Chapter 4

Accounts of the Company*

Chapter IX (Accounts of Companies) of the Companies Act, 2013 vis-à-vis the Companies Act, 1956

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4.1 LOCATION, MANNER, PERIOD OF MAINTENANCE AND INSPECTION OF BOOKS OF ACCOUNT (Sec. 128 of the Companies Act, 2013)

1. Preparation of books of account etc.	Every company shall prepare and keep books of account and other relevant books and papers and financial statement (hereinafter referred to as 'books of account etc.') for every financial year. 'Book and paper' and 'book or paper' include books of account, deeds, vouchers, writings, documents, minutes and registers maintained on paper or in electronic form [Sec. 2(12) of the Companies Act, 2013].

* Schedule III to the Companies Act, 2013 has not been included in this Book since the same shall be covered in *Paper 1: Financial Reporting*.

2. Method of preparation	The books of account etc. must – (a) give a true and fair view of the state of the affairs of the company, including its branch office(s); (b) explain the transactions effected at the registered office and its branch office(s); (c) be prepared on accrual basis; (d) be prepared according to the double entry system of accounting.
3. Maintenance of books of account etc. in electronic form	The books of account and other relevant papers may be kept in electronic mode in such manner as may be prescribed.
	Rule 3 of the Companies (Accounts) Rules, 2014 prescribes the following manner: (a) 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. (b) The books of account and other relevant books and papers 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. (c) 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. (d) The information in the electronic record of the document shall be capable of being displayed in a legible form. (e) 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. (f) 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. (g) The company shall intimate to the Registrar on an annual basis at the time of filing of financial statement – (i) the name of the service provider; (ii) the internet protocol address of service provider; (iii) the location of the service provider (wherever applicable); (iv) where the books of account and other books and papers are maintained on cloud, such address as provided by the service provider.
4. Location of books of account etc.	(a) The books of account etc. shall be kept at the registered office of the company. (b) All or any of the books of account and other relevant papers may be kept at such other place in India as the Board of directors may decide. In such a case, the company shall within 7 days of the decision of the Board, file with the registrar a notice in writing giving the full address of that other place. (c) Where a company has a branch office (whether in India or outside India), the books of account relating to the transactions effected at the branch office may be kept at the branch office. But, proper summarized returns must be periodically sent by the branch office to the company at its registered office or the other place, if any, where the books of account etc. are kept in pursuance of the decision taken by the Board of directors.
5. Preservation of books of account	Every company shall preserve in good order the books of account together with the relevant vouchers. The time period of preservation shall be – (a) not less than 8 financial years immediately preceding the relevant financial year; or (b) if the company has been in existence for less than 8 financial years, then, for the entire period of its existence. (c) Where an investigation of the company is ordered, CG may direct that the books of account may be kept for such longer period as it may deem fit.

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<tr><td rowspan="2">6. Persons responsible and Penalty</td><td>Persons responsible</td><td>(i) Managing director
(ii) Whole-time director in charge of finance
(iii) Chief Financial Officer
(iv) Any other person of a company charged by the Board with such duty</td></tr>
<tr><td>Punishment for contravention</td><td>(i) Imprisonment upto 1 year; or
(ii) Fine: Minimum Rs. 50,000; Maximum Rs. 5,00,000.
(iii) Both.</td></tr>
<tr><td rowspan="2">7. Inspection of books of account</td><td colspan="2">(a) The books of account etc. maintained within India shall be open for inspection by any director –
– at the registered office of the company or at such other place in India where the books have been kept;
– during business hours.
(b) 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.
(c) The inspection of books of account of any subsidiary company shall be made only by the person authorised by a resolution of the Board of Directors.
(d) It shall be the duty of every officer and employee of the company to give to the person making inspection all reasonable assistance in connection with the inspection.</td></tr>
<tr><td colspan="2">Rule 4 of the Companies (Accounts) Rules, 2014 makes the following provisions with respect to inspection of books of account:
(a) 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.
(b) 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 and the period for which such information is sought. The company shall produce such financial information to the director within 15 days of the date of receipt of the written request.
(c) The financial information shall be sought for by the director himself and not by or through his power of attorney holder or agent or representative.</td></tr>
<tr><td>8. Applicability of Companies Act, 1956 and Companies Act, 2013</td><td colspan="2">MCA has clarified that the financial statements (and documents required to be attached thereto), auditor’s report and Board’s report in respect of financial years that commenced earlier than 1st April, 2014 shall be governed by the relevant provisions / Schedules / rules of the Companies Act, 1956 and that in respect of financial years commencing on or after 1st April, 2014, the provisions of the Companies Act, 2013 shall apply (General Circular No. 08/2014 dated 4th April, 2014).</td></tr>
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4.2 FINANCIAL STATEMENT (Sec. 129 of the Companies Act, 2013)

