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Editorial

April was a busy month not only for the company secretaries and chartered accountants who were facilitating board meetings, but also our regulators. Read more…

A CALL FOR CHANGE:

Ensuring Certainty of Enforcement: Publish an Enforcement Calendar



Ethical, moral and legal considerations have varying influence in ensuring a compliant corporate sector. Read more…

Compliance calendar



Due dates for Professional tax, Goods and Service Tax, Companies Act, 2013 among others has been captured for your ready reference. View the list…

Gist of Regulatory Changes in Companies Act, 2013, SEBI (LODR), 2015 and Insolvency & Bankruptcy Code, 2016 in the month of April, 2018

Fifteen Regulatory changes in Companies Act, 2013, SEBI(LODR), 2015 and Insolvency & Bankruptcy Code, 2016 was made in the month of April. View the list…

FIRST OF FIRST:

Counting Your Money: The Birth of the Balance Sheet

By Shankar Jaganathan



Financial Statements consisting of the three- Balance Sheet, Profit and Loss Account and the Cash Flow Statements, form the core segment of corporate communication to their shareholders and investors. Read more…

What's New in BLISS?

1. Trigger for First Board Meeting of the Company
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3. Provision to update the changed name
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Editorial

April was a busy month not only for the company secretaries and chartered accountants who were facilitating board meetings, but also our regulators. April saw fifteen changes in corporate law of which eight changes were in the Companies Act, 2013 in the form of notifications, orders and clarifications. The large number of changes seen in the Companies Act, 2013 makes our free to use website www.ca2013.com a valuable, must daily access website for corporate professionals.

With the integration of SEBI regulations like LODR, Prohibition of Insider Trading and Substantial Acquisition of Shares and Takeover Code, with the Companies Act, 2013, out site is drawing increased traffic. We invite your suggestions on what we can do to make this site more useful to you. Please do write to us with your valuable inputs.

In our series the **First of First** we have captured the evolution of Balance Sheet, the first of the three financial statement that emerged. In the next two issues, we will cover the events that led to the introduction of Profit and Loss Account and later the birth of Cash Flow Statement that together forms the full set of financial statements that companies publish to their investors today.

Continuing our series **CALL FOR CHANGE,** in this issue we address the need for predictability in enforcement of laws and regulations that can ensure a more compliant Corporate India, thereby paving the way for a less regulated corporate sector and along with it, as a by-product, enhanced Ease of Doing Business. Our other regular features –**Gist of Changes in the Companies Act** and **Statutory Compliance Calendar** is also included in this issue.

Please feel free to share your feedback with us at contact@cimplyfive.com. We look forward to your feedback with interest and as ever strive to improve the quality of everything we do.

Happy reading,

Shankar Jaganathan
Editor of iComply
May 5, 2018

A CALL FOR CHANGE:

Ensuring Certainty of Enforcement: Publish an Enforcement Calendar

Ethical, moral and legal considerations have varying influence in ensuring a compliant corporate sector. While influence of ethical and moral factors vary among individuals and is determined by their level of sensitivity, the impact of legal factors is more uniform and determined by the level of certainty in enforcement that identifies non-compliance and penalises the errant individuals.

Given the varying levels of uncertainty in enforcement in different countries, their compliance level too varies. As seen by the recent events involving bank scandals in India, the level of compliance in the Indian corporate sector is not only a matter of concern but also a much debated subject. In this article we explore the idea of introducing an Enforcement Calendar that promotes the level of compliance in India and enhances the ease of doing business, paving the way for rapid economic growth and prosperity.

Issue

In India legal provisions framed are quite stringent with elaborate penal provisions. The Companies Act, 2013 has

- 101 sections or sub-sections that provide for monetary penalty in the event of non-compliance and in 59 of these provisions, both the legal entity and its concerned personnel are penalized.
- The monetary penalty ranges from a low of Rs.500 to a high of Rs.2 crores or twice the amount involved whichever is higher
- 56 sections or sub-sections have imprisonment and fines as penalty.
- The minimum imprisonment term is six months and the maximum term is 10 years.

Despite the large number of penal provisions with such stringent penalties, the level of enforcement remains a matter of concern as only 7,892 compounding applications made in financial year 2016-17. However, September 2017 saw drastic action taken by the regulators where more than 2 lakh companies was struck off and 3 lakh directors disqualified from being directors for a period of five years.

Solution

If the dramatic enforcement action of September 2017 needs to go beyond an isolated, one-off event and have a systemic impact there is a need for a predictable scheduled change. Could a fixed enforcement calendar, similar to the compliance calendar be published, detailing the actions scheduled against the defaulting companies along with the penalty that will be levied be published? Can this achieve this objective?

