CONTENTS

		PAGE
Chapte	er-heads	<i>I-5</i>
	DIVISION ONE ACCOUNTS OF COMPANIES	
	INTRODUCTION	
0.1	Date of commencement of the provisions of Companies Act, 2013 relating to accounts and audit	3
	<u>1</u> BOOKS OF ACCOUNT	
1.1	Obligation of the company to maintain books of account	4
1.2	Right of directors to inspect books of account and other books and papers maintained within India	11
1.3	Right of directors to inspect financial information maintained outside the country	13
1.4	Right of director to inspect books of subsidiary	13
1.5	Period of preservation of books of account	14
1.6	Penal provisions	14
1.7	Statutory presumption of correctness of books of account	14
1.8	Statutory registers & records	15

	CONTENTS	I-12
		PAGE
	<u>2</u>	
	FINANCIAL STATEMENTS	
2.1	Definition of "financial statement"	28
2.2	Requirements to be satisfied by financial statements	31
2.3	Filing of Financial Statement - XBRL	34
2.3A	Salient features of financial statements of subsi- diaries/associates/joint ventures	34
2.4	Consolidated financial statements - Mandatory	36
2.5	Power of Central Govt. to exempt companies from requirements of section 129	39
2.6	Where any company contravenes the above provisions	39
2.7	Annual reports on Government companies	40
2.8	Accounts of foreign company	41
	3	
	APPROVAL & ADOPTION OF ACCOUNTS	
3.1	Approval of financial statements by board of directors	45
3.2	Signing of financial statement, including consolidated financial statement on behalf of the board	45
3.3	Auditor's report	46
3.4	Contents of Report of board of directors (in case of	
	Companies other than OPCs)	47
3.5	Contents of report of BOD in case of one person company	59
3.6	Signing of Board's report	59
3.7	Circulation of Financial Statements	59
3.8	Penal provisions	60
	$\frac{4}{2}$ NFRA & ACCOUNTING STANDARDS	
41	Constitution of the National Financial Reporting	
7.1	Authority (NFRA)	61
4.2	Functions of the NFRA [Section 132(2)/(4)]	61
4.1 4.2		

I-13	CONTENTS	
		PAGE
4.3	Powers of the NFRA	62
4.4	Constitution and functioning of NFRA	63
4.5	Notification of accounting standards by the Central Government	65
4.6	Concept and objectives of accounting standards	65
4.7	Role of matching concept	67
4.8	Fair valuation principles	67
4.9	Role of accounting standards <i>vis-à-vis</i> determination of taxable income	68
4.10	Convergence with IFRS	69
4.11	Whether accounting standards are mandatory only for auditors and not for companies?	70
4.12	Whether Accounting Standards are contrary to Companies Act?	70
4.13	Whether (AS) 22 is <i>ultra vires</i> the Companies Act?	70
	<u>5</u>	
	RE-OPENING OF ACCOUNTS ON COURT'S OR TRIBUNAL'S ORDER	
5.1	No reopening of accounts/recasting of financial statements except under court's or Tribunal's orders	71
5.2	Recovery of remuneration of MD/WTD/Manager/ CEO if Company required to restate accounts due	
	to fraud	72
	<u>6</u>	
	VOLUNTARY REVISION OF ACCOUNTS OR DIRECTOR'S REPORT	
6.1	Voluntary revision of accounts or director's report	73
6.2	Power of directors to revise accounts	73
6.3	Extent of revision	74
6.4	Power of Central Government to make rules	74

