, the liability shall be of the firm and that of every partner or partners who acted in a fraudulent manner or abetted or colluded in any fraud by, or in relation to, the company or its director or officers.

Explanation II.—For the purposes of this Chapter the word "auditor" includes a firm of auditors.

141. Eligibility, qualifications and disqualifications of auditors

- (1) A person shall be eligible for appointment as an auditor of a company only if he is a chartered accountant:

Provided that a firm whereof majority of partners practising in India are qualified for appointment as aforesaid may be appointed by its firm name to be auditor of a company.

- (2) Where a firm including a limited liability partnership is appointed as an auditor of a company, only the partners who are chartered accountants shall be authorised to act and sign on behalf of the firm.
- (3) The following persons shall not be eligible for appointment as an auditor of a company, namely:—
 - (a) a body corporate other than a limited liability partnership registered under the Limited Liability Partnership Act, 2008;
 - (b) an officer or employee of the company;
 - (c) a person who is a partner, or who is in the employment, of an officer or employee of the company;
 - (d) a person who, or his relative or partner—
 - (i) is holding any security of or interest in the company or its subsidiary, or of its holding or associate company or a subsidiary of such holding company:

Provided that the relative may hold security or interest in the company of face value not exceeding one thousand rupees or such sum as may be prescribed;

- (ii) is indebted to the company, or its subsidiary, or its holding or associate company or a subsidiary of such holding company, in excess of such amount as may be prescribed; or
 - (iii) has given a guarantee or provided any security in connection with the indebtedness of any third person to the company, or its subsidiary, or its holding or associate company or a subsidiary of such holding company, for such amount as may be prescribed;
 - (e) a person or a firm who, whether directly or indirectly, has business relationship with the company, or its subsidiary, or its holding or associate company or subsidiary of such holding company or associate company of such nature as may be prescribed;
 - (f) a person whose relative is a director or is in the employment of the company as a director or key managerial personnel;
 - (g) a person who is in full time employment elsewhere or a person or a partner of a firm holding appointment as its auditor, if such persons or partner is at the date of such appointment or reappointment holding appointment as auditor of more than twenty companies;
 - (h) a person who has been convicted by a court of an offence involving fraud and a period of ten years has not elapsed from the date of such conviction;
 - (i) any person whose subsidiary or associate company or any other form of entity, is engaged as on the date of appointment in consulting and specialised services as provided in section 144.
- (4) Where a person appointed as an auditor of a company incurs any of the disqualifications mentioned in sub-section (3) after his appointment, he shall vacate his office as such auditor and such vacation shall be deemed to be a casual vacancy in the office of the auditor.

142. Remuneration of auditors.

- (1) The remuneration of the auditor of a company shall be fixed in its general meeting or in such manner as may be determined therein:

Provided that the Board may fix remuneration of the first auditor appointed by it.

- (2) The remuneration under sub-section (1) shall, in addition to the fee payable to an auditor, include the expenses, if any, incurred by the auditor in connection with the audit of the company and any facility extended to him but does not include any remuneration paid to him for any other service rendered by him at the request of the company.

143. Powers and duties of auditors and auditing standards.

- (1) Every auditor of a company shall have a right of access at all times to the books of account and vouchers of the company, whether kept at the registered office of the company or at any other place and shall be entitled to require from the officers of the company such information and explanation as he may consider necessary for the performance of his duties as auditor and amongst other matters inquire into the following matters, namely:—

- (a) whether loans and advances made by the company on the basis of security have been properly secured and whether the terms on which they have been made are prejudicial to the interests of the company or its members;
- (b) whether transactions of the company which are represented merely by book entries are prejudicial to the interests of the company;
- (c) where the company not being an investment company or a banking company, whether so much of the assets of the company as consist of shares, debentures and other securities have been sold at a price less than that at which they were purchased by the company;
- (d) whether loans and advances made by the company have been shown as deposits;
- (e) whether personal expenses have been charged to revenue account;
- (f) where it is stated in the books and documents of the company that any shares have been allotted for cash, whether cash has actually been received in respect of such allotment, and if no cash has actually been so received, whether the position as stated in the account books and the balance sheet is correct, regular and not misleading:

Provided that the auditor of a company which is a holding company shall also have the right of access to the records of all its subsidiaries in so far as it relates to the consolidation of its financial statements with that of its subsidiaries.

- (2) The auditor shall make a report to the members of the company on the accounts examined by him and on every financial statements which are required by or under this Act to be laid before the company in general meeting and the report shall after taking into account the provisions of this Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of this Act or any rules made thereunder or under any order made under sub-section (1) and to the best of his information and knowledge, the said accounts, financial statements give a true and fair view of the state of the company's affairs as at the end of its financial year and profit or loss and cash flow for the year and such other matters as may be prescribed.

