



December -2017

## **E-Newsletter**

### **Alleppey Branch**

**of SIRC of The Institute of Chartered Accountants of India**

Vol. 02

Issue No. 02



**68**  
YEARS OF  
Partner in Nation Building

*Wish you a Merry Christmas  
And Happy Newyear*

#### **INSIDE**

Chairman's Message

Review Of Companies Act 2013

Photo Gallery





Dear Members,

Greetings to all

Like every year the past months have kept all of us busy in Tax Audits and other professional matters.

With a view to enlighten our members in the various professionally challenging areas, the Alleppey Branch has conducted series of CPE Seminars on GST, ICDS and Tax Audit. Let me appreciate the efforts of our members for receiving the seminars well.

We at Alleppey Branch celebrated the CA Day and Independence Day in a grand manner.

The Merit Day was organized on 15th August to congratulate the students who have passed the CA Final, IPCC and CPT exams held in the months of May and June 2017.

With pleasure let me recall the Onam celebration 2017 was a great show with Athapookala Competition and Onam Sadya together with the enthusiastic participation of our members, family members and students.

Now I acknowledge the efforts and valuable contribution of our members as speakers who made it possible the conduct of Study Circle Meetings in our branch.

I am delighted to inform you that the Alleppey Branch has successfully conducted the Certificate Course on GST which was organized by the Indirect Taxes Committee.

With a view to facilitate CA students we are conducting regular and weekend batches of coaching classes for IPCC and CPT, Crash courses for November 2017 exams, mock tests etc.

As the SIRC Regional Conference is scheduled on December 22 and 23 2017, I invite you to mark our participation in large numbers.

Once again, I repeat that it is your active participation which gives us strength and confidence to work for the branch.

Your whole-hearted cooperation is needed.

Regards,

Wish you a Merry Christmas And Happy Newyear

**CA.VasudevanPotti N**

Chairman

## **REVIEW OF COMPANIES ACT 2013 WITH SPECIAL EMPHASIS ON AUDIT**

An Update By  
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### **AREAS OF COVERAGE**

- SIGNIFICANT AMENDMENTS
- MPACT ON PRIVATE COMPANIES
- PROVISIONS IMPACTING AUDIT
- CARO –A SMALL REVIEW
- IFC
- AUDIT REPORT
- MRL

### **SIGNIFICANT AMENDMENTS**

- NO PAID UP CAPITAL CRITERIA
- COMMON SEAL MADE OPTIONAL-25/05/15
- ENTRENCHMENT
- CERTIFICATE OF COMMENCEMENT OF BUSINESS – NO LONGER APPLY (SEC 11)
- AUDITOR CAN NOT ENGAGE IN OTHER ASSIGNMENTS
- P&L ACCOUNT OF A PRIVATE CO ALSO A PUBLIC DOCUMENT U/S 399
- SEC 8 CO CAN BE CONVERTED INTO ANY OTHER TYPE
- PARTNERSHIP FIRM CAN BE A MEMBER IN SEC 8 CO
- REGISTERED OFFICE- FIRST ADDRESS NEED NOT BE SEPARATELY
- NCLT SINCE 1-6-2016

## AMENDMENTS

- RESTRICTION ON PURCHASE BY CO OR GIVING OF LOANS BY IT FOR PURCHASE OF ITS SHARES- SEC 67-Not apply to private co
  - In whose share capital no other body corporate has invested any money;
  - borrowing of such co from banks/fi/any boc is less than twice its paid up share capital or 50 cr whichever is lower and
  - no default in repayment subsisting at the time of transaction u/s 67

## AMENDMENTS

- TWENTY CO AUDIT ASSIGNMENTS- Sec 141- OPC, dormant co, small co &
- private companies having paid up capital less than 100 crore rupees- exempt
- No.of Directors—3 to 15 NA to Sec 8 company
- Through SR- increase beyond 15( NA to Govt co & sec 8 company)
- Provision regarding independent director NA to Sec 8 co
- Sec 165:Max no. of directorships by an individual: 20 ( NA to Sec 8 company).
- Max 10 public co including pvt subsidiaries of public co
- Through SR , a co can limit the directorships of its director to lesser number
- Board Meetings: Sec 175 .First meeting within one month; Minimum 4 board
- meetings with not more than 120 days gap( Ensure that at least one meeting
- within every 6 calendar months- w.e.f 5/6/15)

## AMENDMENTS

- Quorum for Board Meeting: Sec 174
- Either 8 members or 25% of the total strength is less replaces one third of total strength or 2 directors whichever is higher
- The quorum shall not be less than 2 members
- Interested Director- can participate the meeting after disclosure of interest