	CONTENTS	I-14
	7	PAGE
	7 SENDING FINANCIAL STATEMENTS TO MEMBERS & FILING WITH ROC	
7.1	Persons entitled to copies of financial statements	75
7.2	Filing of financial statements adopted at AGM (by companies other than OPCs) with registrar	77
7.3	Filing of financial statements adopted at AGM (by OPCs) with Registrar	77
7.4	If financial statement is not adopted in AGM or at Adjourned AGM (in case of companies other than OPCs)	78
7.5	If AGM of a company for any year is not held (in case of companies other than OPCs)	78
7.6	Penalties/punishments	79
	8	
	MANDATORY INTERNAL AUDIT	
8.1	Definition of 'Internal Audit'	80
8.2	Internal audit mandatory for certain companies	80
8.3	Scope, functioning, periodicity and methodology of internal audit	82
8.4	Appointment of cost auditor as internal auditor	82
8.5	Whether statutory auditor can be internal auditor?	82
	9	
	AUDIT COMMITTEE	
9.1	Audit committee mandatory for listed and other prescribed classes of companies	83
9.2	Composition of Audit Committee	83
9.3	Role and functions of the audit committee	85
9.4	Meetings of Audit Committee	90
9.5	Right of auditors of company and KMP to attend audit committee meetings	90

I-15	CONTENTS	
		PAGE
9.6	Disclosures regarding audit committee in BOD report	90
9.7	Vigil mechanism (whistle blowers protection)	91
	DIVISION TWO	
(CORPORATE SOCIAL RESPONSIBILIT	Ϋ́
	10	
	CORPORATE SOCIAL RESPONSIBILITY (CSR)	
10.1	Concept of 'corporate social responsibility'	95
10.2	Mandatory CSR provisions introduced by the Companies Act, 2013	98
10.3	How section 166(2) differs from section 172(1) of UK Companies Act, 2006?	102
10.4	Companies to which CSR obligations under section 135 apply	104
10.5	Applicability of obligations to Indian companies	104
10.6	Applicability of CSR to foreign companies	110
10.7	Net Worth	113
10.8	Turnover	115
10.9	Net Profit	116
	<u>11</u>	
	CSR SPENDS OBLIGATION - EXPENDITURE/ ACTIVITIES WHICH QUALIFY AS CSR	
11.1	Qualifying CSR activities/expenditure	118
11.2	Activities specified in Schedule VII to the 2013 Act	119
	<u>12</u>	
	MANDATORY CSR SPEND OBLIGATIONS OF SPECIFIED COMPANIES	
12.1	Mandatory CSR obligations of companies covered by section 135(1)	121
12.2	Composition of CSR Committee of directors	122

	CONTENTS	I-16
		PAGE
12.3	CSR policy to be formulated and recommended to the board by CSR Committee	125
12.4	Board to approve CSR policy, disclose it & ensure activities included in it are undertaken	126
	13	
	MANDATORY CSR SPENDS	
13.1	Mandatory CSR spends - 2% of average net profits	127
13.2	Is there any cap on CSR spends?	132
13.3	Is 'mandatory CSR spend' a tax?	132
13.4	Does CSR spend differ from charity?	132
13.5	Can the company's CSR policy restrict CSR spends to only donations to PMNRF?	132
13.6	Scope of CSR expenditure	133
13.7	Expenditure which will not be considered as CSR spends	133
13.8	Whether section 181-limits on charity applies to CSR spends?	139
13.9	Whether contributions to national defence fund will be counted as CSR spends?	139
	14	
	CSR POOLING	
14.1	CSR pooling merits	141
14.2	Pooling allowed	141
1 .	Toomig anowed	1 /1
	<u>15</u>	
	CSR THROUGH TRUSTS/NGOs SET UP BY COMPANY/ITS GROUP ENTITIES	
15.1	CSR can be undertaken by setting up a trust/section 8 company/society/foundation within India	142
15.2	Capacity building of personnel	143