- (3) The auditor's report shall also state—
- (a) whether he has sought and obtained all the information and explanations which to the best of his knowledge and belief were necessary for the purpose of his audit and if not, the details thereof and the effect of such information on the financial statements;
 - (b) whether, in his opinion, proper books of account as required by law have been kept by the company so far as appears from his examination of those books and proper returns adequate for the purposes of his audit have been received from branches not visited by him;
 - (c) whether the report on the accounts of any branch office of the company audited under sub-section (8) by a person other than the company's auditor has been sent to him under the proviso to that sub-section and the manner in which he has dealt with it in preparing his report;
 - (d) whether the company's balance sheet and profit and loss account dealt with in the report are in agreement with the books of account and returns;
 - (e) whether, in his opinion, the financial statements comply with the accounting standards;
 - (f) the observations or comments of the auditors on financial transactions or matters which have any adverse effect on the functioning of the company;
 - (g) whether any director is disqualified from being appointed as a director under sub-section (2) of section 164;
 - (h) any qualification, reservation or adverse remark relating to the maintenance of accounts and other matters connected therewith;
 - (i) whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls;
 - (j) such other matters as may be prescribed.
- (4) Where any of the matters required to be included in the audit report under this section is answered in the negative or with a qualification, the report shall state the reasons therefor.
- (5) In the case of a Government company, the Comptroller and Auditor-General of India shall appoint the auditor under sub-section (5) or sub-section (7) of section 139 and direct such auditor the manner in which the accounts of the Government company are required to be audited and thereupon the auditor so appointed shall submit a copy of the audit report to the Comptroller and Auditor-General of India which, among other things, include the directions, if any, issued by the Comptroller and Auditor-General of India, the action taken thereon and its impact on the accounts and financial statement of the company.
- (6) The Comptroller and Auditor-General of India shall within sixty days from the date of receipt of the audit report under sub-section (5) have a right to,—
- (a) conduct a supplementary audit of the financial statement of the company by such person or persons as he may authorise in this behalf; and for the purposes of such audit, require information or additional information to be furnished to any person or persons, so authorised, on such matters, by such person or persons, and in such form, as the Comptroller and Auditor-General of India may direct; and
 - (b) comment upon or supplement such audit report:

Provided that any comments given by the Comptroller and Auditor-General of India upon, or supplement to, the audit report shall be sent by the company to every person entitled to copies of audited financial statements under sub section (1) of section 136 and also be

placed before the annual general meeting of the company at the same time and in the same manner as the audit report.

- (7) Without prejudice to the provisions of this Chapter, the Comptroller and Auditor- General of India may, in case of any company covered under sub-section (5) or sub-section (7) of section 139, if he considers necessary, by an order, cause test audit to be conducted of the accounts of such company and the provisions of section 19A of the Comptroller and Auditor-General's (Duties, Powers and Conditions of Service) Act, 1971, shall apply to the report of such test audit.
- (8) Where a company has a branch office, the accounts of that office shall be audited either by the auditor appointed for the company (herein referred to as the company's auditor) under this Act or by any other person qualified for appointment as an auditor of the company under this Act and appointed as such under section 139, or where the branch office is situated in a country outside India, the accounts of the branch office shall be audited either by the company's auditor or by an accountant or by any other person duly qualified to act as an auditor of the accounts of the branch office in accordance with the laws of that country and the duties and powers of the company's auditor with reference to the audit of the branch and the branch auditor, if any, shall be such as may be prescribed:

Provided that the branch auditor shall prepare a report on the accounts of the branch examined by him and send it to the auditor of the company who shall deal with it in his report in such manner as he considers necessary.

- (9) Every auditor shall comply with the auditing standards.
- (10) The Central Government may prescribe the standards of auditing or any addendum thereto, as recommended by the Institute of Chartered Accountants of India, constituted under section 3 of the Chartered Accountants Act, 1949, in consultation with and after examination of the recommendations made by the National Financial Reporting Authority:

Provided that until any auditing standards are notified, any standard or standards of auditing specified by the Institute of Chartered Accountants of India shall be deemed to be the auditing standards.

- (11) The Central Government may, in consultation with the National Financial Reporting Authority, by general or special order, direct, in respect of such class or description of companies, as may be specified in the order, that the auditor's report shall also include a statement on such matters as may be specified therein.
- (12) Notwithstanding anything contained in this section, if an auditor of a company, in the course of the performance of his duties as auditor, has reason to believe that an offence involving fraud is being or has been committed against the company by officers or employees of the company, he shall immediately report the matter to the Central Government within such time and in such manner as may be prescribed.
- (13) No duty to which an auditor of a company may be subject to shall be regarded as having been contravened by reason of his reporting the matter referred to in sub-section (12) if it is done in good faith.
- (14) The provisions of this section shall *mutatis mutandis* apply to—
 - (a) the cost accountant in practice conducting cost audit under section 148; or
 - (b) the company secretary in practice conducting secretarial audit under section 204.