## AMENDMENTS

- Sec 248(1)(b): Deleted. Prior to that, if the subscribers to MoA not paid
- subscription within 180 days from the date of incorporation — RoC had
- power to strike off(29.05.15)
- Chapter XIX( Sick Companies- Revival & Rehabilitation ( Sec 253 to Sec 269):
- Omitted since the introduction of Insolvency & Bankruptcy Code-w.e.f 15.11.2016



## AMENDMENTS

- WINDING UP BY NCLT
- NCLT constituted w.e.f 1.6.2016
- Unable to pay debts( 1lakh or more) clause omitted.
- Earlier 7 situations, now only 5 —sickness & debt conditions removed
- Chapter XX- Section 304-323 omitted by IBC
- Paid up capital 10 cr or more ( Earlier AND instead of OR) ( w.e.f 29/04/14)  
( From MGT-8) tEvery co shall disclose the details of Specified bank Notes( SBN) held and transacted during
- “ whether the co had provided requisite disclosures in its FS as to holdings as well as accordance with the books of accounts maintained by the company” -Clause (d) Rule 11,

## DEPOSITS

- SEC 73-76A r.w Companies(Acceptance Of Deposit) Rules 2014
- 76A INTRODUCED W.E.F 25/05/15
- Deposit vs loan- no distinction as per definition
- Deposit include any receipt of money by way of deposit or loan or in any other form, except those specific exempted categories.
- Deposit from Director/relative exempt- Declaration required
- Start up company( private company recognized by DIPP/Miiistry Of Commerce & Industry)- 25 lacs or more by way of convertible note exempt
- The stringent conditions regarding DRR, INSURANCE ,CREDIT RATING ETC NA to pvt.co if it accepts deposits from members , monies not exceeding 100% of the aggregate of paid up share capital & FR (w.e.f 5-6-15)
- Deposits in contravention of Sec 73-76, the company shall be liable to fine- 1 crore to 10 crore and officer- 7yrs imprisonment/25 lakhs to 2 crore or with both

## CONT.....

- Every company, other than a private co shall disclose in its FS, by way of notes about the money received from the director
- Sec 447- Penalty & Imprisonment
- Class action suits-Sec 240

## DEPOSITS-EXEMPTED CATEGORIES

- Employee deposit by public co shall not exceed his annual salary
- Advance received during the course of business —to be settled within 365 days
- In case if the advance is subject matter of any legal proceeding before any court of law, the time limit not apply
- Advance accounted for in any manner received in connection with consideration for an immovable property under an agreement/arrangement, such advance is adjusted against such property as per terms of such agreement
- Security deposit for the performance of the contract for supply of goods/provision of services
- Share application money pending allotment- not beyond 60 days
- Deposit received from directors exempt even after the director quits office
- Public co with net worth not less than 100 crore rupees or a turnover of not less than 500 crore- can accept deposit from persons other than its members

## DEPOSITS-EXEMPTION

- Advance towards consideration for providing future services in the form of warranty or maintenance contract as per written agreement/arrangement, if the period for providing such services does not exceed the period prevalent as per common business practice or five years, from the date of acceptance of such service whichever is less
- Advance received under long term projects for supply of capital goods except those pertaining to immovable properties
- Advance for subscription towards publication, whether in print or electronic to be adjusted against receipt of such publications
- If the company accepting does not have permission to receive the three categories , those amount shall be deemed to be deposits within 15 days from the date they become due for refund

## DIVIDEND & PREV.YEAR LOSSES ETC

- Sec 123: Declaration of Dividend
- No co shall declare dividend unless carried over previous year losses and depreciation not provided in previous years are set off against profit of the company for the current year
- Sec 124: Unpaid Dividend Account
- In case any dividend is paid or claimed for any year during the said period of seven consecutive years, the share shall not be transferred to IEPF

## CHARGE

- Broader definition
- Sec 2(16): Means an interest or lien created on the property or assets of aui
- CHG-I for creation/modification-30 days
- Additional fee after 300 days
- RoC shall issue certificate of registration in CHG-2
- RoC shall issue Certification of Modification in CHG-3
- Satisfaction of Charge- CHG-4
- Certificate of Satisfaction by RoC- CHG-5
- Company's register of charges-CHG-7

## FRAUD

- Sec 134(3)(ca) The board report shall include " details in respect of fraud reported by auditor u/s 143(12) other than those which are reportable to the CG"
- Sec 143(12): if the auditor during the course of the performance of his duties as auditor , has reason to believe that an offence of fraud or involving such amount/s as may be prescribed , is being or has been committed in the Co by its officers or employees, the auditor shall report the matter to the CG within such time and in such manner as prescribed"
- If the fraud involving less than the specified amount, the auditor shall report the matter to the audit committee or to the Board in other cases in such manner and in such time
- The companies shall disclose the frauds as reported to Board or audit committee but not to CG, by the auditor, in its report.