I-	1	7	CONTENTS
≖-		4	CONTLINIS

		PAGE
	<u>16</u> OUTSOURCING CSR TO ESTABLISHED TRUSTS/ NGOs NOT SET UP BY COMPANY/ ITS GROUP ENTITIES	
16.1	Rationale for outsourcing CSR to established NGOs with readymade expertise	144
16.2	Company allowed to 'outsource' by contributing to established NGOs	144
	17	
	ANNUAL CSR REPORT	
17.1	Disclosures required in board of directors' report	146
17.2	Annual report on CSR to be included in board of director's report	146
17.3	In case of foreign company, balance sheet to contain annual CSR report	147
17.4	Display of CSR policy on company's website	147
	18	
	DISCLOSURE OF CSR SPENDS IN ANNUAL ACCOUNTS	
18.1	Expenditure incurred on CSR activities [Clause (k) of Para $5(i)$]	148
18.2	No requirement to disclosure break-up of CSR expenditure incurred	148
18.3	No requirement to disclose computation of 2% of average net profits	149
18.4	No requirement to disclosure shortfall of CSR spends/reasons therefor	149
18.5	Surplus in CSR	149
18.6	Critique of disclosure requirements	149

	CONTENTS	I-18
	10	PAGE
	<u>19</u>	
	CSR DISCLOSURES REQUIRED IN ANNUAL RETURN	
19.1	Requirement to disclose CSR in annual return	151
	<u>20</u>	
	AUDITOR'S DUTIES IN RELATION TO CSR	
20.1	No specific duty to make a statement as to compliance with CSR obligations in auditor's report	152
20.2	Duty to consider CSR while forming and expressing auditor's opinion on truth and fairness of accounts	152
	21	
	DUTY OF SECRETARIAL AUDITOR	
	IN RELATION TO CSR	
21.1	Requirement for mandatorial secretarial audit of the listed Companies and large public companies by practising CS	154
21.2	Duty of secretarial auditor to opine on CSR compliance in Form No. MR.3	155
	DIVISION THREE	
	AUDIT & AUDITOR	
	22	
	AUDIT	
22.1	Definition of "audit"	159
22.2	Objectives of audit	160
22.3	Process of audit	161
22.4	Nature of audit	163
22.5	Inherent limitations of an audit	164
22.6	Audit is not an official investigation into alleged wrongdoing	165

I-	1	9	CONTENTS
_	-	_	CONTENTO

		PAGE	
	23 QUALIFICATIONS FOR AUDITOR		
23.1	Auditor should be independent	166	
23.2	Qualifications of auditors	166	
23.3	Signing of audit report of firm/LLP	169	
23.4	Proprietary firm whether qualifies for appointment as auditor in firm name	169	
	<u>24</u>		
	DISQUALIFICATIONS OF AUDITORS		
24.1	Disqualifications of auditors	171	
24.2	Disqualification of bodies corporate other than LLPs	173	
24.3	Disqualification of officer or employee of the company	174	
24.4	Partner or employee of officer or employee of		
	company	177	
24.5	Holding security of the company	177	
24.6	Disqualification due to indebtedness	184	
24.7	Disqualification of business relationship	186	
24.8	Disqualification - Relative is director/KMP of company	187	
24.9	Disqualification of person in full-time employment elsewhere	188	
24.10	Disqualification - Auditor of more than 20 companies	188	
24.11	Disqualified for 10 years if convicted for fraud	189	
24.12	Disqualification if engaged in consulting services	190	
24.13	Definition of subsidiary, holding company etc. for various disqualifications	191	
24.14	Casual vacancy - Vacancy caused by disqualification	191	
	<u>25</u>		
	APPOINTMENT OF AUDITORS OF GOVT. COMPANIES		
25.1	Definition of Government Companies	192	