- (15) If any auditor, cost accountant or company secretary in practice do not comply with the provisions of sub-section (12), he shall be punishable with fine which shall not be less than one lakh rupees but which may extend to twenty-five lakh rupees.

144. Auditor not to render certain services.

An auditor appointed under this Act shall provide to the company only such other services as are approved by the Board of Directors or the audit committee, as the case may be, but which shall not include any of the following services (whether such services are rendered directly or indirectly to the company or its holding company or subsidiary company, namely:—

- (a) accounting and book keeping services;
- (b) internal audit;
- (c) design and implementation of any financial information system;
- (d) actuarial services;
- (e) investment advisory services;
- (f) investment banking services;
- (g) rendering of outsourced financial services;
- (h) management services; and
- (i) any other kind of services as may be prescribed:

Provided that an auditor or audit firm who or which has been performing any non-audit services on or before the commencement of this Act shall comply with the provisions of this section before the closure of the first financial year after the date of such commencement.

Explanation.—For the purposes of this sub-section, the term “directly or indirectly” shall include rendering of services by the auditor,—

- (i) in case of auditor being an individual, either himself or through his relative or any other person connected or associated with such individual or through any other entity, whatsoever, in which such individual has significant influence or control, or whose name or trade mark or brand is used by such individual;
- (ii) in case of auditor being a firm, either itself or through any of its partners or through its parent, subsidiary or associate entity or through any other entity, whatsoever, in which the firm or any partner of the firm has significant influence or control, or whose name or trade mark or brand is used by the firm or any of its partners.

145. Auditors to sign audit reports, etc.

The person appointed as an auditor of the company shall sign the auditor’s report or sign or certify any other document of the company in accordance with the provisions of sub-section (2) of section 141, and the qualifications, observations or comments on financial transactions or matters, which have any adverse effect on the functioning of the company mentioned in the auditor’s report shall be read before the company in general meeting and shall be open to inspection by any member of the company.

146. Auditors to attend general meeting.

All notices of, and other communications relating to, any general meeting shall be forwarded to the auditor of the company, and the auditor shall, unless otherwise exempted by the company, attend either by himself or through his authorised representative, who shall also be qualified to

be an auditor, any general meeting and shall have right to be heard at such meeting on any part of the business which concerns him as the auditor.

147. Punishment for contravention.

- (1) If any of the provisions of sections 139 to 146 (both inclusive) is contravened, the company shall be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than ten thousand rupees but which may extend to one lakh rupees, or with both.
- (2) If an auditor of a company contravenes any of the provisions of section 139, section 143, section 144 or section 145, the auditor shall be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees:

Provided that if an auditor has contravened such provisions knowingly or wilfully with the intention to deceive the company or its shareholders or creditors or tax authorities, he shall be punishable with imprisonment for a term which may extend to one year and with fine which shall not be less than one lakh rupees but which may extend to twenty-five lakh rupees.

- (3) Where an auditor has been convicted under sub-section (2), he shall be liable to—
 - (i) refund the remuneration received by him to the company; and
 - (ii) pay for damages to the company, statutory bodies or authorities or to any other persons for loss arising out of incorrect or misleading statements of particulars made in his audit report.
- (4) The Central Government shall, by notification, specify any statutory body or authority or an officer for ensuring prompt payment of damages to the company or the persons under clause (ii) of sub-section (3) and such body, authority or officer shall after payment of damages to such company or persons file a report with the Central Government in respect of making such damages in such manner as may be specified in the said notification.
- (5) Where, in case of audit of a company being conducted by an audit firm, it is proved that the partner or partners of the audit firm has or have acted in a fraudulent manner or abetted or colluded in any fraud by, or in relation to or by, the company or its directors or officers, the liability, whether civil or criminal as provided in this Act or in any other law for the time being in force, for such act shall be of the partner or partners concerned of the audit firm and of the firm jointly and severally.

148. Central Government to specify audit of items of cost in respect of certain companies.

- (1) Notwithstanding anything contained in this Chapter, the Central Government may, by order, in respect of such class of companies engaged in the production of such goods or providing such services as may be prescribed, direct that particulars relating to the utilisation of material or labour or to other items of cost as may be prescribed shall also be included in the books of account kept by that class of companies:

Provided that the Central Government shall, before issuing such order in respect of any class of companies regulated under a special Act, consult the regulatory body constituted or established under such special Act.

