THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
(Statutory Body under an Act of Parliament)

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Press Release

The Institute of Cost Accountants of India compliments **Shri Sachin Pilot**, Honourable Union Minister of State, Ministry of Corporate Affairs (I/C), Government of India for revamping the Companies Act 1956 by getting the Companies Bill, 2011, passed in Lok Sabha. The revised bill shall replace the 56 years old Companies Act, 1956.

Companies Bill, 2011 brings about concepts like responsible self-regulation with adequate disclosure and accountability, enhanced shareholders' participation and provides for a single forum to approve mergers & acquisitions and brings the management of the corporate sector in line with global norms.

As per the revised bill, companies must ensure spending at least 2 per cent of their net profit towards corporate social responsibility (CSR) activities to change the way CSR has been perceived so far. The firms having Rs.5 crore or more profit in the last three years to allocate 2% of their profit to ensure that corporate entities contribute meaningfully to society.

The Companies Bill seeks to provide that the Central Government may by notification constitute the **National Financial Reporting Authority** to provide for matters relating to accounting and auditing standards. It shall perform the functions as specified under the clause including monitoring the compliance and overseeing the quality of service of professionals associated with ensuring the compliance with such standards. The authority shall have power to investigate the matters of misconduct committed by any member of Institute of Charted Accountants of India, Institute of Cost Accountants of India or Institute of Company Secretaries of India or any other prescribed profession. The clause further provides for the members, their qualification, terms and conditions of appointment, who shall constitute the Authority. The clause also provides maintenance of books of accounts and other books in relation of its accounts in the manner prescribed by the Central Government in consultation with Comptroller and Auditor General of India.

Appointment of professionals like cost accountants / chartered accountants / other professionals for undertaking internal audit in certain class of companies will help the corporate help in improving the Risk Management capabilities. The new responsibility has also been thrown on the shoulders of the auditors to report the matter to the central government if during the course of their official assignment they have reason to believe that offence involving fraud has been committed against the company by the officers / employees.

The new Bill is expected to improve the quality of corporate governance by strengthening the hand of the Serious Fraud Investigation Office (SFIO). The Bill allows more statutory powers to the government’s investigative arm Serious Fraud Investigation Office (SFIO) to tackle corporate fraud and provides SFIO with powers to conduct searches and seizures on the premise of a fraudulent company. The Bill seeks to give SFIO more teeth and create a National Company Law Tribunal.

The concept of class action suit is introduced wherein depositors or a unit of shareholders can collectively sue the company committing fraud.

Concepts like one person-company and making independent directors and company auditors more accountable, the Bill also seeks to keep a tab on remunerations for the board of directors and other executives of the companies to protect the interest of shareholders and workmen.

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The Bill encourages firms to undertake social welfare voluntarily instead of imposing that through "inspector raj". Safeguarding workmen in the legislation, the new law mandates payment of two years' salary to employees in companies which wind up operations.

It also includes annual ratification of appointment of auditors for five years and introduction of a new clause related to offence of falsely inducing banks for obtaining credit.

The amended legislation limits the number of companies an auditor can serve to 20. It prescribes stringent rules for auditors, and seeks to protect small investors by regulating entities such as chit funds, the oversight of which was previously a grey area.

The revised Companies Bill will not only bring about greater transparency in the corporate sector, but will also make companies more accountable. The Bill provides for greater protection of minority shareholders and employees, seeks to reduce gender disparity by mandating at least one woman director in certain companies.

The law also mandates that companies publish the average salary of their employees along with the current practice of stating the remuneration of their board members.

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