	CONTENTS	I-20	
		PAGE	
25.2	Appointment of auditors by Government companies [Section $139(5)/(7)/(8)$]	192	
	<u> 26</u>		
	APPOINTMENT OF AUDITORS IN CASE OF COMPANIES OTHER THAN GOVERNMENT COMPANIES		
26.1	Appointment of auditors by Non-Government Companies	194	
26.2	Manner and procedure of selection of auditors	19 4 196	
26.3	No appointment by Central Government if Auditor not appointed or re-appointed at AGM	198	
26.4	Ordinary Resolution required for appointment at AGM	199	
	<u>27</u>		
	COMPULSORY ROTATION OF AUDITORS		
27.1	Concept of mandatory audit firm rotation	200	
27.2	Rationale of mandatory rotation of auditors - To enhance audit quality	200	
27.3	Companies to which provisions for compulsory rotation of auditor's apply	201	
27.4	Provisions as to compulsory rotation of auditors	201	
	<u>28</u>		
	ROTATION OF AUDIT PARTNERS		
28.1	Rotation of auditor/audit firm <i>vis-à-vis</i> rotation of audit partners	206	
28.2	Enabling provision for rotation of audit partners	206	
	<u>29</u>		
	REAPPOINTMENT OF RETIRING AUDITORS		
29.1	Reappointment of retiring auditor	208	

I-	2	1	CONTENTS
1-	4	1	CONTENTS

		PAGE
	30 REMUNERATION OF AUDITORS	
30.1 30.2	Fixing remuneration of auditors Definition of 'remuneration'	209 209
30.2	Definition of Tentuneration	209
	<u>31</u>	
	JOINT AUDITORS	
31.1	Appointment of joint auditors	210
31.2	Manner of appointment of joint auditors	210
	32	
	REMOVAL OF AUDITORS	
32.1	Removal of auditor before expiry of term	211
32.1	Resolution at AGM Appointing as auditor a person	211
	other than a retiring auditor	213
32.3	Tribunal may direct the company to change its auditors	219
	33	
	RESIGNATION OF AUDITOR	
33.1	What constitutes 'resignation'	222
33.2	Resignation of auditor	222
33.3	Punishment for not complying with above provisions	223
	3.4	
	POWERS AND DUTIES OF AUDITORS	
	AND AUDITING STANDARDS	
34.1	Powers of the auditor of a company	224
34.2	Duty of auditor to inquire into specified matters	225
34.3	Auditor obliged to comply with the auditing standards	229
34.4	Auditor's Report to members on accounts	230
34.5	Statutory affirmations in auditor's report	233

	CONTENTS	I-22
		PAGE
34.6	Reasons for qualified or negative answers to matters in audit report	257
34.7	Duties of auditor-general principles	257
	<i>35</i>	
	REPORTING FRAUDS TO CENTRAL GOVERNMENT	
35.1	Duties of Auditor/Cost Auditor/Secretarial Auditor to report fraud to Central Government	265
35.2	Above provision is based on Singapore Companies Act	266
35.3	Only frauds against company by officers/employees to be reported	266
35.4	Frauds by the company not to be reported	267
35.5	Manner of reporting to the Central Government	267
35.6	No change in auditor's responsibilities regarding fraud prevention/detection	268
35.7	Reporting u/s 143(12) is not a substitute to reporting in audit report	279
35.8	Offence of fraud	280
35.9	Applicable to branch auditors also	281
35.10	Reason to believe vs. Sufficient reason and information	281
35.11	Comparison of fraud reporting obligations under CARO, 2003 and section 143(12) of the 2013 Act	282
35.12	Punishment for contravention of section 143(12)	282
	36	
	BRANCH AUDIT	
36.0	Definition of 'branch office'	283
36.1	Audit of accounts of a branch office	283
36.2	Duties and powers of branch auditor	285
36.3	Duties and powers of the company's auditor with reference to the audit of the branch and the branch	
	auditor	286

I-23	CONTENTS

	27	PAGE
	37 AUDIT IN CASE OF GOVERNMENT COMPANIES	
37.1	Audit report in case of Government Company	287
37.2	Powers of C&AG to conduct a supplementary audit in case of Government Companies [Section 143(6)]	288
37.3	Power of CAG to cause test audit of accounts	288
37.4	Duties of Govt. Company as regards supplementary audit or test audit by C&AG	289
37.5	Summary of powers of CAG under sub-sections (5) to (7) of section 143	289
	38 AUDITOR NOT TO RENDER CERTAIN SERVICES	
38.1	Services which auditor should not provide to the auditee-company	290
38.2	"Directly or indirectly"	291
	<u>39</u>	
	SIGNING OF AUDIT REPORTS	
39.1	Signing of audit reports	293
39.2	Reading out auditor's report in general meeting and inspection of the same by members	294
	<u>40</u>	
	AUDITORS TO ATTEND AGM	
40.1	Notices of general meetings to be forwarded to the auditor of the company	295
40.2	Auditor's duty to attend general meeting and right to be heard at general meeting	295
40.3	Response by auditors to questions at general meetings	296