- (2) If the Central Government is of the opinion, that it is necessary to do so, it may, by order, direct that the audit of cost records of class of companies, which are covered under sub-section (1) and which have a net worth of such amount as may be prescribed or a turnover of such amount as may be prescribed, shall be conducted in the manner specified in the order.
- (3) The audit under sub-section (2) shall be conducted by a Cost Accountant in practice who shall be appointed by the Board on such remuneration as may be determined by the members in such manner as may be prescribed:

Provided that no person appointed under section 139 as an auditor of the company shall be appointed for conducting the audit of cost records:

Provided further that the auditor conducting the cost audit shall comply with the cost auditing standards.

Explanation.—For the purposes of this sub-section, the expression “cost auditing standards” mean such standards as are issued by the Institute of Cost and Works Accountants of India, constituted under the Cost and Works Accountants Act, 1959, with the approval of the Central Government.

- (4) An audit conducted under this section shall be in addition to the audit conducted under section 143.
- (5) The qualifications, disqualifications, rights, duties and obligations applicable to auditors under this Chapter shall, so far as may be applicable, apply to a cost auditor appointed under this section and it shall be the duty of the company to give all assistance and facilities to the cost auditor appointed under this section for auditing the cost records of the company:

Provided that the report on the audit of cost records shall be submitted by the cost accountant in practice to the Board of Directors of the company.

- (6) A company shall within thirty days from the date of receipt of a copy of the cost audit report prepared in pursuance of a direction under sub-section (2) furnish the Central Government with such report along with full information and explanation on every reservation or qualification contained therein.
- (7) If, after considering the cost audit report referred to under this section and the information and explanation furnished by the company under sub-section (6), the Central Government is of the opinion that any further information or explanation is necessary, it may call for such further information and explanation and the company shall furnish the same within such time as may be specified by that Government.
- (8) If any default is made in complying with the provisions of this section,—
 - (a) the company and every officer of the company who is in default shall be punishable in the manner as provided in sub-section (1) of section 147;
 - (b) the cost auditor of the company who is in default shall be punishable in the manner as provided in sub-sections (2) to (4) of section 147.

Rules for Chapter X

Companies (Audit and Auditors) Rules, 2014

In exercise of powers conferred by sub-sections (1), (2) and (4) of section 139, sub-sections (1) and (2) of section 140, sub-section (3) of section 141, sub-sections (2), (3), (8) and (12) of section 143, sub-section (3) of section 148 read with sub-sections (1) and (2) of section 469 of the Companies Act, 2013 (18 of 2013) and in supersession of the Companies (Central Government's) General Rules and Forms, 1956 in so far as they relate to matters covered under these rules, except as respects things done or omitted to be done before such supersession, the Central Government hereby makes the following rules, namely:-

- 1. Short title and commencement.-** (1) These rules may be called as the Companies (Audit and Auditors) Rules, 2014.
(2) They shall come into force on the 1st day of April, 2014.
- 2. Definitions.-** (1) In these rules, unless the context otherwise requires,-
 - (a) "Act" means the Companies Act, 2013 (18 of 2013);
 - (b) "Annexure" means the Annexure enclosed to these rules;
 - (c) "fees" means fees specified in the Companies (Registration Offices and Fees) Rules, 2014.
 - (d) "Form" or "e-Form" means a form set forth under these rules which shall be used for the matter to which it relates;
 - (e) "section" means section of the Act.
(2) The words and expressions used in these rules but not defined and defined in the Act or in the Companies (Specification of definitions details) Rules, 2014 shall have the meanings respectively assigned to them in the Act or in the said rules.
- 3. Manner and procedure of selection and appointment of auditors.-** (1) In case of a company that is required to constitute an Audit Committee under section 177, the committee, and, in cases where such a committee is not required to be constituted, the Board, shall take into consideration the qualifications and experience of the individual or the firm proposed to be considered for appointment as auditor and whether such qualifications and experience are commensurate with the size and requirements of the company:

Provided that while considering the appointment, the Audit Committee or the Board, as the case may be, shall have regard to any order or pending proceeding relating to professional matters of conduct against the proposed auditor before the Institute of Chartered Accountants of India or any competent authority or any Court.

- (2) The Audit Committee or the Board, as the case may be, may call for such other information from the proposed auditor as it may deem fit.
- (3) Subject to the provisions of sub-rule (1), where a company is required to constitute the Audit Committee, the committee shall recommend the name of an individual or a firm as auditor to the Board for consideration and in other cases, the Board shall consider and recommend an individual or a firm as auditor to the members in the annual general meeting for appointment.

