



# **FINANCIAL STATEMENTS, AUDIT REPORT AND ALLIED REPORTING FOR COMPANIES**

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## IN THE PIPELINE

- ▶ More teeth to **NFRA**
- ▶ Stringent disciplinary actions against Big Audit Firm's nefarious designs
- ▶ PMO Initiative on creating great Indian Firms
- ▶ The **PMO** convened a high-level meeting on 06/06/2025 Friday to strategize on fostering the growth of homegrown accounting, auditing and advisory firms, enabling them to better compete with global behemoths like EY, PwC, KPMG, and Deloitte.
- ▶ Chaired by Principal Secretary to the PM Shaktikanta Das, the meeting saw the participation of key officials including Secretaries from the Finance and Corporate Affairs Ministries, and Sanjeev Sanyal, Member of the PM's Economic Advisory Council.
- ▶ While details of the discussions remain under wraps, sources indicate the agenda likely focused on the overall business landscape for Indian firms, potential incentives, and capacity development initiatives. It is anticipated that domestic firms will soon be invited to share their perspectives.

## IN THE PIPELINE

- ▶ The CG is expected to introduce changes to regulatory mechanisms and offer incentives and preferences to bolster Indian firms. Currently, the Indian advisory and consulting market is largely dominated by the 'Big 4' global giants, who secure the majority of govt. contracts, significantly influencing policy formulation and implementation. Though Indian firms like Nangia & Co, Dhruva, and Grant Thornton Bharat are performing well, they require additional support to scale up.
- ▶ A key **rationale** behind empowering domestic firms is to retain talented Indian partners who currently hold senior positions in global firms both in India and abroad. Strengthening homegrown capabilities would also reduce reliance on foreign consultants, particularly in sensitive areas of policy and governance, ensuring stronger domestic contributions to policymaking and implementation.
- ▶ The combined revenue of the Indian arms of Big 4 reportedly reached ₹38,800 crore in FY24, with projections to exceed **₹45,000 crore in FY25**. This significant revenue growth is largely driven by govt projects encompassing project management, financial advice, PSU stake sales, and disinvestment support.

## **AREAS OF DISCUSSION**

- **Compliances- bane or boon?**
- **Recent & impending amdts.**
- **Important compliances-macro & micro**
- **Exemptions to private companies**
- **Formats**
- **Important definitions**
- **Pertinent Issues**
- **Subscription money**
- **Application money**
- **Deposits**
- **Charges**
- **V3**
- **SA 700**
- **Case studies**

## COMPLIANCES - A BANE OR BOON?

- ▶ Compliances & More Compliances
- ▶ **Regulatory overload**
- ▶ Regulators in the Financial services domain-RBI,SEBI,MCA,NFRA,IRDA Etc
- ▶ **CAPEX & OPEX** Of Compliance
- ▶ Need to have a robust **Internal Compliance system**
- ▶ Customized Compliance tools but manual intervention must
- ▶ Income Tax & GST compliances
- ▶ Factories & Labour Laws Compliance extra
- ▶ **Technical** Part & **Procedural** Part
- ▶ Need to have fine **balance** between doing business & dealing with compliance
- ▶ CCO may be more powerful than CEO

## RECENT FRAUDS

- ▶ SATYAM FIASCO
- ▶ SAHARA EPISODE
- ▶ IL&FS –UNDERMINING THE DEBT
- ▶ **INDUSIND BANK**
- ▶ **Emphasis Of Matter Paragraph:** “Internal Trades Derivative Accounting under the head “Other Assets "amounting to 1959.98 crs being accumulated notional profits since FY 2015-16 have been written off as a prior period item in the current financial year.....
- ▶ Incorrect accounting and subsequent reversal of cumulative interest income of 673.82 crore and fee income of 172.58 cr within the current F.Y
- ▶ Certain incorrect manual entries posted in the other assets & other liabilities pertaining to prior years amounting to 595 cr has been set off during the current F.Y
- ▶ The resultant findings from the investigation/review reports , in summary, revealed an involvement of Senior Bank officials ,including former KMP,in overriding key internal controls across the aforesaid functions/areas, and a concealment from the Board and the statutory auditors of the wrongful accounting practices adopted .....

## PLETHORA OF CHANGES

- ▶ “Sought” and obtained Sec 143(3)
- ▶ 3D failure a deterrence
- ▶ 0 added at the end of almost each penalty
- ▶ Digital onslaught
- ▶ Addl. 45 definitions
- ▶ Extended legislation : “prescribed”
- ▶ BEN
- ▶ New concepts such as class action suits, entrenchment, disgorgement,opc etc
- ▶ More teeth to NFRA/SFIO etc
- ▶ Strengthening of MSME
- ▶ RoC/NCLT quasi judicial
- ▶ Decriminalization
- ▶ V3

## IMPENDING CHANGES IN CA13

- **Company Law Committee proposals**
- Increased communication through electronic mode
- Issue of Fractional shares independently by listed/unlisted cos
- Issue of Restricted Stock Units, Stock Appreciation Rights
- **Eliminate the need to file Affidavits - Simple Declaration suffice, Eliminate need for buying stamp paper, trusting the declarants**
- **Resigning Auditors should specifically state whether their resignation is due to fraud/serious wrongs**
- **An independent body with wide powers may be created for Unlisted Cos**
- **BCAJ/990-992/NOV 23**



