

**COMPANIES ACT 2013**

**ACCOUNTS, DEPRECIATION AND  
CSR PROVISIONS**

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**ACCOUNTS**

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**Accounts of Companies – Chapter IX**

- **Section 128 – Books of Accounts**
- To include records in respect of money received ,expended, sales, purchases, assets, Liabilities and Cost Records
  - ✓ Books to be kept at Registered Office
  - ✓ To give true & fair view
  - ✓ On accrual basis

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**Section 128 – Books of Accounts**

- ✓ On double entries system of accounting
- ✓ Can be shifted to other place in India
- ✓ Intimation to Registrar within 7 days of change
- ✓ Can be kept in 'cloud'

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### Section 128 – Books of Accounts

- ✓ Books can be in electronic mode (Rule 3)
  - To remain accessible and usable
  - To be retained in the format originally generated, sent or received.
  - Capable of being displayed in legible form
  - Proper system of storage, retrieval, display or printout
  - Back-up in servers physically located in India on periodic basis

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### Section 128 – Books of Accounts

- ✓ Annual information to Registrar about service provider, IP Address
- ✓ Summarised returns of branch office required periodically
- ✓ Inspection by director during business hour
- ✓ Financial Information maintained outside the country to produced in 15 days.
- ✓ Reasonable assistance in connection with inspection

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### Section 128 – Books of Accounts

- ✓ Books to be preserved for 8 financial years together with relevant vouchers
- ✓ Central Government can direct longer period in investigation cases under chapter XIV.

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### Section 129 – Financial Statements

- ✓ To include P/L, B/S, Cash Flow, Statement of changes in Equity, and Explanatory Notes ( Small, Dormant ,OPC no cash flow) Sec.2(40)
- ✓ Financial Year – Period ending 31<sup>st</sup> March, 2 years to align, Tribunal can give relief to holding/subsidiaries of foreign companies, 15 months period for incorporation after 1<sup>st</sup> Jan Sec. 2 (41)
- ✓ To give true and fair view
- ✓ To comply with Accounting Standards

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### Section 129 – Financial Statements

- ✓ Shall be in the forms provided in Schedule III (Form companies other than Insurance, Banking and Electricity)
- ✓ To be laid before AGM by Directors
- ✓ Consolidated Financial Statements required for all subsidiaries, associates and joint ventures, as per schedule III and applicable accounting standards

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### Section 129 – Financial Statements

- ✓ Reasons for deviation from Accounting Standards with Financial Effects to be given.
- ✓ Salient features of subsidiaries, associates and joint ventures to be given in form AOC-1

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### Section 130 – Re-opening of Accounts

- ✓ Re-opening allowed on court or Tribunal order.
- ✓ Allowed only if accounts prepared in fraudulent manner or a doubt in reliability raised due to mis-management.
- ✓ Application to Central Government, Income Tax Authorities, SEBI, etc.

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### Section 131 – Voluntary Revision of Financial Statements

- ✓ Revision possible only if accounts do not give true and fair view, not on accrual system.
- ✓ Application to Tribunal
- ✓ Revision upto three preceding Financial Years

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### Section 131 – Voluntary Revision of Financial Statements

- ✓ Only one revision in a year
- ✓ Tribunal to issue notice to Central Government and Income Tax Authorities
- ✓ Reason for revision to be disclosed in board's report

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### Section 133 – Central Government to Prescribe Accounting Standards

- ✓ On recommendation of ICAI
- ✓ In consultation with and recommendation of National Financial Reporting Authority (NFRA)
- ✓ Standards under Companies Act, 1956 to prevail until accounting standards prescribed under new act (Rule 7)

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### Section 134 – Financial Statement, Board's Report, etc.

- ✓ To be approved by Board
- ✓ To be signed by Chairperson, or two directors (One MD), CEO if director, CFO and Company Secretary
- ✓ Auditor Report to be attached to each financial statements.
- ✓ Board's Report to be attached

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### Section 134 – Financial Statement, Board's Report, etc.

- ✓ Contents of Report of Board of Directors –
  - Extract of Annual Return
  - Number of Meetings
  - Directors' Responsibility statement
    - Application of Accounting Standards with explanation for material departure
    - Statement on Accounting Policies, Judgements and estimates being reasonable and prudent to give true and fair view.

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### Section 134 – Financial Statement, Board’s Report, etc.

- ✓ Contents of Report of Board of Directors –
  - Directors’ Responsibility statement – Contd..
    - Maintenance of Accounting records in accordance with provisions of the Act for safeguarding of assets and for prevention and detection of frauds.
    - Declaration of going concern

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### Section 134 – Financial Statement, Board’s Report, etc.

- ✓ Contents of Report of Board of Directors –
  - Directors’ Responsibility statement – Contd..
    - Policy, adequacy and effective operation of Internal Financial Controls (For listed Companies)
    - Setting-up proper system to ensure compliance with laws and declaration that such systems were adequate and operating effectively.

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### Section 134 – Financial Statement, Board’s Report, etc.

- ✓ Contents of Report of Board of Directors –
  - Declaration of Independent Directors that he meets the criteria of Independence.
  - Directors’ appointment and remuneration policies (by listed companies only)

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### Section 134 – Financial Statement, Board’s Report, etc.

- ✓ Contents of Report of Board of Directors –
  - Explanation or comments on every qualification, reservation or adverse remark or disclaimer made by Auditor and Company Secretary
  - Particulars of loans, guarantees and investments
  - Particulars of contracts or arrangements with related parties
  - State of Company’s Affairs
  - Transfer to Reserves

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### Section 134 – Financial Statement, Board’s Report, etc.