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<tr><td>1. Legal requirements w.r.t. financial statement
[Sec. 129(1)]</td><td>(a) The financial statements shall give a true and fair view of the state of affairs of the company.
(b) The financial statements shall comply with the accounting standards notified u/s 133.
If the financial statements do not comply with the accounting standards, the company shall disclose in its financial statements, –
(i) the deviation from the accounting standards;</td></tr>
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<tr><td></td><td>(ii) the reasons for such deviation; and
(iii) the financial effects, if any, arising out of such deviation.
(c) The financial statements shall be in the form or forms as may be provided for different class or classes of companies in Schedule III.
(d) Where a company has one or more subsidiaries, it shall also prepare a consolidated financial statement of the company and of all the subsidiaries in the same form and manner as that of its own. For this purpose, the term ‘subsidiary’ shall include associate company and joint venture.
The provisions relating to the preparation, adoption and audit of the financial statements of a holding company shall, mutatis mutandis, apply to the consolidated financial statements.
CG may provide for the consolidation of accounts of companies in such manner as may be prescribed.</td></tr>
<tr><td>2. Non-applicability</td><td>Nothing contained in Sec. 129(1) shall apply to –
(a) any insurance company; or
(b) any banking company; or
(c) any company engaged in the generation or supply of electricity; or
(d) any other class of company for which a form of financial statement has been specified in the Act governing such class of company.</td></tr>
<tr><td>3. Laying of financial statements</td><td>At every AGM, the Board shall lay the following documents:
(a) Financial statements of the company.
(b) Consolidated financial statement of the company and of all the subsidiaries, if any.</td></tr>
<tr><td>4. Consolidated financial statement</td><td>(a) The consolidated financial statement which is required to be laid before the AGM, shall be prepared in the same form and same manner in which the financial statement of the company is prepared.
(b) CG may provide for the consolidation of accounts of companies in such manner as may be prescribed.</td></tr>
<tr><td></td><td>Rule 6 of the Companies (Accounts) Rules, 2014 lays down the following manner of consolidation of accounts:
(i) 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.
(ii) In case of a company 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.</td></tr>
<tr><td>5. Statement containing salient features of subsidiary</td><td>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.</td></tr>
<tr><td></td><td>Rule 5 of the Companies (Accounts) Rules, 2014 prescribes Form AOC-1 for this purpose.</td></tr>
<tr><td>6. Exemption</td><td>(a) CG may, by notification, exempt any class or classes of companies from complying with any of the requirements of this section or the rules made thereunder.
(b) CG may grant such exemption on its own or on an application by a class or classes of companies.
(c) CG may grant such exemption if it considers necessary to grant such exemption in the public interest.
(d) Such exemption may be granted either unconditionally or subject to such conditions as may be specified in the notification.</td></tr>
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<tr><td>7. ‘Notes’ to be a part of financial statement</td><td colspan="2">For the purposes of Sec. 129, 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.</td></tr>
<tr><td rowspan="2">8. Persons responsible and Penalty</td><td>Persons responsible</td><td>(i) Managing director
(ii) Whole-time director in charge of finance
(iii) Chief Financial Officer
(iv) Any other person of a company charged by the Board with such duty
(v) all the directors, in the absence of any of the officers mentioned above</td></tr>
<tr><td>Punishment for contravention</td><td>(i) Imprisonment upto 1 year; or
(ii) Fine: Minimum Rs. 50,000; Maximum Rs. 5,00,000.
(iii) Both.</td></tr>
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4.3 ACCOUNTING STANDARDS (Sec. 133 of the Companies Act, 2013)