## RECENT AMENDMENTS

- ▶ **Decriminalization**-fraud, public Interest **Criteria-23/66,7 CO Omitted**
- ▶ Rectification Of Name-Trade Mark Identical-3m Instead Of 6m.If no name change as per order , RoC shall change name.
- ▶ Reduction in time line for rights issue even less than 15 days(Sec 62)
- ▶ **Beneficial Interest (BEN) Provisions Relaxed( Sec 89)**
- ▶ **Periodical Financial Results** By Unlisted Cos-Sec 129A-Audit or limited review-within **30 days** of completion of relevant period( in tune with SEBI(LODR) guidelines( w.e.f 22-1-2021)
- ▶ Relaxations in CSR provisions-set off, no CSR committee if the spent is less than **50 lacs** etc
- ▶ Producer Co provisions introduced to CA13(22-1-21)
- ▶ Remuneration to ID,NED in case of inadequacy of profit(Sec 149(9) & Sec 197(3))
- ▶ **Sec 2(49):Concept of Interested Director omitted(2018 amdt)**
- ▶ **Higher Additional Fee For Repeated Defaults(w.e.f 1.7.2022)**
- ▶ **Lesser Penalty** For Small/OPC (w.e.f 22.1.21)-shall Not Be More Than Half Of The Penalty Specified In The Section Subject To Limit Of 2lacs For Co/1 Lac For OID
- ▶ **No Penalty If AR/FS Filed Within 30 Days From Notice Of Adj.Authority**

## RECENT AMENDMENTS

- ▶ Resolutions passed subject to **Sec 179**, need not be filed with RoC
- ▶ Sec 141(3)(g): the limit of 20 company audits-NA to sc/opc/dc & pvt cos having pusc less than 100 cr
- ▶ IFC u/s sec 143(3)(i)-NA to pvt co which is opc/sc,pvt co or which has turn over less than 50 cr as per latest audited b/s, which has aggregate borrowing from banks/fi, boc at any time during the f.y less than Rs.25 cr
- ▶ **Sec 173(5):Board meeting-opc/sc/start up pvt co—one BM in each half sufficient, gap between two meetings not less than 90 days-nothing apply to opc in which only one director in its board**
- ▶ Sec 174-interested director counted for quorum
- ▶ Sec 185:shall not apply to pvt co in whose sc, no other BoC invested, Borrowings from banks/FI is less than twice of Paid Up sc or 50cr whichever is lower, **no default in repayment of borrowing subsisting at the time of acceptance**

## RECENT CHANGES IN COMPANIES( ACCOUNTS ) RULES 5<sup>TH</sup> AUG 2022

- ▶ As per amdt. issued in 2022 Aug, Indian Govt authorities seek to always have access to BoA at all times
- ▶ Non compliance with this requirement may constitute non compliance with the requirement of law in terms of Sec 128 and impact the auditor's assertion in Report on Other legal and regulatory requirement in 143(3)(b)
- ▶ **Refusal by MNCs to access financial data of Indian entities stored in servers outside India prompted the CG**
- ▶ Cos will be required to take steps to ensure that there is server physically located in India for taking the back up of BoA on a daily basis
- ▶ Rule 3 requirements are applicable to all companies having their servers in India or outside India
- ▶ Offline media of back ups such as tapes, CDs, drives etc may not suffice
- ▶ Hard copy print outs of such back up or retaining back up in pdf or similar format will not meet the requirements
- ▶ Back up to be maintained for 8 yrs **Sec 128(5)**

## IMPORTANT DEFINITIONS/SECTIONS

- ▶ **Sec 2(16) : Charge**
- ▶ **Sec 2(31): Deposit**
- ▶ **Sec 2(40): Financial statements**
- ▶ Sec 2(41): Financial Year
- ▶ **Sec 2(85): Small co**
- ▶ **SEC 73-76A:Deposits**
- ▶ **Sec 77-87 :Charge**
- ▶ **Sec 134-BR**
- ▶ **Sec 143-AR**
- ▶ Sec 179-180 Board's power
- ▶ Sec 185-Loan to Directors etc
- ▶ Sec 188:RPT

## Section 2(40): Financial Statement

“Financial Statement” in relation to a company, includes—

- BS at the end of the F.Y;
- a Statement of profit and loss, or in the case of a company carrying on any activity not for profit, an I&E A/c for the F.Y;
- **Cash Flow Statement for the F.Y;**
- Statement of Changes in *Equity*, if applicable; and
- **Any explanatory note annexed to, or forming part of any document referred to above.**

Provided that the FS, with respect to **OPC, small company, dormant company and private company (if such private company is a start-up)** may **not** include the cash flow statement;

## SMALL CO

- ▶ **[Sec. 2(85)]:** a Company having:
- ▶ a) Paid up share capital does not exceed 50 lacs-**<4 cr** ( Ceiling **10 cr w.e.f 9/2 /2018);and**
- ▶ b) Turnover as per preceding year P & L **2cr-<40 cr** ( ceiling**100 cr w.e.f 9/2/18)**)
- ▶ **Following do not qualify as a Small Company:**
- ▶ Public company;
- ▶ Holding or a subsidiary company;
- ▶ Section 8 Company;
- ▶ Co. or body corporate governed by any special Act
- ▶ Nidhi Co
- ▶ **CARO not applicable** irrespective of borrowing etc

## SMALL VS SMC

- ▶ Even public company can be SMC but public company cannot be small company
- ▶ Small company and small & medium sized companies are two different types, the latter being relevant only for exemption from some requirements of AS.
- ▶ SMC needs to be evaluated only for AS; but **small company needs to be evaluated for various provisions such as applicability of:**
  - ▶ CARO
  - ▶ IFC
  - ▶ Board Meetings
  - ▶ Rotation of Auditors and so on.....