## CONT.....

- Sec 447- 6M to 3 years upto 10 years, 300% fine
- Clause 3(x) of CARO 2016
- Above 1 CRORE- CG
- Less than 1 crore- Audit committee/ Board
- Within 2 days
- Boards reply-45 days
- Nature of fraud with description, appropriate amount involved, parties involved
- Boards report include additionally remedial action.



## FRAUD

Sec 447

➡➡➡ Explanation (i) defines fraud as “ In relation to affairs of a company or any body corporate, includes any act ,omission, concealment of any act or abuse of position committed by any person or any other person with the connivance in any other manner , with the intent to deceive, to gain undue advantage from, or to injure the interests of, the company or its shareholders or its creditors or any other person , whether or not there is any wrongful gain or loss.

➡➡➡ Wrongful gain means the gain by unlawful means of property to which the person gaining is not legally entitled.

➡➡➡ Wrongful loss means the loss by unlawful means of property to which the person losing is legally entitled.

## INTERNAL FINANCIAL CONTROL ( IFC)

➡➡➡ Deficiencies in maintenance of books of accounts & documentation

➡➡➡ Non availability of original documents

➡➡➡ Recording of unsupported and backdated transactions

➡➡➡ More book adjustment entries

➡➡➡ Fictitious purchase/sale transactions

➡➡➡ Non maintenance of appropriate Inventory records

➡➡➡ No physical verification at regular intervals

➡➡➡ Non maintenance of fixed assets records/ infrequent physical verification & no proper dealing of discrepancies

➡➡➡ No proper records for leased assets

➡➡➡ Absence of internal control system & no periodical reconciliation of advances, customer dues, payables etc

Any material weakness in any area which will have a direct bearing on the co's financial reporting

➡➡➡ Report a s to its ultimate impact on our opinion on True & fair View

## POWERS & DUTIES

➡➡➡ Sec 143

- 143(3)(a): Whether he has “sought and obtained”      ■ 143(12): Fraud Reporting
- Committed in the company Vs committed against the company ( w.e.f 14/12/2015)
- Less than specified amount-reporting to Board/ audit commiitee



## INTERNAL AUDIT

- Sec 138
- Internal auditor can be- individual, firm, body corporate or firm of internal auditors  
CA or Cost Accountant whether in practice or not
- Whether employee or not
- Listed co-mandatory
- Unlisted public co-
- Paid up share capital-50 cr or more;OR
- T.O-200cr or more OR
- O/s Loan or borrowing from banks/PFI- exceeding 100cr or more at any time during F.Y; OR
- o/s deposits-25cr or more at any point of time during F.Y
- Private Co- T.O criteria OR Loan Criteria apply

## CARO 2016

- NA to OPC/ Sec 8 company/Small company      ➤➤➤ Pvt Ltd Co- applicable if having
- Total revenue as per Schedule III-10 Crore or more &
- Paid Up capital & Reserves- more than 1 crore & does have Total borrowing exceeding 1 crore from any bank/FI at any point of time
- Applicable to subsidiary pvt co.
- Areas to be covered- fixed assets, title deeds of immovable property, inventory, physical verification, granting of loans to Sec189 entities, loans & guarantee ( Sec 185/186), deposits, cost records, undisputed statutory dues, tax dues, default in loan repayment, IPO proceeds, fraud, managerial remuneration, RPTs(Sec 177 & 188), Private Placement/ preferential allotment, Non-cash transactions with Directors( Sec 192) etc.

## SCHEDULE III

- Trade Payables: Total o/s dues of micro enterprises and small enterprises ; total o/s dues of creditors other than micro enterprises and small enterprises (w.e.f 4/9/15)
- Principal & interest shown separately as at year end
- Amount of interest paid by the buyer in terms of Sec 16 of MSME Development Act,2006 along with amount of payment made to the supplier beyond the appointed day during each accounting year

## **SCHEDULE III**

- Bank deposits with more than 12 months maturity shall be disclosed under "Other Financial Assets"
- Share application money to the extent not refundable shall be shown under the head equity. Equity and share application money to the extent refundable shall be separately shown under the head " Other Financial Liabilities"
- An item of income or expenditure which exceeds 1% of the revenue from operations or Rs.10,00,000 whichever is higher ( in addition to consideration of materiality) —shown by separate notes