1. Power with whom?	The power to prescribe the accounting standards vests with CG.
2. Stages in prescribing accounting standards	(i) At the first stage, ICAI recommends the Standards of Accounting. (ii) At the second stage, these Standards of Accounting shall be examined by the National Financial Reporting Authority (NFRA). NFRA may also make its own recommendations. (iii) At the third stage, the Central Government examines the recommendations made by NFRA. Then, the Central Government may prescribe, after consultation with NFRA, the Accounting Standards.
3. Position until accounting standards are prescribed by CG	The standards of accounting as specified under the Companies Act, 1956 shall be deemed to be the accounting standards until accounting standards are specified by CG u/s 133 (Rule 7(1) of the Companies (Accounts) Rule, 2014).
4. Position until NFRA is constituted	Till the National Financial Reporting Authority is constituted u/s 132 of the Act, CG may prescribe the standards of accounting or any addendum thereto, as recommended by ICAI in consultation with and after examination of the recommendations made by the National Advisory Committee on Accounting Standards constituted u/s 210A of the Companies Act, 1956 (Rule 7(2) of the Companies (Accounts) Rule, 2014).

4.4 FINANCIAL STATEMENT, BOARD’S REPORT, ETC. (Sec. 134 of the Companies Act, 2013)

1. Approval of financial statement	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.
2. Signing of financial statement	(a) The financial statement, including consolidated financial statement, if any, shall be signed on behalf of the Board, at least by – (i) the chairperson of the company, where he is authorised by the Board, or 2 directors, out of which one shall be managing director; (ii) Chief Executive Officer, if he is a director in the company; and (iii) the Chief Financial Officer and the company secretary of the company, wherever they are appointed. (b) In the case of a One Person Company, the financial statement, including consolidated financial statement, if any, shall be signed by one director only.

3. Submission to the auditor	The financial statement, including consolidated financial statement, if any, shall be submitted to the auditor after they have been approved and signed.
4. Attachment of auditors' report	The auditors' report shall be attached to every financial statement.
5. Contents of Board's Report	Board's Report shall be attached to the financial statement laid before the company in general meeting. The Board's Report shall include the following matters: (a) The extract of the annual return (As per Sec. 92 of the Companies Act, 2013). (b) Number of meetings of the Board. (c) Directors' Responsibility Statement (For the contents of Directors' Responsibility Statement, refer to Sec. 134(5) given below). (d) A statement on declaration given by independent directors (As per Sec. 149(6) of the Companies Act, 2013). (e) In case of a company which is required to constitute the Nomination and Remuneration Committee (As per Sec. 178 of the Companies Act, 2013), company's policy on directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters provided u/s 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 u/s 186. (h) Particulars of contracts or arrangements with related parties referred to in Sec. 188 in the prescribed form. As per Rule 8(2) of the Companies (Accounts) Rules, 2014, such particulars shall be in the Form AOC-2. (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 Board's report. (m) The conservation of energy, technology absorption, foreign exchange earnings and outgo, in such manner as may be prescribed (As prescribed under Rule 8(3) of the the Companies (Accounts) Rules, 2014 given below). (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. As per Rule 8(4) of the Companies (Accounts) Rules, 2014, the prescribed class of companies are such public companies which have a paid up share capital of Rs. 25 crore or more calculated at the end of the preceding financial year. (q) Such other matters as may be prescribed (As prescribed under Rule 8(5) of the the Companies (Accounts) Rules, 2014 given below).