## COMPLIANCES-MACRO LEVEL

- ▶ MAINTENANCE OF BOA  
-ACCRUAL & DOUBLE ENTRY
- ▶ SCHEDULE III
- ▶ AS & SA
- ▶ AUDIT TRAIL
- ▶ SMALL CO-relaxation
- ▶ CARO
- ▶ OPC- relaxation

## COMPLIANCES-MICRO LEVEL

- AUDIT
- DIRECTORS
- DEPOSIT
- CHARGE
- ANNUAL RETURN
- REGISTERED OFFICE
- KYC
- V3



## IMPORTANT COMPLIANCES UNDER CA13

- ▶ ADT-1 - within 15 days from AGM (Fine - ₹10,000 + ₹100 per day (max ₹2 lakh))
- ▶ ADT-3 - within 30 days (Fine - ₹10,000 + ₹100 per day of default (max ₹2 lakh))
- ▶ KYC- on or before 30<sup>th</sup> September (Penalty - ₹5,000)
- ▶ **DPT-3 - 30<sup>th</sup> June** (Penalty - ₹5,000)
- ▶ INC-20A -180 days (Penalty - ₹50,000)
- ▶ DIR-11 - within 30 days (Penalty - ₹10,000 + ₹100 per day (max ₹1 lakh))
- ▶ DIR-12 - within 30 days (Penalty - ₹50,000 + ₹500 per day (max ₹5 lakh))
- ▶ MGT-7/7A - 60 days from the AGM (Penalty - ₹100 per day)
- ▶ AOC-4 – 30 days from the AGM (Penalty - ₹100 per day), **OPC – 180 days from FY end**
- ▶ CHG-1- within 30 days (Late fees apply per MCA slab)
- ▶ CHG-4 - within 30 days (Late fees apply per MCA slab)

MCA launched final set of 38 Company Forms [including 13 Annual filing forms, 6 Audit/Cost audit forms] on **14th July 2025** at 12:00 AM in the **V3 login**.

• <b>AOC-4</b>	• <b>INC-22A</b>
• Extract of Auditor's Report (Consolidated)	• CSR-1
• Extract of Auditor's Report (Standalone)	• CRA-2
• Extract of Board's Report	• CRA-4
• AOC-1	• CRL-1
• AOC-2	• LEAP-1
• AOC-4 NBFC	• Complaint form
• AOC-4 NBFC CFS	• 23C
• AOC-4 CFS	• 23D
• AOC-4 Addendum/CSR-2	• 23B
• AOC-4(XBRL)	• I-XBRL
• MGT-7	• A-XBRL
• <b>MGT-7A</b>	• 20B
• MGT-15	• 21A
• <b>ADT-1</b>	• 23AC
• ADT-2	• 23ACA
• ADT-3	• 23AC-XBRL
• ADT-4	• 23ACA-XBRL
• GNL-1	• 66

## V3 FORM ENHANCEMENTS-HIGHLIGHTS

- ▶ **W.e.f 14<sup>th</sup> July 2025**
- ▶ **38** e forms from V2 to V3
- ▶ To be filled online
- ▶ Introduction to web-based forms, there by **reducing manual efforts**
- ▶ **Auto Pre-filling** of common fields across forms, **ensuring data consistency and effort reduction**
- ▶ Form fields optimization by **removal of duplicate/redundant fields**
- ▶ **Minimization of attachments** by introducing of fields/declaration in the form of **digital attachments**
- ▶ **Addition of Field level validations**, thereby minimizing errors at the time of filling
- ▶ Maximum size of individual attachments increased to **2MB** & overall form size increased to **10MB** except for few forms

## ADT-1

- The responsibility of filing Form ADT-1 lies **with the company** and not the auditor.
- If an auditor is appointed as a casual vacancy in a company, Form ADT-1 must also be filed.
- Although it is not mandatory to file Form ADT-1 for the first auditor appointment, it is recommended to do so. - Section 139(1)
- **Appointment ratification in every AGM done away with(17.5.18)**

### Important Documents

Auditor's written approval for the appointment.

- ✓ Copy of the company's board resolution or a resolution passed in the AGM.
- ✓ Certificate from the auditor confirming their eligibility and not being disqualified under Section 141.
- ✓ Copy of the company's disclosure to the auditor.
- ▶ **Deadline within 15 days**
- ▶ **Ensure that audits are within limits**

## FAQs

- ▶ **ADT-1 is not mandatory for the appointment of first auditor. How to file AOC-4 form without ADT-1 SRN?**
- ▶ Although **Rule 4(2)** of the Companies (Audit and Auditors) Rules, 2014, **only** mentions **Section 139(1)** – appointment of auditors and not Section 139(6) – appointment of the first auditor, it is **recommended** that companies file Form ADT-1 even for the appointment of the first auditor. In case ADT-1 SRN is not available for first auditor, **7999999999 SRN** can be entered
- ▶ Is it mandatory to attach Photograph of the registered office of the Company while filing MGT-7/MGT-7A?
- ▶ **Yes.** It is mandatory to attach latest 'Photograph of the registered office of the Company showing external building and name & address prominently visible' as aligned with the requirements specified in Section 12(3)(a) of the CA13.
- ▶ Registered office is situated in a multi-storied building; the name board will not be outside the building. How do I attach the Photograph in this case?
- ▶ Any photographs taken for this purpose are aligned with the requirements specified in Section 12(3)(a) of the CA13

## ADT-3

- The date of resignation will be the date written in the resignation letter.
- The auditor has to state the exact reasons for resigning.
- These are written in the resignation letter as well as the form ADT-3.
- Other facts relevant to resignation can be anything which is necessary for the company as well as the RoC to know with regard to the resignation.

**ADT-3 on resignation not filed** by Stat.auditor u/s Sec 140(2)& 140(3).

Company penalized upto 2 lacs (M/s Subh Laabh Polymers Pvt Ltd  
RoC, Chandigarh) BCAJ/108/Jan 25

Para **3 clause (xviii)** reporting under **CARO 2020** - Resignation Of Statutory  
Auditors

## DPT-3

- Rule 16 : Furnish information contained as on 31.03 of that year duly audited by the Auditor and declaration to that effect shall be submitted by Auditor in DPT3
- According to **Rule 16A**, all companies that have **received money and have pending loans** are obligated to file Form DPT-3.
- This requirement applies to **all companies**, including small, private, non-small, OPC, and others.
- Both **secured and unsecured loans**, along with advances for goods and services, must be reported in Form DPT-3.
- Even if a Holding Company, Subsidiary Company, or Associate Company obtains a loan, they are also required to file Form DPT-3.
- Under Section 73, the company may face a penalty of a minimum of 1 crore or twice the amount of deposits, whichever is lower, with a maximum penalty of Rs. 10 crore.
- **DPT-3 filing desirable even if transactions not considered as deposits** (except Govt co)
- **Para 3 clause (v) reporting under CARO 2020: Acceptance of Deposit**