- (4) If the Board agrees with the recommendation of the Audit Committee, it shall further recommend the appointment of an individual or a firm as auditor to the members in the annual general meeting.
- (5) If the Board disagrees with the recommendation of the Audit Committee, it shall refer back the recommendation to the committee for reconsideration citing reasons for such disagreement.
- (6) If the Audit Committee, after considering the reasons given by the Board, decides not to reconsider its original recommendation, the Board shall record reasons for its disagreement with the committee and send its own recommendation for consideration of the members in the annual general meeting; and if the Board agrees with the recommendations of the Audit Committee, it shall place the matter for consideration by members in the annual general meeting.
- (7) The auditor appointed in the annual general meeting shall hold office from the conclusion of that meeting till the conclusion of the sixth annual general meeting, with the meeting wherein such appointment has been made being counted as the first meeting:

Provided that such appointment shall be subject to ratification in every annual general meeting till the sixth such meeting by way of passing of an ordinary resolution.

Explanation.- For the purposes of this rule, it is hereby clarified that, if the appointment is not ratified by the members of the company, the Board of Directors shall appoint another individual or firm as its auditor or auditors after following the procedure laid down in this behalf under the Act.

- 4. Conditions for appointment and notice to Registrar.-** (1) The auditor appointed under rule 3 shall submit a certificate that -
 - (a) the individual or the firm, as the case may be, is eligible for appointment and is not disqualified for appointment under the Act, the Chartered Accountants Act, 1949 and the rules or regulations made thereunder;
 - (b) the proposed appointment is as per the term provided under the Act;
 - (c) the proposed appointment is within the limits laid down by or under the authority of the Act;
 - (d) the list of proceedings against the auditor or audit firm or any partner of the audit firm pending with respect to professional matters of conduct, as disclosed in the certificate, is true and correct.
 - (2) The notice to Registrar about appointment of auditor under fourth proviso to sub-section (1) of section 139 shall be in Form **ADT-1**.
- 5. Class of Companies.-** For the purposes of sub-section (2) of section 139, the class of companies shall mean the following classes of companies excluding one person companies and small companies:-
 - (a) all unlisted public companies having paid up share capital of rupees ten crore or more;
 - (b) all private limited companies having paid up share capital of rupees twenty crore or more;
 - (c) all companies having paid up share capital of below threshold limit mentioned in (a) and (b) above, but having public borrowings from financial institutions, banks or public deposits of rupees fifty crores or more.

6. Manner of rotation of auditors by the companies on expiry of their term.- (1)

The Audit Committee shall recommend to the Board, the name of an individual auditor or of an audit firm who may replace the incumbent auditor on expiry of the term of such incumbent.

(2) Where a company is required to constitute an Audit Committee, the Board shall consider the recommendation of such committee, and in other cases, the Board shall itself consider the matter of rotation of auditors and make its recommendation for appointment of the next auditor by the members in annual general meeting.

(3) For the purpose of the rotation of auditors-

(i) in case of an auditor (whether an individual or audit firm), the period for which the individual or the firm has held office as auditor prior to the commencement of the Act shall be taken into account for calculating the period of five consecutive years or ten consecutive years, as the case may be;

(ii) the incoming auditor or audit firm shall not be eligible if such auditor or audit firm is associated with the outgoing auditor or audit firm under the same network of audit firms.

Explanation. I - For the purposes of these rules the term "same network" includes the firms operating or functioning, hitherto or in future, under the same brand name, trade name or common control.

Explanation. II - For the purpose of rotation of auditors,-

(a) a break in the term for a continuous period of five years shall be considered as fulfilling the requirement of rotation;

(b) if a partner, who is in charge of an audit firm and also certifies the financial statements of the company, retires from the said firm and joins another firm of chartered accountants, such other firm shall also be ineligible to be appointed for a period of five years.

Illustration explaining rotation in case of individual auditor

Illustration 1:-

Number of consecutive years for which an individual auditor has been functioning as auditor in the same company [in the first AGM held after the commencement of provisions of section 139(2)]	Maximum number of consecutive years for which he may be appointed in the same company (including transitional period)	Aggregate period which the auditor would complete in the same company in view of column I and II
I	II	III
5 years (or more than 5 years)	3 years	8 years or more
4 years	3 years	7 years
3 years	3 years	6 years
2 years	3 years	5 years
1 years	4 years	5 years

- Note: 1. Individual auditor shall include other individuals or firms whose name or trade mark or brand is used by such individual, if any.
2. Consecutive years shall mean all the preceding financial years for which the individual auditor has been the auditor until there has been a break by five years or more.