- ✓ Contents of Report of Board of Directors –
  - Dividend Recommendation
  - Material Changes and commitments after the balance sheet date.
  - Conservation of energy, technology absorption
  - Actual Foreign Exchange earnings and outgo.

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### Section 134 – Financial Statement, Board’s Report, etc.

- ✓ Contents of Report of Board of Directors –
  - Development and implementation of Risk Management Policy
  - Identification of Elements of Risk which may threaten the existence of the company
  - CSR Policy
  - Formal Annual evaluation of performance of Board and its committees. (For listed Companies and public companies with capital more than 25 crores)

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### Section 134 – Financial Statement, Board’s Report, etc.

- ✓ Contents of Report of Board of Directors –
  - Rule 8 - Performance and financial position of each subsidiary, associate and joint venture including addition and deletion of such entities.
  - Rule 8 – Change in the nature of business
  - Details of directors or key managerial personnel appointed and resign

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### Section 134 – Financial Statement, Board’s Report, etc.

- ✓ Contents of Report of Board of Directors –
  - Details of deposits
  - Significant and material orders passed by regulators/courts/tribunals impacting the going concern status.
  - Adequacy of Internal Financial Controls
- ✓ For one person company – only one director to sign, and director report to contain explanations or comments regarding auditor’s qualifications only.

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### Section 136 – Right to Copies of Audited Financial Statements

- ✓ Copy to be sent including CFS to every member and debenture Trustee 21 days in advance.
- ✓ Financial Statements open for Inspection for 21 days before meeting.
- ✓ Statements to be kept on web-site.
- ✓ To be sent in Electronic mode to the shareholders of listed companies and public companies having networth of Rs.1 Crore and Turnover of Rs.10 Crore.

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### Section 137 – Filing of Financial Statements

- ✓ Filing within 30 days
- ✓ Even unadopted statements to be filed as provisional statements and again adopted statements to be filed.
- ✓ One person company to file Financial Statements within 180 days of close of the year.

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### Section 137 – Filing of Financial Statements

- ✓ Subsidiaries accounts to be attached including for foreign subsidiaries.
- ✓ Form AOC-4 to be filed. (Rule 12)
- ✓ Central Government to make filing in XBRL compulsory for some companies. (Rule 12)

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**DEPRECIATION**

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### Depreciation -

- No dividend can be declared unless depreciation is provided as per Section 123(2)
- Schedule 2 gives useful lives in number of years
- Useful life of an asset shall not be different from that indicated in Schedule 2. Any deviation requires justification.
- No asset will have useful life longer than stated in Schedule 2.

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### Depreciation -

- Intangible assets to be depreciated as per provisions of Accounting Standards.
- Directions of any regulatory authority to override Schedule 2.
- Residual value not to exceed 5% of value of assets.
- Pro-rata basis for additions and deletion to continue.
- Disclosure of depreciation method used and useful lives if different from schedule to be disclosed.

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### Depreciation -

- Cost of part of the asset if significant and useful life different from remaining asset then such part can be separately depreciated (Component Accounting)
- Double shift 50% and Triple shift 100% additional depreciation for items other than mentioned as NESD.
- On 01.04.2014 if useful life of the asset is nil then its WDV Less Residual value to be adjusted from opening retained earnings

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### Schedule II – Depreciation

Asset type	Useful life (Cos Act 1956)	Useful life (Cos Act 2013)
Non-factory buildings (RCC frame structure)	61 years	60 years
Non-factory buildings (Non-RCC frame structure)	61 years	30 years
General Plant & Machinery	21 years	15 years
Furniture & fittings	16 years	10 years
Cars	11 years	6 years
Desktops, laptops, etc	6 years	3 years

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## Corporate Social Responsibility

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### Section 135 – Corporate Social Responsibility

- ✓ Applicable to Company having networth of Rs.500 crore or Turnover of Rs.1000 Crore or net profit of Rs.5 crore
- ✓ Committee of Three Directors including one Independent Director
- ✓ Committee to formulate the policy, undertake activities as specified in Schedule VII, recommend expenditure to be incurred, and monitor the policy

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### Section 135 – Corporate Social Responsibility

- ✓ Two percent of average net profit of three immediately preceding financial years to be set aside or spent.
  - Section 198 – Profit not to include premium on shares and debentures, profit on sale of forfeited shares, profit of capital nature for sale of assets or undertaking over and above the original cost, profits from overseas branches and dividends
  - Expenditure not to include Income Tax, compensation or damages paid voluntarily and losses of capital nature.

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### Section 135 – Corporate Social Responsibility

- ✓ Board to consider recommendation of committee and ensure that activities are actually undertaken.
- ✓ Preference to Local area
- ✓ Board Report to state reasons for not spending
- ✓ CSR activity can be carried out through registered trust or registered society or through Section 8 company.

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### **Section 135 – Corporate Social Responsibility**

- ✓ Such Trust, Society or Company should have established track record of three years and modalities of utilisation of funds and monitoring and reporting mechanism to be set-up.
- ✓ Activities carried out in India alone are considered.
- ✓ Programm or activities for benefit of employees and contribution to political parties are not considered as CSR activities.

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### **Section 135 – Corporate Social Responsibility**

- ✓ CSR activity through own personnel – expenditure not to exceed 5% of total.
- ✓ The profits / surplus arising out of CSR projects shall not form part of business profits of the company.
- ✓ CSR activities to be displayed on web-site.
- ✓ No penalty for non compliance. Following recommendations are encouraged.

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**Thank You.**

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