## DIR 11 & 12

- ▶ **e-Form DIR-11** is required to be filed for giving notice of **resignation of director** to the registrar **by the Director** itself pursuant to Section 168 (1) of the Companies Act, 2013 and Rule 16 of Companies (Appointment and Qualification of Directors) Rules, 2014.
- ▶ **e-Form DIR-12** is needed to be furnished by **the company** for **Appointment/Resignation** or towards the case of revision in Designation of Directors of the Company through the Company following to Sections 7(1) (c), 168 & 170 (2) of the Companies Act, 2013 and Rule 17 of Companies (Incorporation) Rules 8, 15 & 18 of Companies (Appointment and Qualification of Directors) Rules, 2014.
- ▶ **In case death of a director happens, no need to file DIR11 rather need to file DIR12 as it is tantamount to cessation**



## SUBSCRIPTION MONEY

- ▶ If the Company fails to file Form INC 20A within **180 days** from the date of Incorporation, the **RoC may initiate action for removal of the name of the Company**-Section 10A(3)&248(1) (d)~**Going Concern Matter(SA570)**
- ▶ **Calls can be made** only by a resolution by Board of Directors at meeting-Section 179(3)(a).Subject to AOA the **company can collect interest if call money is paid late**
- ▶ In case of where **subscription money not received** has been credited as paid-up then as per **Schedule III the amount due from the subscriber should be appropriately disclosed in the balance sheet**
- ▶ **What if subscription money under Section 10A is not received by 31st March? It must be disclosed. If still unpaid by audit report date, the auditor may need to qualify the report.**

## DEPOSIT

- ▶ ( Sec 2(31) r.w Sec 73-76A(Chapter V) Companies( Acceptance of Deposit) Rules 2014
- ▶ **Deadline June 30**
- ▶ **Sec 2(31):** Deposit includes any receipt of money by way of deposit or loan or in any other form by a company, but does not include such categories of amount as may be prescribed in consultation with RBI
- ▶ **Private co can also accept deposit from members subject to the limit & conditions (100%(puc+fr+sp) OR**
- ▶ Start up, for **10 years(since 7/9/20,earlier 5)** from the date of inc. which fulfills all of the following
  - Not an associate or subsidiary of any other co
  - Borrowings from banks/FI is less than twice of paid up SC or **50cr** whichever is lower
  - No default in repayment of borrowing subsisting at the time of acceptance

## LOANS Vs DEPOSITS

- ▶ In the case of deposit, it is the depositor who is the **prime mover** whereas in the case of loan, it is the borrower who is the prime mover (Pennwalt India Ltd Vs RoC, Maharashtra (1987))
- ▶ As per sec 143(1)(d), Ar shall inquire whether loans and advances made by co have been shown as deposits.
- ▶ These indicate that those terms are not interchangeable unless there is an express provision to that effect or the context makes it clear that the terms are interchangeable.

## SHARE APPLICATION MONEY

- ▶ **Share Application Money & Capital Structure**
- ▶ **11. What is the time limit for allotting securities against share application money?** Allot within **60 days** of receipt; otherwise refund within 15 days. Else, it is deemed a deposit under Rule 2(1)(c)(vii).
- ▶ **12. Can share application money pending allotment remain for over a year?** No. It invites penal implications under the Companies Act and may need to be reclassified or refunded

## TRANSACTIONS NOT CONSIDERED AS DEPOSITS

- Any amount received by a company from any **other company**
- Any amount received from a person who, at the time of the receipt of the amount, was a **director** of the **company** or a **relative of the director of the private company**;
- **Amt from a director-subsequent cessation does not affect the exemption**
- However, the director of the company or relative of the director of the private company, is required to furnish to the company at the time of giving the money, a **declaration** in writing to the effect that the amount is **not being given out of funds acquired by him by borrowing capital**.

## DEPOSITS & DIRECTOR DISQUALIFICATION

- ▶ The Statutory Auditors are duty bound to report as to whether any director of the company is disqualified or not under **Section 164(2)** of the Companies Act, 2013
- ▶ If a private co received advance for goods/services but such advance is not appropriated for such g/s within **365 days**, it has to be refunded within 15 days. If not done, it will attract **disqualification** of Directors u/s 164(2). The above needs to be reported in AR( Sec 164(2) r.w Sec 143(3)(g) r.w Rule 2 of Deposit Rules)
- ▶ **Now a situation may arise that the company say ABC Private Limited has received advance for goods and/ or services but such advance is not appropriated for such goods and / or services for 365 days. In such a case, such advance needs to be refunded with in 15 days.**
- ▶ If such refund is not made, then disqualification of Directors may arise under Section 164(2) supra
- ▶ The above needs to be taken care of while reporting in the audit report
- ▶ Refer section **143(3)(g) and section 164(2)** read with Rule 2 of Companies (Acceptance of Deposits) Rules, 2014.
- ▶ Is **renewal** of deposit tantamount to receiving fresh deposit?
- ▶ Yes, as held in Jagjivan Hiralal Doshi Vs RoC(Bomb)(1989)- renew means acquire again

## DEPOSITS

- ▶ Any amount received from **an employee** of the company not **exceeding** his annual **salary** under a contract of employment with the company in the nature of non-interest bearing **security deposit**;
- ▶ Any amount brought in by the **promoters** of the company by way of **unsecured loan** in pursuance of the stipulation of any lending financial institution or a bank
- ▶ An amount of **twenty-five lakh rupees** or more received by a start-up company, by way of a convertible note (convertible into equity shares or repayable within a period not exceeding **ten years** from the date of issue) in **a single tranche**, from a person;

By way of Explanation it is clarified that:

