

FROM THE EDITOR'S DESK

Greetings!

Company legislation in India owes its origin to English company law. Companies acts passed from time to time in India have followed English companies acts with certain modifications to suit Indian conditions. The first legislation in India relating to companies was passed in the 1850 called the Joint Stock Companies Act 1850. The next, Companies Act 1857 came for the benefit of limited liability on the members of companies. This was followed by the Companies Act, 1866. After that, the Companies Act 1882 was enacted which was subsequently replaced by the Companies Act 1913. After the end of World War II, many changes had taken place in the organization and management of joint stock companies; so a further revision was inevitable. The Government of India passed the Companies Act of 1956 based on the recommendations of the Bhabha Committee. This Act contains 658 sections and 14 schedules. The Companies Act 1956 has been amended 24 times since then.

The Indian Parliament passed the Companies Bill, 2013 on 8 August 2013. The Bill has received the President's assent on 29 August 2013, making it a law, replacing the old regulations that govern the corporate sector in the country. It will come into force from date(s) that may be notified by the Central Government. The 2013 Act replaces the Companies Act 1956.

The Act, amongst other aspects, provides for business-friendly corporate regulation/pro-business initiatives, e-governance initiatives, good corporate governance, Corporate Social Responsibility (CSR), enhanced disclosure norms, enhanced accountability of management, stricter enforcement, audit accountability, protection for minority shareholders, investor protection and activism and better framework for insolvency regulation and institutional structure. The objective behind the 2013 Act is lesser Government approvals and enhanced self-regulations coupled with emphasis on corporate democracy.

The followings are the highlights of the Companies Act, 2013:

- The Act has 470 clauses against 658 Sections in the existing Companies Act, 1956. The entire Act has been divided into 29 chapters.
- The Act prescribes 33 new definitions, including Auditing Standards, Associate Company, Chief Executive Officer, Chief Financial Officer, Company Liquidator, Global Depository Receipt, Independent Director,

One Person Company, Related Party, Serious Fraud Investigation Office, Small Company, Unlimited Company, etc.

- The concept of the One-Person Company has been introduced.
- Every Annual Return shall contain additional information like particulars of its holding, subsidiary and associate companies, matters related to certification of compliances, disclosures for remuneration of directors and key managerial personnel, etc.
- The name of the National Advisory Committee on Accounting Standards has been changed to National Financial Reporting Authority.
- Along with financial statements, the consolidated financial statements of all subsidiaries and the company will be prepared and shall also be laid before Annual General Meetings.
- Every company with a net worth of Rs.500 crore or more, or turnover of Rs. 1,000 crore or more or a net profit Rs. 5 crore or more during any financial year shall constitute a CSR Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director. Two percent of the average net profits of the last three years is to be mandatorily spent on CSR.

Cost auditing standards have been granted recognition for the first time under the new Act. This will provide a platform for CMAs to augment the quality of reporting that will benefit companies and ultimately the profession. New professional opportunities will be available to CMAs, not only in cost-related areas, but areas like internal audit, etc., where they can contribute enormously. For example, Section 138 of Companies Act, 2013 specifically requires prescribed classes of companies to conduct internal audits for their operations. In this case, the qualification of the internal auditor has been left open. CMAs have to play an important role to cater to the expectations of the stakeholders.

This issue has a quite a good number of relevant articles and interviews of eminent personalities on the newly introduced and much awaited 'Companies Act 2013'. A new section, 'Letters to the Editor' that started from the last few issues, continues. We look forward to feedback from our readers on the articles and overall development of the journal under this section. Please send your mails at editor@icmai.in. We thank all contributors for this important issue and hope our readers enjoy reading the articles.