Illustration explaining rotation in case of audit firm

Illustration 2:

Number of consecutive years for which an audit firm has been functioning as auditor in the same company [in the first AGM held after the commencement of provisions of section 139(2)]	Maximum number of consecutive years for which the firm may be appointed in the same company (including transitional period)	Aggregate period which the firm would complete in the same company in view of column I and II
I	II	III
10 years (or more than 10 years)	3 years	13 years or more
9 years	3 years	12 years
8 years	3 years	11 years
7 years	3 years	10 years
6 years	4 years	10 years
5 years	5 years	10 years
4 years	6 years	10 years
3 years	7 years	10 years
2 years	8 years	10 years
1 years	9 years	10 years

- Note: 1. Audit Firm shall include other firms whose name or trade mark or brand is used by the firm or any of its partners.
2. Consecutive years shall mean all the preceding financial years for which the firm has been the auditor until there has been a break by five years or more.
- (4) Where a company has appointed two or more individuals or firms or a combination thereof as joint auditors, the company may follow the rotation of auditors in such a manner that both or all of the joint auditors, as the case may be, do not complete their term in the same year.
- 7. Removal of the auditor before expiry of his term.-** (1) The application to the Central Government for removal of auditor shall be made in Form **ADT-2** and shall be accompanied with fees as provided for this purpose under the Companies (Registration Offices and Fees) Rules, 2014.
- (2) The application shall be made to the Central Government within thirty days of the resolution passed by the Board.
- (3) The company shall hold the general meeting within sixty days of receipt of approval of the Central Government for passing the special resolution.

8. Resignation of auditor.- For the purposes of sub-section (2) of section 140, when an auditor has resigned from the company, he shall file a statement in Form **ADT-3**.

9. Liability to devolve on concerned partners only.- In case of criminal liability of any audit firm, the liability other than fine, shall devolve only on the concerned partner or partners, who acted in a fraudulent manner or abetted or, as the case may be, colluded in any fraud.

10. Disqualifications of auditor.-

(1) For the purpose of proviso to sub-clause (i) of clause (d) of sub-section (3) of section 141, a relative of an auditor may hold securities in the company of face value not exceeding rupees one lakh:

Provided that the condition under this sub-rule shall, wherever relevant, be also applicable in the case of a company not having share capital or other securities:

Provided further that in the event of acquiring any security or interest by a relative, above the threshold prescribed, the corrective action to maintain the limits as specified above shall be taken by the auditor within sixty days of such acquisition or interest.

(2) For the purpose of sub-clause (ii) of clause (d) of sub-section (3) of section 141, a person who or whose relative or partner is indebted to the company or its subsidiary or its holding or associate company or a subsidiary of such holding company, in excess of rupees five lakh shall not be eligible for appointment.

(3) For the purpose of sub-clause (iii) of clause (d) of sub-section (3) of section 141, a person who or whose relative or partner has given a guarantee or provided any security in connection with the indebtedness of any third person to the company, or its subsidiary, or its holding or associate company or a subsidiary of such holding company, in excess of one lakh rupees shall not be eligible for appointment.

(4) For the purpose of clause (e) of sub-section (3) of section 141, the term "business relationship" shall be construed as any transaction entered into for a commercial purpose, except -

(i) commercial transactions which are in the nature of professional services permitted to be rendered by an auditor or audit firm under the Act and the Chartered Accountants Act, 1949 and the rules or the regulations made under those Acts;

(ii) commercial transactions which are in the ordinary course of business of the company at arm's length price - like sale of products or services to the auditor, as customer, in the ordinary course of business, by companies engaged in the business of telecommunications, airlines, hospitals, hotels and such other similar businesses.

11. Other matters to be included in auditors report.- The auditor's report shall also include their views and comments on the following matters, namely:-

(a) whether the company has disclosed the impact, if any, of pending litigations on its financial position in its financial statement;

(b) whether the company has made provision, as required under any law or accounting standards, for material foreseeable losses, if any, on long term contracts including derivative contracts;

- (c) whether there has been any delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the company.

12. Duties and powers of the company's auditor with reference to the audit of the branch and the branch auditor.-

- (1) For the purposes of sub-section (8) of section 143, the duties and powers of the company's auditor with reference to the audit of the branch and the branch auditor, if any, shall be as contained in sub-sections (1) to (4) of section 143.
- (2) The branch auditor shall submit his report to the company's auditor.
- (3) The provisions of sub-section (12) of section 143 read with rule 12 hereunder regarding reporting of fraud by the auditor shall also extend to such branch auditor to the extent it relates to the concerned branch.