- ▶ “Start-up company” means a private company incorporated under the Companies Act, 2013 or Companies Act, 1956 & approved by **Department for Promotion of Industry & internal trade( DPIIT)**



## DEPOSITS:LOANS FROM PROMOTERS

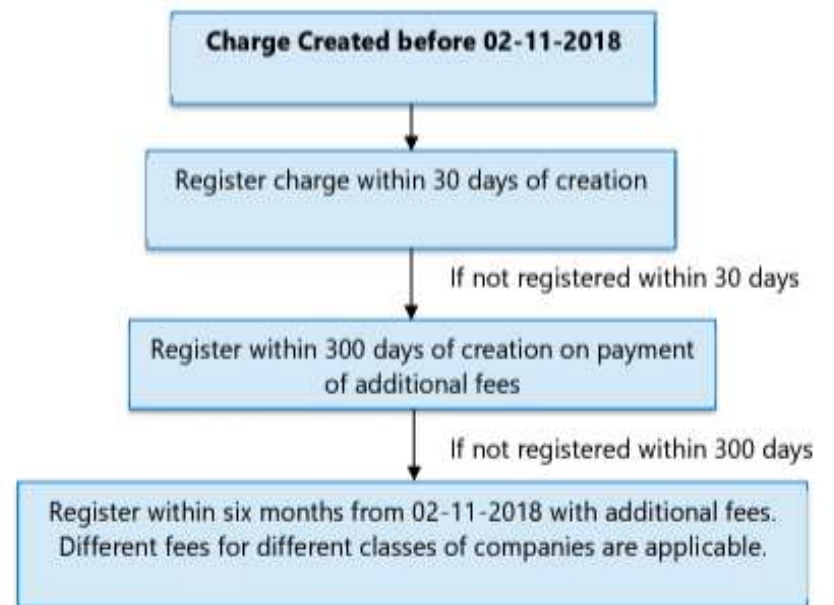
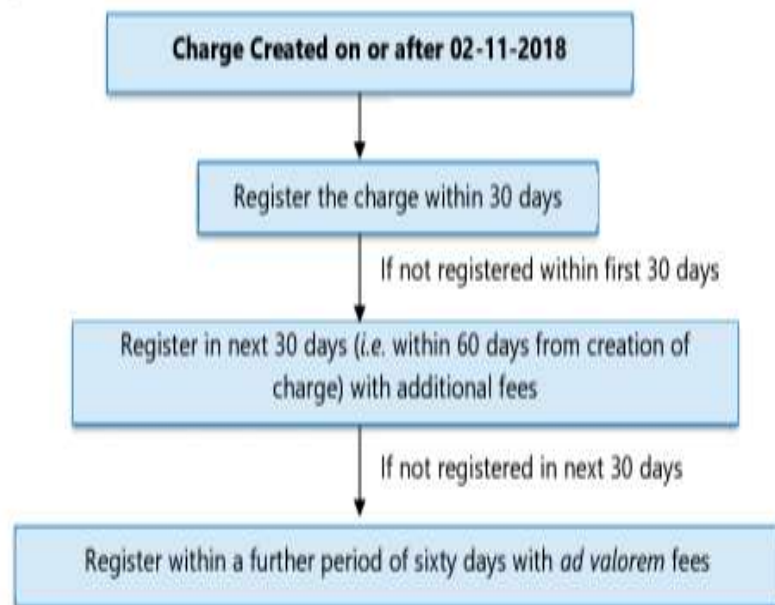
- ▶ SEC 2(31) r.w 143(1)(d):Enquiry & CARO 20-clause(v)
- ▶ Whether loans and advances made by the co have been shown as deposits
- ▶ In the case of a deposit, the accrued interest ceases upon maturity, whereas in a loan, interest is payable up to the date of repayment of loan
- ▶ **Any loan has to fall within the exclusion from the definition of deposit if it were to qualify as loan simplicitor**
- ▶ A person may be a promoter even without being a director/shareholder
- ▶ It is possible to include loan from Promoters in equity
- ▶ **Sec 2(69):** promoter All the parts are separated by **OR**, mutually exclusive
- ▶ **The control envisaged can be direct or indirect**
- ▶ **“ When a loan is accepted from a director who is a shareholder too, one need to look into the exemption from the perspective of a loan from the director and one should not travel to other provisions regarding loan from members.”**



## CHARGE

- ▶ **Sec 2(16):** Means an interest or lien **created** on the **property** or **assets** of the company or any of its **undertakings** or both as **security** and includes a **mortgage**
- ▶ Registration of charge under Companies act and registration of instrument creating the charge are **two** different things
- ▶ Loan taken against fixed deposits as well as car loan availed on hypothecation finance also require regn.
- ▶ **If not done, appropriate reporting required irrespective of CARO applicability.** A combined reading of Sec 2(16) r.w Sec 77 envisages the same.
- ▶ Modification of charge to be registered with RoC as per Sec 79(b)r.w Sec 77.
- ▶ **Restructuring** of Credit facilities **not** tantamount to modification and hence no need to file-NCLT.
- ▶ **The Co shall disclose whether any charge or satisfaction of charge is pending to be registered with ROC beyond the statutory period ,details and reasons thereof**
- ▶ **CHG 1 ,CHG 4 etc shall be signed by IRP,RP or Liquidator for companies under resolution/liquidation , may be filed with RoC(w.e.f 29/08/22)**

## REGISTRATION OF CHARGE



## CARO

- ▶ **Applicability**
- ▶ **Not Applicable to Private Company, if:**
- ▶ Its not a subsidiary or holding of a Public Co.; AND
- ▶ (Paid up Capital + Reserves & Surplus)  $\leq$  Rs. 1 crore as on Balance Sheet Date; **AND**
- ▶ Total Borrowings from Banks/ F.I.  $\leq$  Rs. 1 crore at any point of time during the financial year; **AND**
- ▶ Total Revenue (including revenue from discontinuing operations) under Schedule III  $\leq$  Rs. 10 crores during the financial year as per the financial statements
- ▶ **Merely because CARO is applicable to HC, that does not mean that it will by default become applicable on SC**
- ▶ In respect of **small co**, CARO NA(notification dated 15/09/22) **even if** borrowings from banks/FI exceed 1cr
- ▶ No reporting of IEPF dues in CARO, but as per Rule 11 of Audit & Auditors Rule
- ▶ **Is reporting on internal financial controls mandatory for all companies? No. It's not applicable to: a) OPCs, b) Small companies, or c) Private companies with turnover < ₹50 crore and borrowings < ₹25 crore.**