6. Contents of Directors' Responsibility Statement [Sec. 134(5)]

Directors' responsibility statement is aimed at highlighting the accountability of the directors with a view to ensuring good corporate governance. It will make the directors accountable to safeguard the assets of the company and to take positive steps in this regard. The directors' responsibility statement shall disclose the following particulars:

(a) The directors' responsibility statement shall disclose as to whether the applicable accounting standards had been followed in the preparation of the annual accounts. In case of any material departures, proper explanation shall be given.

(b) The directors' responsibility statement shall disclose as to whether 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 and of the profit and loss of the company.

(c) The directors' responsibility statement shall disclose as to whether 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' responsibility statement shall disclose as to whether the directors had prepared the annual accounts on a going concern basis.

(e) In the case of a listed company, the directors' responsibility statement shall disclose as to whether the directors, had laid down internal financial controls to be followed by the company and whether such internal financial controls are adequate and were operating effectively.

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' responsibility statement shall disclose as to whether the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and whether such systems were adequate and operating effectively.

7. Disclosures relating to conservation of energy etc.

As per Rule 8(3) of the the Companies (Accounts) Rules, 2014, the Board's Report shall contain the following information and details:

(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 3 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. (iv) The expenditure incurred on Research and Development.
	(C) Foreign exchange earnings and Outgo	(i) The Foreign Exchange earned in terms of actual inflows during the year. (ii) The Foreign Exchange outgo during the year in terms of actual outflows.
8. Other matters prescribed		Rule 8(5) of the Companies (Accounts) Rules, 2014, prescribes the disclosure of following other matters: (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 Companies Act, 2013 – (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 Companies Act, 2013. (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. Scope of Board's Report		As per Rule 8(1) of the Companies (Accounts) Rules, 2014, the Board's Report shall be prepared based on the stand alone financial statements of the company. The Board's Report shall also 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.
10. Board's Report in case of One Person Company		In case of a One Person Company, Board's Report shall 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.
11. Signing of Board's Report		(a) The Board's report and any annexures thereto shall be signed by – (i) the chairperson of the company, if he is authorised by the Board; or (ii) at least 2 directors, one of whom shall be a managing director, if the chairperson of the company is not so authorised.

	(b) In case there is only one director, the Board's report and any annexures thereto shall be signed by such director.
12. Issue, circulation or publication of various documents	A signed copy of every financial statement, including consolidated financial statement, if any, shall be issued, circulated or published along with a copy of – (a) any notes annexed to or forming part of such financial statement; (b) the auditor's report; and (c) the Board's report.

4.5 CORPORATE SOCIAL RESPONSIBILITY (Sec. 135 of the Companies Act, 2013)

1. Applicability	(a) Sec. 135 applies to a company (including a foreign company) only if it satisfies one or more of the following criterion during any financial year: (i) The net worth of the company is Rs. 500 crore or more. (ii) The turnover of the company is Rs. 1,000 crore or more. (iii) The net profit of the company is Rs. 5 crore or more. (b) Every company which ceases to fulfill the above criteria for 3 consecutive financial years shall not be required to - (a) constitute CSR Committee; and (b) comply with the provisions contained in Sec. 135, till such time it meets the criteria specified above.
2. Constitution of CSR Committee	(a) Every company to which Sec.135 is applicable, shall constitute a Corporate Social Responsibility Committee of the Board (CSR Committee). (b) The CSR Committee shall consist of 3 or more directors. (c) Out of the 3 directors, at least 1 director shall be an independent director. (d) An unlisted public company or a private company which is not required to appoint an independent director (as per Sec. 149 of the Companies Act, 2013), shall have its CSR Committee without any independent director. (e) A private company having only 2 directors on its Board, shall constitute its CSR Committee with 2 directors only. (f) In case of a foreign company, the CSR Committee shall comprise of at 2 two persons of which one person shall be a person resident in India authorised to accept on behalf of the foreign company service of notices and other documents, and the other person shall be nominated by the foreign company.
3. Duties of the CSR Committee	(a) The CSR Committee shall formulate and recommend to the Board, a CSR Policy. CSR Policy shall indicate the activities to be undertaken by the company as specified in Schedule VII. (b) CSR Committee shall recommend the amount of expenditure to be incurred on the CSR activities to be undertaken by the company. (c) CSR Committee shall monitor the CSR Policy of the company from time to time. (d) The CSR Committee shall institute a transparent monitoring mechanism for implementation of the CSR projects or programs or activities undertaken by the company.
4. Duties of the Board	(a) The Board shall, after taking into account the recommendations made by the CSR Committee, approve the CSR Policy for the company. (b) The Board shall ensure that the activities as are included in CSR Policy are undertaken by the company.