	CONTENTS	I-24
		PAGE
	<u>41</u>	
	LIABILITY OF AUDITORS	
41.1	Auditor's liability for professional negligence in the realm of law of torts	301
41.2	Concept of "professional negligence" under the law of torts	302
41.3	"Duty of care" vis-à-vis "standard of care"	303
41.4	"Duty of care" as evolved by courts to limit auditor's liability	304
41.5	Efforts made by Companies Act, 2013 to clarify auditor's liability	306
	<u>42</u>	
	DISCIPLINARY JURISDICTION OF NFRA OVER CHARTERED ACCOUNTANTS (CAs)	
42.1	Power of NFRA to investigate and punish professional/ other misconducts of CAs in practice	311
42.2	Disciplinary proceedings by NFRA <i>vis-à-vis</i> disciplinary proceedings under CA Act, 1949	312
	<u>43</u>	
	COST AUDIT	
43.1	Cost Audit	314
43.2	Power of Central Government to prescribe cost records [Section 148(1)]	314
43.3	Power of Central Government to direct audit of cost records (cost audit) [Section 148(2)]	314
43.4	Cost audit shall be by CWA in practice [Section $148(3)/(4)/(5)$]	315
43.5	Cost Auditing Standards [Section 148(3)]	315
43.6	Cost audit report [Section 148(5)/(6)/(7)]	315
43.7	Distinction between cost audit and financial audit	316
43.8	Remuneration of cost auditor	316
43.9	Penal provisions	317

1 25	CONTENTE
I-25	CONTENTS

1-25	CONTENTS	
		PAGE
43.10	Applicability of provisions of section 143 <i>mutatis mutandis</i> to cost auditors	317
	44	
	SECRETARIAL AUDIT	
44.1	Secretarial audit	318
44.2	Secretarial audit by company secretary in practice mandatory for bigger companies	318
44.2A	A Secretarial audit report in Form No. MR-3	319
44.3	Punishment for default in complying with section 204	321
44.4	Applicability of provisions of section 143 <i>mutatis mutandis</i> to secretarial auditors	322
44.5	Comparison of auditor, cost auditor and secretarial auditor	322
	DIVISION FOUR	
	FINANCIAL REPORTING	
	45	
	45 INTRODUCTION	
45.1	Schedule III - General structure	327
45.2	Salient features of Schedule III	328
45.3	ICAI's Guidance	330
	46	
	SALIENT FEATURES OF BALANCE SHEET & PROFIT AND LOSS ACCOUNT	
46.1	Salient features of Balance Sheet format (Part I of Schedule III)	331
46.2	Salient features of Profit and Loss Account format (Part II of Schedule III)	332
46.3	Applicability of Schedule III to Insurance Companies/ Banking Companies/Electricity Companies	333

