Companies Act 2013- Financial Statements & Consolidated Financial Statements

OVERVIEW OF SECTION 129 OF CA, 2013

Section 129 of the Companies Act, 2013 lays down that the financial statements shall give a true and fair view of the state of affairs of the Company or Companies comply with the

Accounting Standards and the format of those financial statements shall be as per Schedule III of CA, 2013. Sub Section (3) of Section 129 of the Companies Act, 2013 mandates every company to prepare a consolidated financial statement for all the Companies having one or more subsidiaries. The Financial Statements of the Company shall be laid by the Board of Directors before the shareholders at the Annual General Meeting for each financial year.

Key Points to Note in Subsidiary Definition under CA, 2013:

Subsidiary includes Associate Companies and Joint Ventures both in India and Foreign country.

Applicability of Consolidated Financial Statement (CFS):

Private Limited Company

Public Unlisted Company and

Listed Company

Objective of CFS:

The Concept of CFS was brought with an objective of achieving the true and fair view of reporting the position of the company for the financial year, since the consolidated financial Statements are generally considered as the primary financial statements from an economic entity perspective, whereas the standalone Financial Statements projects only the position of the company in its individual performance and it does not provide the true and fair

view to the shareholders about the overall performance of the company with its subsidiaries.

Synopsis:

Currently listed companies which are having subsidiary companies (Associate or Joint Venture is not included in the definition of Subsidiary Company) are required to prepare the consolidated financial statements under the Securities and Exchange Board of India (SEBI) Regulations. Now the CA, 2013 mandates every Listed, unlisted public and private limited companies to prepare consolidated financial statements which are having subsidiary companies as defined under Section 2(8 7) of the Companies Act, 2013, which includes Associate Company and Joint Venture (Both in India and Abroad).

Additional Disclosures:

The Company in addition to the financial statements shall also attach a separate statement containing the salient features of the financial statements of the subsidiaries.

Format of Financial Statement:

The Format of Financial Statement shall be as per Schedule III of the Companies Act, 2013. General Instruction for the preparation of Consolidated Financial Statement are given in the Schedule III of the CA, 2013 which provides an option to the companies to disclose the list of subsidiaries or associates or joint ventures which have not been consolidated in the consolidated financial statements along with the reason for not consolidating the financial statements.

In case of non-Compliance of Accounting Standards:

The Company shall disclose in its financial statements with regard to any deviation from the accounting standards along with the reasons for such deviation and the financial effects, if any arising out of such deviation.

Penal Provisions for non-compliance of section 129 of CA, 2013:

If any company contravenes with the provisions of section 129 of CA, 2013, the following officials viz.,

a) Managing Director

b) Whole Time Director in charge of finance

c) Chief Financial Officer

d) Any other person authorized by Board with the duty of complying with this provision.

e) In the absence of any of the officers mentioned above, all the Directors shall be punishable.

Details of Punishments:

(i) Imprisonment for a term which may extend to one (1) year or

(ii) Fine which shall not be less than Rs. 50,000/- but which may extend to Rs. 5,00,000/- or

(iii) With both.

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