	(c) The Board shall ensure that the company spends in every financial year, at least 2% of the average net profits of the company made during the 3 immediately preceding financial years, in pursuance of its CSR Policy. 'Average net profit' shall be calculated in accordance with the provisions of Sec. 198. The company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for CSR activities.
5. Disclosures in Board's report	The Board's report shall disclose – (a) the composition of the CSR Committee; (b) the contents of CSR Policy; and (c) the reasons for not spending the amount of 2% in pursuance of its CSR Policy (in case the company fails to spend such amount).
6. Definition of CSR	Rule 2 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 defines CSR as follows: '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.
7. Activities not amounting to CSR	As per Rule 4 and Rule 6 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, following shall not amount to CSR Activities for the purpose of Sec. 135: (a) The CSR projects or programs or activities undertaken outside India. (b) The CSR projects or programs or activities that benefit only the employees of the company and their families. (c) Contribution of any amount, directly or indirectly, to any political party u/s 182 of the Companies Act, 2013. (d) Any activity undertaken in pursuance of normal course of business of a company.
8. Manner of implementing CSR Policy	Rule 4 of the Companies (Corporate Social Responsibility Policy) Rules makes the following provision with respect to manner of implementation of CSR Policy: (a) The CSR activities shall be undertaken by the company, as per its stated CSR Policy. (b) A company may undertake CSR activities through a registered trust or a registered society or a company established by the company or its holding or subsidiary or associate company, subject to fulfillment of the following 2 conditions: (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 3 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. (c) 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. (d) 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 3 financial years but such expenditure shall not exceed 5% of total CSR expenditure of the company in one financial year.
9. CSR Reporting	Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, makes the following provisions with respect to CSR Reporting: (a) The Board's Report pertaining to any financial year commencing on or after the 1st day of April, 2014 shall include an annual report on CSR.

	(b) In case of a foreign company, the balance sheet filed u/s 381 of the Companies Act, 2014 shall contain an Annexure regarding report on CSR.
10. Display of CSR policy on the website	The Board shall place the contents of CSR Policy on the company's website, if any, in such manner as may be prescribed.
	As per Rule 9 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 and Rule 6 of the Companies (Accounts) Rules, 2014, the CSR Policy and its contents shall be displayed on the company's website, if any, as per the particulars specified in the Annexure to the Companies (Corporate Social Responsibility Policy) Rules, 2014.
11. CSR Activities to be in accordance with Schedule VII	The Board shall ensure that activities included by a company in its CSR Policy fall within the purview of the activities included in Schedule VII. Schedule VII contains such activities which may be undertaken by the companies in pursuance of their CSR Policy. The activities specified under Schedule VII are as under: (i) Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water (ii) Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects (iii) Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups (iv) Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water (v) Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional arts and handicrafts (vi) Measures for the benefit of armed forces veterans, war widows and their dependents (vii) Training to promote rural sports, nationally recognised sports, paralympic sports and Olympic sports (viii) Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women (ix) Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government (x) Rural development projects.