For instance, striking off a company's name from the register of companies and disqualifying its directors, for companies that have not filed their annual return for three years in a row in January of each year could be a good start. To supplement this, companies that have not filed their annual return for any year, along with each of their directors could be issued a show cause notice for levying penalty for non-compliance. Once non-compliant companies being to pay penalty, and this message gets around, rest of the corporate entities would get more sensitized thereby significantly enhancing the compliance levels in the Indian corporate sector.

Counting Your Money: The Birth of the Balance Sheet

Financial Statements consisting of the three- Balance Sheet, Profit and Loss Account and the Cash Flow Statements, form the core segment of corporate communication to their shareholders and investors. The three can be likened to a still photograph, a video film and a slow motion replay of the video film.

Like a still photograph, the balance sheet is at a point of time, on a given date, while the profit and loss account like a video film is for a given duration, which can be for a month, a quarter or an year. When the action is very fast and rapid, as in a fight or dance sequence, a good director shows it in slow motion for the audience to appreciate the nuances. Likewise, the Cash Flow statement is the profit and loss account played in slow motion shorn of all special effects or judgement. It helps an investor appreciate the true business performance shorn of the accountants' judgement.

Like in the photography world, the three came chronologically one after another- Balance Sheet the first, followed by the Profit and loss account and finally the Cash flow statement.

The Concept

Conceptually the balance sheet captures a snapshot of the financial health of business. On one side, it displays all the assets or what the business owns and on the other all the liabilities or what the business owes.

Digging a bit deeper, fixed asset indicate the size of its operations, while the current assets, like the midriff in humans, indicate the health of a business. All other things being equal, like in humans in businesses too, a slim waistline reflected in lean current assets reflects a healthy business.

Turning to the liability side that consists of two main parts- borrowings and credits obtained by the business is a fixed liability where the exact amount stated in the balance sheet is to be paid back to the lenders and creditors, while the amount contributed by the shareholders is a residual liability, who get what remains; this could be higher or lower than what is stated in the balance sheet.

The First of First

The concept of a balance sheet was not new in the commercial world when the companies came into existence and was used much before the advent of companies. However, the presence of a large number of shareholders brought this document out into the public domain, where we can examine its evolution. The evolving name for this financial statement over the years is quite revealing in what it contained and what it intended to communicate.

Year	Nomenclature used	Company
1783	State of Affairs	East India Company of England
1815	The Account of Debits and Credits	Glamorganshire Canal Company
1817	General Account	Kennet and Avon Canal Company
1828	Balance of the Bank	Bank of Bengal
1844	General Balance Sheet	London and Birmingham Railway
1848	Abstract of Balance Sheet	London, Brighton and South Coast

1849	Summary of Balance Sheet	London and South Western
1849	General Statement of Balances	Midland
1850	Balance Sheet	South Eastern
1856	Balance Sheet	The Joint Stock Companies Act, 1856
1902	Condensed General Balance Sheet	United States Steel Corporation
1910	Consolidated General Balance Sheet	United States Steel Corporation
1950	Consolidated statement of Financial Position	United States Steel Corporation

Companies Act, 2013

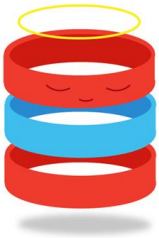
From the time the first Companies Act was enacted in England in 1844, the term Balance Sheet has been used to describe this statement of financial position that acts as a snap shot of the financial health of the company. Continuing this trend, both the Companies Act in India, the one enacted in 1956 and the other in 2013 title this financial statement as 'Balance Sheet as at……'. A practice that is followed by all companies given its mandatory status.

Compliance Calendar

May 7th	TDS payment for April
May 10th	GSTR-1 (Mar 2018): Monthly return for registered persons with aggregate turnover of more than Rs. 1.50 crores
May 15th	Pay PF contribution for April, 2018
	ESIC payment for April.
May 20th	GST Payment for April 2018 - GSTR 3B
	Professional Tax payment
May 25th	PF Return for month of April
May 30th	Submit annual audited standalone financial results along with Auditor's Report to the Stock Exchanges
May 31st	TDS return filing for quarter ended January – March
	Professional Tax Return for April, 2018

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Cimplyfive's Offerings



BLISS is a Cloud hosted software that automates the routines, provides an e-repository, timely alerts and a real-time dashboard, all aimed at ensuring compliance and good corporate governance. By doing so, it also provides complete peace of mind to the Board of Directors and assurance to professionals by providing them with real-time compliance status with respect to the Companies Act, 2013.

BLISSPLUS

An advanced variant of BLISS with multiple premium features like Directors view page, Past records, Automated compliance tracker under the Companies Act, 2013.

BLISS LISTED

An advanced variant of BLISSPLUS for Listed Companies with Companies Act, 2013 and SEBI's LODR 2015 compliances integrated to provide a single point compliance automation, risk manager & e-repository for secretarial records.