	CONTENTS	I-26
	47	PAGE
	GENERAL INSTRUCTIONS TO SCHEDULE III	
47.1	General Instructions applicable to both the Balance Sheet and the P&L Account	335
47.2	General Instructions (Notes) for the preparation of the Balance Sheet	345
47.3/4	No need to classify "equity" as current and non- current	352
47. 5	Previous year's classification - Whether required to be changed as a result of change in classification in current year?	352
47.6	Fixed Assets Held for sale - Whether current asset or non-current asset	353
47.7	Investments in preference shares convertible into equity shares within one year from the balance sheet date - Whether current asset or non-current asset?	353
47.8	"Provision for bad and doubtful debts" - Whether to be classified as current and non-current?	354
47.9	Slow moving stock of stores and spares - Whether current asset or non-current asset?	354
47.10	Classification of long-term loan liability when there is a breach of a major debt covenant as on the balance sheet	354
47.11	Long-term loan classified as NPA by bank - Whether to be reclassified as current?	354
47.12	Classification in rollover/refinance cases	354
47.13	3-year loan for a company whose operating cycle is 4 years - Whether current or non-current liability?	355
47.14	Fixed deposits having a maturity of more than 12 months from the balance sheet date - Current or non-current?	355
47.15	FDs not convertible into cash before agreed period in view of lien over FDs	355
47.16	Security deposits from customers/dealers - Whether current or non-current	355

		PAGE	
47.17	Security deposits paid to lessor of premises/security deposits paid for electricity connection	356	
47.18	Net deficit in fund in defined benefit plans	356	
47.19	Provision for Gratuity and Leave Encashment - Bifurcation of current and non-current portions	356	
47.20	Provision for tax (net of advance tax)/advance tax (net of provision) - Current/non-current?	357	
47.21	Provision of 0.25% on standard assets made by NBFC as per RBI directions <i>vide</i> notification No. DNBS.223/CGM (US)-2011 dated January 17, 2011	357	
	<u>48</u>		
	EQUITY AND LIABILITIES		
48.1	Equity	358	
48.2	Liabilities	359	
	49		
	SHAREHOLDERS' FUNDS		
49.1	Presentation of Shareholders' Funds on the face of the 'Balance Sheet'	360	
49.2	Share Capital	360	
	50		
	RESERVES & SURPLUS		
50.1	Reserves and Surplus	368	
	51		
	MONEYS RECEIVED AGAINST SHARE WARRANTS		
51.1	Moneys received against share warrants	380	

	CONTENTS	I-28
		PAGE
	<u>52</u>	
	SHARE APPLICATION MONEY PENDING ALLOTMENT	
52.1	Disclosure of Share Application Money Pending Allotment	381
52.2	When Share Application Money Pending Allotment to be shown under 'Other Current Liabilities'	382
52.3	Disclosures required in respect of share application money received	383
	<u>53</u>	
	NON-CURRENT LIABILITIES	
53.1	Presentation of non-current liabilities on the face of the balance sheet	384
53.2	Long-term borrowings	384
53.3	Net Deferred Tax Liability	398
53.4	Other Long-Term Liabilities	399
53.5	Long-term provisions	401
	<u>54</u>	
	CURRENT LIABILITIES	
54.1	Presentation of Current Liabilities on the face of the Balance Sheet	403
54.2	Short-term borrowings	403
54.3	Trade Payables	404
54.4	Other Current Liabilities	408
54.5	Short-term Provisions	410
	<u>55</u>	
	ASSETS	
55.1	Asset - Definition of	411

I-29	CONTENTS
1-47	CONTENTS

		PAGE
	<u>56</u>	
	NON-CURRENT ASSETS	
56.1	Presentation of non-current assets on the face of the balance sheet	413
	<u>57</u>	
	FIXED ASSETS	
57.1	Classification of Fixed Assets	415
57.2	Classification of Tangible Fixed Assets in Notes to	415
FF 3	Accounts	415
57.3	Classification of Intangible Assets in notes to accounts	417
57.4	Capital work-in-progress	418
57.5	Intangible assets under development	418
	<u>58</u>	
	NON-CURRENT INVESTMENTS	
58.1	Presentation of non-current investments in notes to accounts	419
58.2	Disclosures of investments required by section 186(4) of the 2013 Act	420
58.3	Trade investments	420
58.4	Investment property	420
58.5	Investments in debentures or bonds	420
58.6	Disclosures relating to partnership firms in which the company has invested, etc. (under current and non-current investment in the balance sheet)	421
58.7	"Controlled special purpose entities"	422
58.8	"Nature and extent of investment in each body	122
20.0	corporate"	422
58.9	Basis for valuation	422
58.10	Quoted investments	422
58.11	Aggregate provision for diminution in value	423