4.6 CIRCULATION OF FINANCIAL STATEMENT AND OTHER DOCUMENTS TO MEMBERS AND OTHERS (Sec. 136 of the Companies Act, 2013)

1. Documents to be circulated	A copy of the following documents is required to be sent by the company: (i) Financial Statement (ii) Consolidated Financial Statement, if any (iii) Auditor's Report (iv) All the documents which are required to be annexed or attached to the financial statement. These documents are hereinafter referred to as 'financial statement and other documents'.

<table>
<tr><td rowspan="1">2. Persons entitled to receive financial statement and other documents</td><td colspan="2">The aforesaid documents must be sent to the following persons:
(a) Every member of the company.
(b) Every trustee for the holders of any debentures issued by the company.
(c) All persons other than the member or debenture trustee, being the person so entitled.</td></tr>
<tr><td>3. Time limit for circulation</td><td colspan="2">The financial statement and other documents shall be sent at least 21 days before the date of the meeting in which these are to be laid.</td></tr>
<tr><td>4. Circulation of financial statement and other documents in case of a listed company</td><td colspan="2">In the case of a listed company, it shall be a sufficient compliance with the provisions of Sec. 136, if –
(a) The copies of the financial statement and other documents are made available for inspection at its registered office during working hours for a period of 21 days before the date of the meeting; and
(b) A statement containing the salient features of such documents in the prescribed form 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 21 days before the date of the meeting, unless the shareholders ask for full financial statements.
Such statement shall be in Form AOC-3 (Rule 10 of the Companies (Accounts) Rules, 2014).</td></tr>
<tr><td rowspan="4">5. Manner of circulation in case of a prescribed companies</td><td colspan="2">CG may prescribe the manner of circulation of financial statements of companies having such net worth and turnover as may be prescribed.</td></tr>
<tr><td colspan="2">Rule 11 of the Companies (Accounts) Rules, 2014 makes the following provisions in this regard:</td></tr>
<tr><td>Applicability</td><td>Rule 11 applies to –
(a) All listed companies; and
(b) Public companies having net worth of more than Rs. 1 crore and turnover of more than Rs. 10 crore.</td></tr>
<tr><td>Manner of circulation</td><td>(a) By electronic mode, in the following 2 cases:
(i) Where a member holds shares in dematerialised form and his email Id is registered with the Depository for communication purposes.
(ii) Where a member does not hold shares in dematerialised form, but he has positively consented in writing for receiving such documents by electronic mode.
(b) By despatch of physical copies through any recognised mode of delivery as specified u/s 20 of the Companies Act, 2013, in all other cases.</td></tr>
<tr><td>6. Display of documents at the website</td><td colspan="2">A listed company shall also place its financial statements and other documents on its website, which is maintained by or on behalf of the company.</td></tr>
<tr><td>7. Circulation and placing of separate audited accounts of subsidiaries</td><td colspan="2">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.</td></tr>
<tr><td>8. Inspection</td><td colspan="2">Every company shall allow every member and debenture trustee to inspect the financial statement and other documents at its registered office during business hours.</td></tr>
</table>

9. Meaning of the term 'financial statement' [Clause (40) of Sec. 2 of the Companies Act, 2013]	'Financial statement' in relation to a company, includes – (i) a balance sheet as at the end of the financial year; (ii) a profit and loss account, or in the case of a company carrying on any activity not for profit, an income and expenditure account for the financial year; (iii) cash flow statement for the financial year; (iv) a statement of changes in equity, if applicable; and (v) any explanatory note annexed to, or forming part of, any document referred to in sub-clause (i) to sub-clause (iv): Provided that the financial statement, with respect to One Person Company, small company and dormant company, may not include the cash flow statement.