## TAX AUDITOR vis a vis STATUTORY AUDITOR

- ▶ 1. Is a separate board resolution required to appoint a statutory auditor as a tax auditor as well? **Yes**
- ▶ 2. What is the cap on the number of statutory audits an individual CA in practice can accept? Section 141(3)(g) read with Council Guidelines cap it at 30 company audits per CA in practice, excluding OPCs and dormant companies.
- ▶ 3. Can a CA who is disqualified as statutory auditor, still accept a tax audit from the same company? **No** – refer Section 288 of the Income Tax Act
- ▶ The first auditor needs to be appointed by the Board within 30 days of inc. The BM need not be the first BM after inc. This could be any meeting within 30 days

## FAQs

1. Is application money treated as public deposit? If so under what circumstances?  
when it is o/s for a period of more than 60 days ,need to qualify the report  
if not found adjusted till the date of report.
  2. Can a private co accept deposit from members?  
Yes, subject to the limit of **100%(PuC +FR)**.  
However, for start ups(upto 10yrs) as well as independent pvt co if bank /FI borrowing is less  
than **Twice** of its PUSC or **50 cr** which ever is less & has not defaulted in repayment of borrowing ,  
the maximum is not applicable.
  3. Is BG need to register as Charge?  
Yes
  4. Are loans & deposits one and the same?  
Not exactly, but Sec 2(31) includes both, but enquiry calls for separate  
treatment(**loans and advances made have been shown as deposits** )
  5. Is the resignation of auditor absolves him from reporting fraud?  
**No**
- **What should an auditor do when prior period FS were audited by a different auditor?**  
Disclose name, type of opinion, and reasons (if qualified/adverse) in an **Other Matter paragraph**.

## FAQs

- ▶ Is paid up capital mandatory for private /public companies?
- ▶ No amount prescribed so far. But ,future loan /investments as well as MCA compliance costs to be considered
- ▶ Mismatch in number of Board meetings(actual 6No) given in AR(5No) filed (7A)compared to BR u/s 134.Is it failure of compliance ?
- ▶ Yes, adjudication order passed under Sec 134(M/s **Be Bold & Confident Careers Private Limited** ,RoC ,P&C) Page 106/BCAJ/June 25
- ▶ Are non disclosure of details of sundry creditors,investments,details of share holding in excess of 5% etc in FS attract penalty?
- ▶ Adjudication order passed by RoC (WB) in **Strong Infracon Pvt Ltd**(now Amalgamated with Elite Realcon Pvt Ltd)(BCAJ Aug 23 page 99) case for violation of **Sec 143 r.w Sec 129 r.w Sec 454** in relation to various **non-disclosures** in the FS of the Co( **Sought** & obtained)
- ▶ Whether non disclosure of RPTs u/s 188(violation of provisions u/s 134(3(i)) attract penalty?
- ▶ Yes, as per the decision in M/s **Bluemax Capital Solution Pvt Ltd** (RoC ,Chennai) (BCAJ 135/Sep 24)
- ▶ Is failure to provide **DIN** in the annexure attached to e-forms violation of Sec 158?
- ▶ Yes,(Vaishali Proficient Nidhi Ltd ,RoC,Bihar,BCAJ/97/July 25).Nidhi co does not fall within the ambit of small co u/s 2(85) and as such provisions of Sec 446B of CA13 NA.
- ▶ Can OPC have more number of directors? Yes,upto 15



## FAQs

- ▶ Failure to provide explanations and comments in the BR on the qualifications by St.auditor.Is it attract penalty?
- ▶ Yes, as it is violation of Sec 134(3)**M/s Holitech India Pvt Ltd**( RoC ,UP,123,BCAJ/Dec 24)
- ▶ **How is the financial year determined for newly incorporated companies?** For companies incorporated on or after 1st January, the financial year ends on 31st March of the following year.
- ▶ **What if subscription money under Section 10A is not received by 31st March?**  
It must be disclosed. If still unpaid by audit report date, the auditor may need to qualify the report
- ▶ **When is SR approval needed under Section 180 for borrowings?** If borrowings (excluding temporary loans) exceed paid-up capital + free reserves + securities premium, SR is mandatory.
- ▶ **9. Do private companies need SR approval for borrowings?** Exempt if they've not defaulted in filing financials or annual returns.

## FAQs

▶ **Are SAs mandatory for audits of small and medium-sized entities (SMEs)?**

Yes. SAs issued by ICAI are applicable to all statutory audits conducted under the Companies Act, regardless of the size or nature of the entity.

▶ **Can the auditor adopt a proportionate approach when applying SAs to SMEs?**

▶ Yes. The underlying principles of SAs remain applicable, but the nature, timing, and extent of procedures can be scaled based on entity complexity and risks involved.

▶ Is non filing of financial statements ( violation of Sec 137) even if on account of non holding of AGM including a statement showing reasons for not holding AGM attract penalty ?

Yes ( M/s Shanmugam Traders Pvt Ltd( RoC,Chennai,BCAJ/Jan 25,107)

▶ Can a director of a company give personal guarantee of property to get loan for a company and then give loan to another company through the first company, Second company not subsidiary, he is director in both?

Yes, subject to Section 186 and 185 compliance for onward lending.

▶ Can a company give loan to LLP similarly  
Same as above



## FAQs

- ▶ Does provisional balance sheet need UDIN?