	I-30			
		PAGE		
	59			
	NET DEFERRED TAX ASSETS			
59.1	Deferred Tax Asset (Net)	424		
	60			
	LONG-TERM LOANS AND ADVANCES			
60.1	Presentation of break-up of long-term loans and advances in notes to accounts	426		
60.2	Disclosures required by section 186(4) in respect of loans given	427		
60.3	Capital advances	427		
60.4	Details of loans and advances to related parties need to be disclosed	427		
60.5	Other loans and advances	427		
	<u>61</u>			
	OTHER NON-CURRENT ASSETS			
61.1	Presentation of other non-current assets in notes to accounts	428		
61.2	Disclosures of unamortized portion of expense items such as share issue expenses, ancillary borrowing			
	cost and discount or premium relating to borrowings	429		
	62			
CURRENT ASSETS				
62.1	Presentation of current assets on the face of the balance sheet	430		
62.2	Current investments	430		
62.3	Inventories	432		
62.4	Trade receivables (current)	432		
62.5	Cash and cash equivalents	433		
62.6	Short-term loans and advances	434		
62.7	Other current assets	435		

I-31	CONTENTS
1-31	CONTENTS

		PAGE
	<u>63</u>	
	CONTINGENT LIABILITIES AND COMMITMENTS NOT PROVIDED FOR	
63.1	Meaning of the words "to the extent not provided for"	436
63.2	Definition of "contingent liabilities" [as per AS 29/ Ind AS 37]	436
63.3	Disclosure of contingent liabilities in notes to account	438
63.4	Disclosures of Guarantees and Letters of comfort	439
63.5	Definition of 'commitment'	440
63.6	Examples of 'commitments'	441
	64	
	PROPOSED DIVIDEND	
64.1	Proposed dividend related disclosures	442
	65	
	UNUTILISED AMOUNTS OF PROCEEDS FROM ISSUE OF SECURITIES	
65.1	Disclosure of unutilized amounts from proceeds of issue of securities	443
	66	
	PART II OF SCHEDULE III - STATEMENT OF PROFIT AND LOSS	
66.1	Vertical form of profit and loss account prescribed by Schedule III	445
66.2	Definition of "income"	445
66.3	Item I - Revenue from operations	446
66.4	Item II - Other income	448
66.5	Share of profits/losses in a partnership firm/AOP	450
66.6	Share of profits/losses in a limited liability partnership (LLP)	451
66.7	Item III - Total Revenue	451

	CONTENTS	I-32
66.8	Item IV - Expenses	PAGE 451
66.9	Item V - Profit before exceptional and extraordinary items and tax	458
66.10	Item VI - Exceptional Items	458
66.11	Item VII - Profit before extraordinary items and tax	459
66.12	Item VIII - Extraordinary Items	459
66.13	Item IX - Profit before tax	460
66.14	Item X - Tax Expense	460
66.15	Item XI - Profit (loss) for the period from continuing operations	461
66.16	Item XII - Profit/(loss) from discontinuing operations	462
66.17	Item XIII - Tax expense of discontinuing operations	463
66.18	Item XIV - Profit/(loss) from discontinuing operations after tax	463
66.19	Item XV- Profit (Loss) for the period (XI+XIV)	463
66.20	Item XVI - Earnings per equity share (1) basic (2) diluted	463
66.21	Other additional information to be disclosed by way of notes to statement of profit and loss	463
66.22	Other disclosures required in statement of profit and loss by way of a note	466
	67	
	GENERAL INSTRUCTIONS FOR THE PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS	
67.1	Applicability of general instructions for the preparation of CFS	477
67.2	Requirements of general instructions relating to CFS	477
67.3	Disclosures in notes to accounts regarding consolidated entities	478
67.4	Disclosures regarding non-consolidated subsidiaries	478