4.7 FILING OF FINANCIAL STATEMENT AND OTHER DOCUMENTS WITH THE REGISTRAR (Sec. 137 of the Companies Act, 2013)

1. Where financial statement are adopted at the AGM	***(a) Documents to be filed***	(i) Financial Statement (ii) Consolidated Financial Statement, if any (iii) The accounts of its subsidiary or subsidiaries which have been incorporated outside India and which have not established their place of business in India. (iv) All the documents which are required to be annexed or attached to the financial statement. These documents are hereinafter referred to as 'financial statement and other documents'.
	(b) Time limit for filing	The 'financial statement and other documents' shall be filed with the Registrar within 30 days of the date of AGM.
2. Where financial statement are not adopted at the AGM	***(a) Filing of unadopted documents***	Where the financial statements are not adopted at the AGM or adjourned AGM, such unadopted financial statements and other documents shall be filed with the Registrar within 30 days of the date of AGM.
	(b) Unadopted documents to be provisional	The Registrar shall take the unadopted financial statement and other documents in his records as provisional till the financial statements are filed with him after their adoption in the adjourned AGM for that purpose.
	(c) Filing of adopted documents	The financial statement and other documents adopted in the adjourned AGM shall be filed with the Registrar within 30 days of the date of such adjourned AGM.
3. Where AGM is not held	***(a) Filing of documents***	(i) The financial statements and other documents (ii) Statement of facts and reasons for not holding the AGM
	(b) Time limit for filing	The 'financial statement and other documents' shall be filed with the Registrar within 30 days of the last date before which the AGM should have been held.
4. Filing in case of One Person Company	One Person Company shall file a copy of the financial statements duly adopted by its member, along with all the documents which are required to be attached to such financial statements, within 180 days from the closure of the financial year.	
5. Form and fees (Rule 12 of the Companies (Accounts) Rules, 2014)	(a) Every company shall file the financial statements with Registrar together with Form AOC-4. (b) The class of companies as may be notified by CG from time to time, shall mandatorily file their financial statement in Extensible Business Reporting Language (XBRL) format. CG may also specify the manner of such filing under such notification for such class of companies.	

	The term "Extensible Business Reporting Language" means a standardised language for communication in electronic form to express, report or file financial information by companies. (c) The fees or additional fees payable shall be as specified in the Companies (Registration Offices and Fees) Rules, 2014.

4.8 INTERNAL AUDIT (Sec. 138 of the Companies Act, 2013)

1. Applicability of Sec. 138	Sec. 138 shall apply only to such class or classes of companies as may be prescribed. As per Rule 13 of the Companies (Accounts) Rules, 2014, following class of companies shall be covered u/s 138: (a) Every listed company. (b) Every unlisted public company having - (i) paid up share capital of Rs. 50 crore or more during the preceding financial year; or (ii) turnover of Rs. 200 crore or more during the preceding financial year; or (iii) outstanding loans or borrowings from banks or public financial institutions exceeding Rs. 100 crore or more at any point of time during the preceding financial year; or (iv) outstanding deposits of Rs. 25 crore or more at any point of time during the preceding financial year. (c) Every private company having - (i) turnover of Rs. 200 crore or more during the preceding financial year; or (ii) outstanding loans or borrowings from banks or public financial institutions exceeding Rs. 100 crore or more at any point of time during the preceding financial year.
2. Legal requirements u/s 138	(a) Every company to which Sec. 138 is applicable, shall appoint an internal auditor. (b) The internal auditor shall conduct the internal audit of the functions and activities of the company. (c) The internal auditor shall be – (i) a chartered accountant; or (ii) a cost accountant; or (iii) such other professional as may be decided by the Board. (d) The internal auditor may or may not be an employee of the company. (e) A 'Chartered Accountant' may be appointed as an internal auditor whether or not he is engaged in practice.
3. Manner and interval of internal audit	(a) CG may, by rules, prescribe the manner and the intervals in which the internal audit shall be conducted and reported to the Board. (b) 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.
4. Legal requirements for existing companies	If an existing company satisfies any of the criteria laid down under Rule 13 (i.e. it falls under the prescribed class(es) of companies for the purpose of Sec. 138), it shall, within 6 months of commencement of Sec. 138 (viz. 1st April, 2014), comply with the requirements of Sec. 138 and Rule 13.

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