BLISSDOCS

An Android/IOS Board app for Directors which provides secure access to Board documents on tablets/mobile phones, facilitates enhanced productivity making the Board meetings more efficient & effective.

CAIRR

CAIRR is a free to use website from CimplyFive that provides at your fingertips, an integrated view of the Companies Act, 2013 & SEBI Regulations. The site is updated daily at 10AM for changes in the Act & Regulations. For more details, visit www.ca2013.com.



Gist of regulatory changes in Companies Act, 2013, SEBI (LODR), 2015 and Insolvency & Bankruptcy Code, 2016 in the month of April, 2018

- **02.04.2018**
  - Companies Act, 2013 notification on amendment to the extension notification dated 05.02.2018

The Central Government have amended the exemption notification dated 05.02.2018 by omitting the term, "Seven years" to provide that even after seven years the provisions of Accounting Standard relating to deferred tax asset and deferred tax liability shall not be applicable to the Government Company which is a public financial institution, Non-Banking Financial Company registered with RBI and generates at least 75% of its total revenue from business of infrastructure finance leasing with Government Companies and entities owned or controlled by Government.

- **04.04.2018**
  - Companies Act, 2013 order on Constitution of Steering Committee on Corporate Social Responsibility (CSR)

Pursuant to orders of the Hon'ble Minister of Corporate Affairs, Steering Committee on CSR is constituted to review the functioning of CSR enforcement and to recommend a uniform approach for its enforcement.

Two sub-committees namely Legal and Technical sub-committees for CSR is also formed to assist the Steering Committee in identification of issues and its deliberation.

The Steering Committee is required to submit its recommendations to the Ministry within 60 days of its constitution after inviting comments of general public through National CSR Data Portal.

- **06.04.2018**
  - IBBI Circular on Clarification regarding compliance with the Insolvency and Bankruptcy Board of India (Insolvency Professionals) (Amendment) Regulations, 2018

IBBI has clarified that every Insolvency Professional Entities(IPE) which are recognised as on 1st April 2018, shall comply with the following provisions:

1. Majority of partners or directors, and whole-time directors as may be applicable, be an Insolvency Professional and none of the partner or director be a partner or director of another IPE, on or before 30th June 2018.

2. The sole objective of IPE should be to provide support services to Insolvency Professionals with net worth not less than 1 crore where majority of investment is made by Insolvency Professionals, on or before 30th September 2018.

It is also clarified that any IPE which fails to comply with the above requirements on continuous basis may be derecognised by IBBI.

- **10.04.2018**
  - Proposed amendment in the Companies (Registration Offices and Fees) Rules 2014

MCA is proposing to amend shortly, the Companies (Registration Offices and Fees) Rules 2014 to levy additional fee @Rs.100 per day for filings under Section 92 (Annual Return) or 137 (Annual Financial Statement) of the Companies Act, 2013. Once notified, the additional fee @Rs.100 per day **(beyond the normal date of filing)** shall become payable in respect of 23AC, 23ACA, 23AC XBRL, 23ACA XBRL, MGT-7, AoC-4, AoC-4 XBRL and AoC-4 CFS.

  - The Companies (Share Capital and Debentures) Amendment Rules, 2018

MCA has amended this rule to provide that every share cerificate should specify the shares that it relates to, the amount paid-up on those shares and be signed by two directors or by a director and the Company Secretary(CS) were a CS is appointed.

In case of One Person Company, the share certificates be signed by a director and the CS or any other person authorised by the Board for the purpose.

It is also provided that where the company has a common seal the same shall be affixed in the presence of persons required to sign the share certificate.

- Companies Act, 2013 Alteration to Schedule I vide Notification No. G.S.R. 362(E)

Explanation is inserted in paragraph II (79) of Table F (Articles of Association of a Company Limited by Shares) and in paragraph II (30) of Table H (Articles of Association of a Company Limited by Guarantee and not having Share Capital) to clarify that by virtue of the Companies (Amendment) Act, 2015 having a Company Common Seal shall not be mandatory w.e.f., 29.05.2015 and hence companies not having a Common Seal may not comply with the provisions of these sub-paragraphs pertaining to Seal.

Paragraph II(2)(ii) of Table F is substituted to give effect to the amended provisions of the above stated rule.

- **12.04.2018**
  - Companies Act, 2013 Notification No. S.O. 1592. (E)

Central Government vide the powers conferred on it by section 2(11)(ii) has notified that Asian Development Bank shall not be included under the definition of body corporate or corporation.

- **13.04.2018**
  - SEBI circular on Introduction of XBRL based Compliance filings for Listed Companies at NSE vide Circular No. NSE/CML/2018/08

NSE has decided to introduce XBRL based Compliance filings for Listed Companies which is identical and standardized across all the Stock Exchanges.