13. Reporting of frauds by auditor.-

- (1) For the purpose of sub-section (12) of section 143, in case the auditor has sufficient reason to believe that an offence involving fraud, is being or has been committed against the company by officers or employees of the company, he shall report the matter to the Central Government immediately but not later than sixty days of his knowledge and after following the procedure indicated herein below:
 - (i) auditor shall forward his report to the Board or the Audit Committee, as the case may be, immediately after he comes to knowledge of the fraud, seeking their reply or observations within forty-five days;
 - (ii) on receipt of such reply or observations the auditor shall forward his report and the reply or observations of the Board or the Audit Committee alongwith his comments (on such reply or observations of the Board or the Audit Committee) to the Central Government within fifteen days of receipt of such reply or observations;
 - (iii) in case the auditor fails to get any reply or observations from the Board or the Audit Committee within the stipulated period of forty-five days, he shall forward his report to the Central Government alongwith a note containing the details of his report that was earlier forwarded to the Board or the Audit Committee for which he failed to receive any reply or observations within the stipulated time.
- (2) The report shall be sent to the Secretary, Ministry of Corporate Affairs in a sealed cover by Registered Post with Acknowledgement Due or by Speed post followed by an e-mail in confirmation of the same.
- (3) The report shall be on the letter-head of the auditor containing postal address, e-mail address and contact number and be signed by the auditor with his seal and shall indicate his Membership Number.
- (4) The report shall be in the form of a statement as specified in Form **ADT-4**.
- (5) The provision of this rule shall also apply, mutatis mutandis, to a cost auditor and a secretarial auditor during the performance of his duties under section 148 and section 204 respectively.

14. Remuneration of the Cost Auditor.- For the purpose of sub-section (3) of section 148,-

- (a) in the case of companies which are required to constitute an audit committee-
 - (i) the Board shall appoint an individual, who is a cost accountant in practice, or a firm of cost accountants in practice, as cost auditor on the recommendations of the Audit committee, which shall also recommend remuneration for such cost auditor;

- (ii) the remuneration recommended by the Audit Committee under (i) shall be considered and approved by the Board of Directors and ratified subsequently by the shareholders;
- (b) in the case of other companies which are not required to constitute an audit committee, the Board shall appoint an individual who is a cost accountant in practice or a firm of cost accountants in practice as cost auditor and the remuneration of such cost auditor shall be ratified by shareholders subsequently.

Forms for Chapter X

FORM NO. ADT-1

[See rule 4(2) of the Companies (Audit and Auditors) Rules, 2014]

Notice of appointment of auditor by the company

1. (a) Corporate identity number (CIN) or foreign company registration number (FCRN) of the company

(b) Global Location Number (GLN) of company

2. (a) Name of the company:

(b) Address of the registered office or of the principal place of business in India of the company:

(c) E-mail ID of the company

3. Date of meeting at which the auditor appointed _____

4. Category of Auditor _____ Individual Firm _____

5. (a) Income Tax PAN of Auditor or auditor's firm

(b) Name of the Auditor or Auditor's firm

(c) Membership Number of Auditor or auditor's firm's registration number

(d) Address of the Auditor or auditor's firm

(e) City

(f) State

(g) Pin code

(h) E-mail id of the auditor or auditor's firm

Place:

Date:

Verification

I am authorised by the Board of Directors of the Company vide resolution no..... dated..... to sign this form and declare that all the requirements of Companies Act, 2013 (18 of 2013) and the rules made thereunder in respect of the subject matter of this form and matters incidental thereto have been complied with. I also declare that all the information given herein above is true, correct and complete including the attachments to this form and nothing material has been suppressed.

To be digitally signed by

Designation (to be given)

DIN of the person signing the form.

Note:

This eform has been taken on file maintained by the Registrar of companies through electronic mode and on the basis of statement of correctness given by the filing company. Attention is also drawn to provisions of section 448 of the Act which provide for punishment for false statement.

FORM NO. ADT-2**Application for removal of auditor(s) from his/their office before expiry of term**

[See rule 7(1) of Companies (Audit and Auditors) Rules, 2014]

1. (a) Corporate identity number (CIN) or foreign company registration number (FCRN) of the company:
- (b) Global Location Number (GLN) of company:
2. (a) Name of the company:
- (b) Address of the registered office or of the principal place of business in India of the company:
- (c) E-mail ID of the company:
- 3.(a) Service request number of relevant special resolution
- (b) date of filing the form
- (c) date of passing the special resolution
- (d) date of the annual/extraordinary general meeting
4. Details of the application clearly indicating the grounds for seeking removal of auditor
5. Whether the accounts have been qualified during last three years (if yes, give details)
6. Details of opportunity given to auditor concerned for being heard
7. Whether any civil or criminal proceedings are pending between the company and the concerned officers. ____ Yes ____ No. If yes, give complete details.
8. Date of appointment of the concerned auditor and SRN of notice of his appointment and period for which the auditor was appointed.
9. Whether any special notice has been received for removal of auditors. Yes or No. If yes, the date of receipt of notice and the percentage of capital held by the members giving such notice or percentage of the number of members in case of company limited by members.
10. Whether all due audit fee has been paid to the concerned auditors. If no mention the amount of arrears.
11. Details of other services been rendered by such auditors to the company.
12. Pendency of Audit i.e, number of financial years for which audit is pending.
13. Stage of accounts of the company for each of such financial year i.e, yet to be approved by the Board or approved by the Board but yet to be handed over to auditors or approved by the Board, handed over to auditors but audit not yet completed or audit completed, draft report not yet given by the auditors.
14. Whether there is any dispute with regard to the Books of Accounts in the possession of auditors but not delivered back to the company. Yes or No.

