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## PREFACE TO THIRD EDITION

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*In view of the changing economic environment resulting in new approaches to company management, new financial instruments for company financing, increased cases of skimming of profit through related party transactions, a comprehensive review of the company law became a necessity. Participation of small investors in the capital market and foreign direct investments largely depend upon good corporate governance and adequate investor protection. On the other hand, corporate activities being an important vehicle of economic growth need to be facilitated through managerial freedom and minimal governmental control.*

*While balancing the two, a considerably longer time has been devoted in finalizing the checks and balances of company management. Over the time, newer dimensions of governance issues have emerged and the Companies Bill continued to be delayed for a fresh round of discussion. Although the stretched law making process delayed implementation of much-awaited reform in company management, the new Act has comprehensively covered all contemporary principles of corporate governance, and presented an exemplary role of corporate citizenship offering profitable companies an opportunity to be part and parcel of the process of social developments.*

*The corporate social responsibility in India, as has been conceptualized and aspired would go a long way in cementing the company as a responsible member of the society and not simply as a profit making vehicle. It will bring social harmony and the Act's local area focus would facilitate the company to justify its presence as a member of the area wherein it operates. This sense of belongingness is critical for growth and prosperity of an artificial juridical person as it is for any individual.*

*The company law and relevant Rules attempted to capture the contemporary governance issues and leaned more towards the active role to be played by the independent directors in company management and balancing the agency cost. At the same breath the new law has charged them with clear cut responsibilities. It gives an*

*unambiguous message that the office of an independent director in a company is not an ornament - it's a responsibility towards the large groups of stakeholders most importantly to the minority shareholders. A person who subscribes the principle of remaining responsible to the stakeholders although being appointed by the majority group is best qualified for the position of an independent director.*

*It has enlarged the list of critical transactions and events which should be carried out at the behest of the shareholders, and has broadened issues to be covered through postal ballot including voting through electronic modes. Improving shareholders' participation in the decision making process is the best way to improve and enlarge the investor base. The new law provides a strong framework for improvising investors' confidence, efficient law enforcing mechanism, environment of mediation and reconciliation and mechanism for summary trial. To achieve better governance the new company law has carried out much awaited reform in financial reporting and company audit. It has imbibed various aspects of the US Sarbanes - Oxley framework that were adopted in the post-Enron scenario for ensuring better governance. The National Financial Reporting Authority is in a way Indian version of the US Public Company Accounting Oversight Board. On the other hand, various exemptions granted to private companies, Government companies, Section 8 Companies and Nidhis are designed to carve out operational inflexibility and introduce ease of doing business. Similarly, the Companies (Amendment) Act, 2015 has inter alia smoothen the approval process of the related party transactions.*

*However, various niceties of the company management covered in the Companies Act, 2013 are widely debated in various forums from different perspectives. This Book attempts to explain and analyse various aspects of the Act and Rules and to some extent the e-Forms. It also includes global comparison of company management for better understanding of the Indian perspectives. For example, audit rotation in bigger companies, cost audit, secretarial audit, audit exemption for small companies, separation of the office of the chairman and managing director should be analysed from global perspectives. Many of those measures are not globally practiced. Moreover, Indian company law has perhaps overplayed with 'professional certification' mechanism.*

*The book is divided into thirty-eight chapters covering highlights of the changes in Chapter 1, and various aspects of company law in the*

*remaining chapters. It also covers wider dimensions of corporate social reasonability including critical analysis of the High Level Committee Report in Chapter 19, SEBI Corporate Governance norms in Chapter 20, internal audit in Chapter 18, cost audit in Chapter 17 and role of company secretaries in Chapter 21. Chapters 14 and 16 detail out accounts and audit. The global comparison of privileges of small companies is covered in Chapter 22. This book includes—*

- ◆ *Companies Act - the unfinished agenda*
- ◆ *Privileges of private companies*
- ◆ *Companies (Amendment) Act, 2015*
- ◆ *Exemptions to Government companies*
- ◆ *SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015*
- ◆ *Secretarial Standards : SS-1 & SS-2*
- ◆ *Ind-ASs - A Set of IFRS converged financial reporting standards*
- ◆ *Global debate on audit rotation*
- ◆ *CARO, 2015*
- ◆ *Internal Financial Control - Kings Report III in South Africa*
- ◆ *Annual return - A redundant legal requirement*
- ◆ *Differential financial reporting framework for SMEs*
- ◆ *Societas Unius Personae : A new name to facilitate cross-border business*

*The book inter alia covers in various chapters the proposed Companies Rules, 2013 and provides reference to Draft Forms in appropriate Chapters.*

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*I welcome suggestions for further improvement of the book. Please e-mail your views to [tpghosh@imtdubai.ac.ae](mailto:tpghosh@imtdubai.ac.ae).*

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