This facility is available for filing reports pertaining to Corporate Governance, Shareholding Pattern and Reconciliation of Share Capital Audit in a common taxonomy adapted from BSE. However, the effective date for implementation of filing Financial Results through this taxonomy is to be intimated subsequently.

- **19.04.2018**
  - IBBI circular on annual compliance certificate for insolvency professional agencies registered under IB code

Introduction of Annual Compliance Certificate for Insolvency Professional Agencies registered under IB Code. An Annual Compliance Certificate is required to be submitted within 45 days from the end of the Financial Year, which is also to be display on the professionals website.

- **23.04.2018**
  - IBBI circular on commencement of Disciplinary Proceedings

The Insolvency and Bankruptcy Code, 2016 (Code) envisages that an insolvency professional may be appointed as interim resolution professional, resolution professional, liquidator, or a bankruptcy trustee if no disciplinary proceeding is pending against him.

The above-mentioned circular clarifies that;

i. A disciplinary proceeding is considered as pending against an insolvency professional from the time a show cause notice is issued by the IBBI till its disposal by the disciplinary committee; and

ii. An insolvency professional who has been issued a show cause notice shall not accept any fresh assignment as interim resolution professional, resolution professional, liquidator, or a bankruptcy trustee under the Code.

  - IBBI circular on Pre-registration educational course under regulation 5(b) of the IBBI (Insolvency Professionals) Regulations, 2016

An individual is eligible for registration as an insolvency professional, subject to meeting other requirements, if he has completed a pre-registration educational course as may be required by the Board, from an insolvency professional agency (IPA) after his enrolment as a professional member.

The above mentioned Circular details the Pre-registration course coverage which shall be delivered by the IPAs of not less than 50 hours either in class room sessions or in Massive Open Online Course (MOOCS).

- SEBI (LODR) 2015 circular on Strengthening the Guidelines and Raising Industry standards for RTA, Issuer Companies and Banker to an Issue

Based on the recommendations of Committee constituted by SEBI on "Strengthening the Guidelines and Raising Industry Standards for RTAs", SEBI has issued the guidelines pertaining to;

i. Provisions for payment of Dividend/interest/ redemption

ii. Provisions for Transfer/Transmission/Correction of error etc. and

iii. Compulsory internal audit of RTAs.

These guidelines are effective from the date of its issue.

- Companies Act, 2013 notification on *Designation of Special Court for the State of Uttar Pradesh*

The Central Government with the concurrence of the Chief Justice of the High Court of Allahabad, has designated 9th Court of Additional District and Sessions Judge, Kanpur Nagar as special court for the state of Uttar Pradesh to ensure speedy disposal of trials in cases where the offence is punishable with imprisonment of two years or more.

- **27.04.2018**
  - Further extension to the Condonation of Delay Scheme, 2018 vide General Circular No. 03/2018

By this Circular MCA has further extended the Condonation of Delay Scheme, 2018 from April 30, 2018 which is a gazetted holiday on account of Budh Purnima to May 01, 2018 for those companies that have defaulted in filing their financial statements or annual returns with the Registrar.

- Further extension of last date for filing E-form AOC-4 XBRL vide General Circular No. 04/2018

By this Circular MCA has further extended the last date for filing E-Form AOC-4 XBRL without payment of additional fee from April 30, 2018 to May 31, 2018 for companies whose financial statements for FY 2016-17 are prepared either mandatorily or voluntarily in accordance with the Companies (Indian Accounting Standards) Rules, 2015.

What's New in BLISS?

BLISS (**B**oard **L**eaders **I**ntegrated **S**oftware **S**olutions) is updated with six new features to enhance productivity, ease of use and enhanced security. The features added are:

1. Trigger for First Board Meeting of the Company: When a newly incorporated Company is registered in BLISS, users will be notified to conduct the first board meeting within 30 days of incorporation. **This makes BLISS more comprehensive.**

2. User initiated reminder mails for pending Action Tracker: For every pending action, the admin or the assignor of the task can send the reminder mail to the assignee reminding of the pending action. **This enhances the workflow feature in BLISS.**

3. Provision to update the changed name: When the name change of a company is approved by the ROC, the admin can update the new name with the effective date in the MCA data section in BLISS. From the effective date for the next two years the new name and the former name would appear on the letterhead of the Company and all other company records where the name of the company is required to be printed. **This makes BLISS more comprehensive.**

4. Provision to Download a merged Attendance Register: BLISS has a provision to upload the signed attendance register for board and sub-committee meetings. At the end of the financial year, users can download a merged attendance register for each category of meeting. **This feature enhances the productivity of the secretarial team.**

About CimplyFive

Vision

Leverage research and technology to eliminate procedural non-compliance risk for entities regulated by the Indian Companies Act, 2013.

Mission

Provide a cost-effective, secure web-based, menu driven, subscription services that provides curated resolutions, timely alerts and informative dashboards to free the management bandwidth for pursuing business goals



CAIRR

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