**Yes**

- ▶ **Whether an auditor can issue Revised Audit report in the following scenario:-**

Auditor has given disclaimer of opinion on the internal financial controls over financial reporting. Management is very much concerned and of the opinion that Auditor may consider revising the audit report and issue a qualified opinion based on the fact that management has implemented, post balance sheet date, various reforms to improve the internal controls. Management also seeks the opinion of the auditor whether the modification can be made based on the directions from a statutory authority governing the company (C &AG)

Further to the above, whether an auditor can issue a **revised report** where he has earlier given a disclaimer of opinion?

Also if a supplementary report is given, would that report replace the original report ?

**No**

## CASE STUDY

- ▶ M/s Galaxy Retail Pvt.Ltd.,a distributor of consumer electronics, received an advance of ₹95 lakhs on 5<sup>th</sup> March 2024 from M/s Urban Cart Online Pvt.Ltd for the supply of a bulk order of smartphones and accessories for an upcoming festive sale.
- ▶ The order was split into 3 dispatches:
- ▶ The first shipment worth ₹40lakhs was delivered in June 2024.
- ▶ The second shipment worth ₹30lakhs was invoiced in October 2024,but goods were never dispatched due to warehouse constraints.
- ▶ The remaining ₹25lakhs remained unbilled & undelivered by 31stMar.,2025.
- ▶ M/s Galaxy continued to show the full ₹95 lakhs as" Advance from Customer"in the financials. No refund was issued, and no legal dispute existed.
- ▶ What are the reporting considerations for the year ending on 31stMarch,2025

## EXPLANATION VS COMMENT

- ▶ An **explanation** is a **direct and factual response** to the auditor's observation. It clarifies the reason for the issue. For example, if the auditor qualifies their report because a company didn't follow a specific accounting standard, the board's explanation would detail why that particular standard wasn't applied, providing the facts and justification;
- ▶ A **comment** is a **broader statement** that might express the Board's opinion or perspective on the matter. It could be used to acknowledge the auditor's point, provide additional context beyond just the facts, or outline the steps the company is taking to address the issue in the future.
- ▶ For instance, **a comment could be a reassurance to shareholders that the issue is being rectified**, even if the underlying matter is still present in the financial statements

## BR

- ▶ The Board's Report shall be prepared based on the **standalone financial statements** of the company.
- ▶ In addition, Company shall report on the highlights of performance of subsidiaries, associates and joint venture companies and their contribution to the overall performance of the company during the period under report-Rule8(1)of Companies(Accounts)Rules,2014
- ▶ While the elected Chairperson of the Board Meeting has the inherent right to sign the minutes of the meeting **but** he has **no inherent right to sign the Board's report unless he is specifically authorised** in his capacity as Chairperson to sign such Board's report

## ADVANCE VS DEPOSIT

- ▶ Under Rule 2(1)(c)(xii)(a), an advance received for supply of goods must be appropriated (i.e., either by delivery or refund) within **365 days** from receipt to avoid being treated as a deposit;
- ▶ ₹40 lakhs (delivered): Fully appropriated
- ▶ ₹30 lakhs (invoiced but not delivered): Not appropriated—mere invoicing does not equal delivery
- ▶ ₹25 lakhs: Neither invoiced nor delivered
- ▶ Thus, total unappropriated amount = ₹55 lakhs
- ▶ Since: 365 days from 5-March-2024 expires on 4-March-2025
- ▶ 15-day refund grace period ends on: 19-Mar-2025
- ▶ As on 31st March, 2025, appropriation deadline + refund grace period have already passed—₹55 lakhs becomes a **deemed deposit** from 20-Mar-2025

## Sec 186: LOAN & INVESTMENT BY COMPANY

- ▶ Not more than 2 layers of investment companies
- ▶ Directly or indirectly to any **person**
- ▶ **Person does not include any individual who is in the employment of the co**
- ▶ **MD will come under the above, but Sec 185 will apply**
- ▶ Give guarantee or provide security in connection with a loan to any other **body corporate**
- ▶ **Body corporate include LLP but not partnership firm**
- ▶ **If it exceeds 60%(PUSC +FR+SP) or 100%(FR+SP) whichever is higher**
- ▶ **If exceeds the limit (aggregate of all loans/inv etc), SR required**

# COMMON ERRORS

- ▶ Advance from customers which were not appropriated even beyond 365 days of its receipt was not considered as deposit
- ▶ Credit balance of Profit and Loss was treated as a part of free reserves for computing various thresholds under the Companies Act, 2013
- ▶ One search was carried on the Company but the same was not disclosed in the Directors' Report below the caption "State of Affairs"
- ▶ Minutes book was signed by the director who was not even authorized for the same
- ▶ Statutory auditor was allowed to be continued despite his relative having substantial interest (more than 20 percent) in the company
- ▶ Rent free flat was given for official use by one of the KMP but on his resignation the same was not given back to the company. Despite this, no disclosure for the same was made in the Directors' Report
- ▶ Capital subsidy was not considered for computing profits under Section 198 of the Companies Act, 2013



## BR-POSH & MBA

- ▶ **POSH Details w.e.f. 30-5-2025**
- ▶ Number of complaints of sexual harassment received in the year
- ▶ Number of complaints disposed off during the year; and
- ▶ Number of cases pending for more than **ninety** days
- ▶ A crucial criterion for a private establishment is that it must employ **10 or more persons**. If an establishment has fewer than 10 employees, the MBA, in its current form, may not apply. However, some SGs may have their own laws for smaller establishments;
- ▶ Maternity Benefit Act applies to women who are employed, either directly or through an agency, for wages. This includes all types of employees, whether they are on a full-time, part-time, temporary, or contractual basis.
- ▶ There is now age limit for coverage under the Act