## **CSR**

- Sec 135 r.w Schedule VII
- Applicable to Private & Public co( subject to the threshold)
- Limit : Net Worth 500 crore/T.O 1000 crore/NP 5 crore
- Entries in the schedule should be interpreted liberally so as to capture the essence of the subjects
- Should be in project/programme mode
- One off events such as marathons, awards/charitable contribution/advertisement/sponsorships of TV programmes not qualified
- Expenses incurred for fulfillment of any act/statute of regulations such as Labour laws, Land Acquisition Act would not count as CSR expenditure

## **CSR CONT.....**

- Salaries paid by companies to regular CSR staff as well as to volunteers of the companies ( in proportion to company's time/hours specifically on CSR) can be factored into CSR project as part of CSR expenditure
- Contribution to corpus of a Trust/society/Section 8 company will qualify as long as they being created exclusively for CSR activities or where the corpus is created exclusively for a purpose directly relatable to subject covered in Schedule VII
- Rules effective since 18/06/14



## **CAPITALIZATION (AS-10 & 16) ( 27/8/14)**

Cost incurred during the extended delay in commencement of commercial production after the plant is otherwise ready does not increase the net worth of fixed assets. Such costs can not be capitalized

In case one of the units of project is ready for commercial production and is capable of being used while construction continued for the other units, costs should be capitalized in relation to that part once the part is ready for commercial production.

## **APPLICABILITY OF SEC 186**

Loans and/or advances made by the companies to their employees, other than managing or whole time directors (which is governed by Sec 185) are not governed by the requirement of Sec 186. If such loans/advances to employees are in accordance with conditions of service applicable to employees and are also in accordance with remuneration policy, the above apply.

## **AUDIT STRATEGY**

- Train ourselves on CA13/ITA 1961/Other relevant statutes
- Train our staff-have weekly professional discussion/presentation by staff
- Have exhaustive check list even if NA because auditor need to seek and obtain
- All the negative/ qualificatory comments by assistants — enquire into
- AS compliance
- SA Compliance
- Legal aspects
- Evaluation of IFC

## **CONT.....**

- Materiality
- CARO applicability- even if not have a CARO out look
- Internal audit applicability
- Collect MRL- no way reduces our responsibility, but still a safeguard
- Clear as to audit Engagement, scope , documentation
- If Encourage senior staff to have proper analytical review, enquire wide
- Open approach to Fraud-Fraud Prone areas-
- StudysAudit Reports of major entities and understand various unique
- Interaction with seniors/contemporaries/juniors.

**MADHU**

# INDEPENDENCE DAY

(15th August 2017)



Independence Day



Independence Day



Independence Day



Independence Day



Independence Day



Independence Day



Independence Day



Independence Day

Photo Gallery



# Photo Gallery



Independence Day



Independence Day



Independence Day



Independence Day

## ONAM CELEBRATION @ ICAI ALLEPPEY



Onam Celebration



Onam Celebration



Onam Celebration





Onam Celebration



Onam Celebration

## CPE SEMINARS



CPE Seminar On Tax Audit By CA R Krishnan



CPE Seminar On Tax Audit By CA R Krishnan



CPE Seminar On Tax Audit By CA Parvathy V



CPE Seminar On Advanced Functions In Ms Excel By CA Sudhakaran KV



CPE Seminar On Advanced Functions In Ms Excel By CA Sudhakaran KV



CPE Seminar On GST By CA Soman NL





CPE Seminar On GST By CA Soman NL



CPE Seminar on ICDS by CA Ravinath R Pai



CPE Seminar on ICDS by CA Ravinath R Pai

## **GST CERTIFICATE COURSE** (October - November 2017)



GST Certificate Course



GST Certificate Course



GST Certificate Course





GST Certificate Course



GST Certificate Course



GST Certificate Course



GST Certificate Course



GST Certificate Course



GST Certificate Course

## STUDY CIRCLE MEETINGS TOPIC GST



Study Circle Meetings Topic GST



Study Circle Meetings Topic GST



# Photo Gallery



Study Circle Meetings Topic GST



Study Circle Meetings Topic GST



Study Circle Meetings Topic GST

## SICASA SEMINARS



SICASA Seminar On GST Returns By CA Soman NL



SICASA Seminar on GST



SICASA Seminar On Tax Audit By CA Rengarajan G



SICASA Seminar On GST By CA Razee Moideen





# THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Set up by an Act of Parliament)  
Alleppey Branch



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