Verification

I am authorized by the Board of Directors of the Company vide resolution no..... dated..... to sign this form and declare that all the requirements of Companies Act, 2013

and the rules made thereunder in respect of the subject matter of this form and matters incidental thereto have been complied with. I also declare that all the information given herein above is true, correct and complete including the attachments to this form and nothing material has been suppressed.

To be digitally signed by

Designation (to be given)

DIN of the person signing the form

Attachments:

1. Copy of the special resolution
2. Details of the grounds for seeking removal of auditor
3. Minutes of the annual general meeting or extraordinary general meeting
4. Optional attachments, if any
5. _____

Note:

Attention is also drawn to provisions of Section 448 and 449 which provide for punishment for false statement and punishment for false evidence respectively.

For office use only: E-form Service Request Number (SRN)..... E-form filing date....

Digital signature of the authorizing officer

This e-form is hereby approved/rejected _____

Date of signing

FORM NO. ADT-3

[See rule 8 of Companies (Audit and Auditors) Rules, 2014]

Notice of Resignation by the Auditor

1. (a) Corporate identity number (CIN) or foreign company registration number (FCRN) of the company:

(b) Global Location Number (GLN) of company:

2. (a) Name of the company:

(b) Address of the registered office or of the principal place of business in India of the company:

(c) E-mail ID of the company:

3. Category of Auditor _____ Individual _____ Firm

4. (a) Income Tax PAN of auditor or auditor's firm

(b) Name of the auditor or auditor's firm

(c) Membership Number of auditor or auditor's firm's registration number

(d) Address of the auditor or auditor's firm

- (e) City
- (f) State
- (g) Pin code
- (h) Email id of the auditor or auditor's firm

- 5. Reasons for resignation
- 6. Whether letter of resignation is attached Yes/No
- 7. Any other facts relevant to the resignation

Verification

I hereby confirm that the information given in this form and its attachments is correct and complete.

I am duly authorised to sign and submit this form.

To be digitally signed by

Auditor / Partner of the audit firm

Whether Associate or Fellow:
_____ Associate _____ Fellow

Membership Number:

Attachments:

- 1. Resignation letter, if attached
- 2. optional attachments, if any.

Form No.ADT-4

REPORT TO THE CENTRAL GOVERNMENT

[See rule 13(4) of the Companies (Audit and Auditors) Rules, 2014]

Date:

Subject: Report under sub- section (12) of section 143 of the Companies Act, 2013 on suspected offence involving fraud being committed or having been committed

- 1) (a) Name of the Company
(b) CIN:
(c) Address of the Registered Office:
- 2) (a) Name of the auditor or auditor's Firm
(b) Membership Number
(c) Address
- 3) Date of the annual general meeting when the Auditor was appointed or reappointed
- 4) SRN and date of filing

- 5) Address of the office or location where the suspected offence is believed to have been or is being committed
- 6) Full details of the suspected offence involving fraud (attach documents in support)
- 7) Particulars of the officers or employees who are suspected to be involved in the commission of the offence, if any:
 - a) Name(s) :
 - b) Designation
 - c) If Director, his DIN
 - d) PAN
- 8) Basis on which fraud is suspected:
- 9) Period during which the suspected fraud has occurred
- 10) Date of sending report to the Board or Audit committee as per rule 13(1)
- 11) Date of reply received from Board or Audit committee, if any and if so received, attach copy thereof and give gist of the reply
- 12) Whether the auditor is satisfied with the reply of the Board or Audit committee. Yes _____
No _____.
- 13) Estimated amount involved in the suspected fraud;
- 14) Details of steps , if any, taken by the company in this regard; (Furnish full details with references)
- 15) Any other relevant information.

VERIFICATION

I,, Proprietor/Partner of, Chartered Accountants do hereby declare that the information furnished above is true, correct and complete in all respects including the attachments to this form.

(Name, Signature and

Seal of Auditor

Attachments:

1 Optional attachments _____

Note : The report on this form along with attachments thereto is to be given in a sealed cover to the Secretary, Ministry of Corporate Affairs in the manner provided in Rule 13.