# BR

- ▶ **Approval of financial statement and the Board's report** shall be done at the **meeting of Board**. The approval can not be done by circulation or by committee-Section 179(3)(g)
- ▶ The Board **resolution approving financial statement and Board report** should be filed with ROC in **Form MGT.14** (other than for Private Companies)-Section 117(3)(g) read with MCA Notification GSR 464(E), dated 5-6-2015
- ▶ The Board's report and any annexures there to 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-Section 134(6);
- ▶ In case of OPC, the report shall be signed by one director, where there is one director
- ▶ Some of the clauses of Section 134(3) and Rule 8/8A are not having any occurrence during the FY 2024-2025;
- ▶ In such a case, whether any disclosure is required in the Board Report or not?
- ▶ Do not leave any matter to be disclosed. If no occurrence took place, then disclose this fact

# NUMBER OF BMs

- ▶ **Question:** ABC Private Limited held only 3 Board Meetings in the FY2024-2025. Is it a contravention? However, from January 2024 to December 2024–5 Board Meetings were held by the company.
- ▶ **Assumptions:** Company got incorporated in the year 2010;
- ▶ The gap between two consecutive Board Meetings was within the 120 days period, such that one meeting at least was held each quarter
- ▶ Section 173—the word is 'year'—**ie. calendar year and not the FY**
- ▶ **Interpretation :** Number of board meetings should be only for FY and calendar year need not be considered for report because the report is for FY;
- ▶ Although, the Date on which BM was held is **not asked for** by Section 134(3), it is company's prerogative to give such dates or not. Though it is advisable to give such dates so that the SCN from RoC could be avoided w.r.t. compliance of number of BMs u/s 173

## Loans, guarantees or investments under section 186

- ▶ ABC Private Limited has given loan to its Wholly Owned Subsidiary (WOS) after passing Board Resolution. Under Section 186, such loan transaction is exempted from obtaining special resolution approval if the loan amount exceeds the prescribed threshold (60% or 100% parameters).
- ▶ However, this loan is interest free. Can interest free loan be given to WOS?
- ▶ **No exemption** from interest free loan being granted, i.e. interest needs to be specified
- ▶ Whether such loan transaction is a related party transaction under Section 188 or AS 18/Ind AS 24?
- ▶ Answer: Not a RPT u/s 188 but RPT under AS 18/Ind AS 24

## Audit Evidence

Lack of audit evidence for some items

Qualified Report

Total or substantial non-availability of audit evidence

Disclaimer Report

Matter is significant for users' understanding of F.S. and it is already disclosed in notes of accounts and such matter do not require any qualification

EOM Report

Matter is significant for users' understanding of the auditor's responsibilities

OM Report

## EMPASIS OF MATTER(EOM) & OTHER MATTER(OM)

- ▶ The Ar was able to issue an unmodified opinion but included a strong **EOM** para on **control weaknesses**.
- ▶ **Timely, candid, and informed** interaction between Ars and **TCWG** is essential for audit quality and compliance.
- ▶ If the disclosure is not misleading, but the Ar judges it to be of such importance that it is fundamental to the users' understanding of the F.S, an EOM para is added in accordance with SA 706 (Revised), drawing attention to the disclosure.
- ▶ Report that does not affect Opinion, EOM Para–can influence the understanding about the items contained in F.S.
- ▶ OM Para–in relation to description of auditors' responsibilities such as describing the fact that branch audit was carried out by another Ar etc
- ▶ **EOM : Without qualifying our report, we** invite the attention of users of F.S. to Note 'XYZ' of notes to accounts regarding appropriateness of going concern assumption due to presence of certain mitigating factors as described there in such note.
- ▶ **OM:** We report that we have not considered the audited results of two branches respectively at X and Y as their branch Ars have not furnished their audit report till date. We further report that we have not observed the physical count of inventory as on 31<sup>st</sup> March 2022 as our appointment was made subsequent to that date on 30<sup>th</sup> April, 2022.



## SQC1(Quality Control)

- ▶ A single oversight, an unaddressed independence threat, or poor documentation can have significant consequences, regardless of firm size.
- ▶ it's about practical safeguards for your daily work
- ▶ If their business faces a fraud inquiry, your independence will be questioned by ICAI, and you could face disciplinary action.
- ▶ Bank loan default, your audit file might be empty, making it impossible to defend your work to the bank or a Peer Review.
- ▶ Lack of specific training, no standardized checklist remains unaddressed
- ▶ Adverse comments during Peer Reviews or Quality Reviews on this specific audit area, potentially impacting your firm's grading and future eligibility for certain audits.
- ▶ Proactive quality control is your best defence and a key driver of long-term success.
- ▶ **Familiarity threat** has to be considered



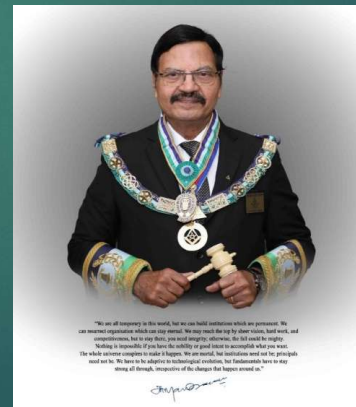
## WORDS OF WISDOM

- ▶ *“Labelling AI merely as a magic tool ,will lead to great injustice. If AI is relied on out of laziness-for example ,if I am too lazy to draft a letter, so I use ChatGPT-it is not the right approach. Instead ,We should compete with AI,Challenge it, and strive to surpass its capabilities.”*

PM Narendra Modi

- ▶ "We are all temporary in this world, but we can build institutions which are permanent. We can resurrect organization which can stay eternal. We may reach the top by sheer vision, hard work, and competitiveness, but to stay there, you need integrity, otherwise, the fall could be mighty. Nothing is impossible if you have the nobility or good intent to accomplish what you want. The whole universe conspires to make it happen. We are mortal, but institutions need not be; principles need not be. We have to be adaptive to technological evolution, but fundamentals have to stay strong all through, irrespective of the changes that happen around us."

**CA TNM**





“

*To be truthful, you need not remember anything at all.*

*“If the writer not sweats, the reader will.”*

— Mark Twain

**THANK YOU ICAI, KOTTAYAM**

**Madhu**