I-33	CONTENTS
L-00	CONTLINIO

	DIVISION FIVE	
	DIVIDEND	
	<u>68</u>	
	DIVIDENDS	
68.1	Dividends	481
68.2	Right to dividend	481
68.3	Declaration of dividends	482
68.4	No dividend on equity shares if section 73/74	102
00.4	contravened [Section 123(6)]	483
68.5	Sources from which dividend may be declared/paid	484
68.6	Transfer of amounts to reserves is optional [first	
	proviso to section 123(1)]	492
68.7	If owing to inadequacy or absence of profits in any	
	financial year, the company proposes to declare	
	dividend out of reserves [second proviso to section 123(1)]	493
68.8	Interim dividend [Section 123(3)]	494
68.9	Provisions of Table F of Schedule I regarding	121
00.7	dividends and reserves	495
68.10	Deposit of amount of dividend in separate bank	
	account [Section 123(4)]	496
68.11	Dividend to be paid only to registered shareholder	
	[Section 123(5)]	497
68.12	Mode of payment of dividend [Section 123(5)]	498
	40	
	<u>69</u>	
	UNPAID DIVIDEND	
69.1	Unpaid dividend account	499
69.2	Obligation of company to place details of transfer to	
	unpaid dividend account on company's website	
	[Section 124(2)]	500
69.3	Transfer to the investor education and protection	E01
60.4	fund Renal provisions	501
69.4	Penal provisions	501

	CONTENTS	I-34
	70	PAGE
	70 INVESTOR EDUCATION AND PROTECTION FUND	
70.1 70.2 70.3 70.4	Investor Education and Protection Fund (IEPF) Establishment of the fund Amounts to be transferred by company to IEPF Auditor's duties in relation to transfers to IEPF	502 502 502 503
	71	
	AUDITOR'S DUTIES REGARDING DIVIDENDS	
71.1	Whether auditor responsible for improper declaration/payment of dividends	504
71.2	Audit of dividends	504
	DIVISION SIX	
	FUIDE TO CERTIFICATIONS REQUIRES FROM CHARTERED ACCOUNTANT/ COMPANY SECRETARY/COST ACCOUNTANT UNDER COMPANIES ACT, 2013	-
	72 CERTIFICATIONS REQUIRED FROM CA/ COST ACCOUNTANT/CS UNDER COMPANIES ACT, 2013 AND DRAFT RULES	
72.1	Introduction	513
72.2	Certification of e-forms under MCA 21	530
	73 FORM NO. AOC-1 STATEMENT CONTAINING SALIENT FEATURES OF FINANCIAL STATEMENTS OF SUBSIDIARIES, ASSOCIATES AND JVs	
73.1	Salient features of financials of subsidiaries, associates and JVs in Form AOC-1	536

I-35			CONTENTS	
				PAGE
73.2	Inforn	nati	on to be furnished in Form AOC-1	536
73.3	Certifi	cat	ion of statement in Form AOC-1	538
			74	
		F	ORM AOC-3 ABRIDGED FINANCIAL STATEMENTS	
			financial statements - Applicable to listed	70 0
	compa			539
74.2	4.2 Abridged financial statements shall be in Form AOC-3			540
74.3	4.3 Director's report			546
74.4	4.4 Consolidated financial statements		546	
74. 5	5 Audit of Abridged Financial Statements		547	
			APPENDICES	
APPEN	DIX 1	:	RELEVANT EXTRACTS OF COMPANIES ACT, 2013	557
APPEN	DIX 2	:	COMPANIES (ACCOUNTS) RULES, 2014	627
APPEN	DIX 3	:	COMPANIES (AUDIT AND AUDITORS) RULES, 2014	661
APPEN	DIX 4	:	COMPANIES (CORPORATE SOCIAL RESPONSIBILITY POLICY) RULES, 2014	674
APPEN	DIX 5	:	RELEVANT EXTRACTS OF CHARTERED ACCOUNTANTS ACT, 1949	680