



Date: 01 July 2020

**VIRTUAL COACHING CLASSES  
ORGANISED BY BOS, ICAI**

**FOUNDATION LEVEL  
PAPER 1: PRINCIPLES AND PRATICE OF  
ACCOUNTING**

**Faculty: CA VS Hiranmai**



# CHAPTER 10-Company Accounts

---

- This chapter has 3 units dealing with the introduction, Issue and forfeiture of shares and issue and redemption of premium.
- Meaning of **Company**- It is a latin word read as “Com” coming together, “panis” means having bread. In the olden days the business was discussed over any gatherings. But now, the company has assumed wide significance and it forms one of most important types of business organization.
- Under the modern law, for an organization to be called as a Company, should be registered under the Companies Act, 1956. The moment it gets registered itself, it will be called as a company with the following characteristics assigned to it-
  - **Incorporation**- as mentioned above, an organization will be given a status of company by law only if it is registered under the Companies Act, 2013.
  - **Separate legal entity**- Once registered the company gets a separate legal entity with its common seal and can take all decisions related to the business.



# CHAPTER 10-Company Accounts

---

- Under the modern law, for an organization to be called as a Company, should be registered under the Companies Act, 1956. The moment it gets registered itself, it will be called as a company with the following characteristics assigned to it-
  - **Perpetual existence**- The company continues to exist irrespective of the members.
  - **Common seal**- It is the signature of the company through which there is legal binding created on the company.
  - **Limited liability**- Unlike in the other forms of the business, the liability of the members in a company is limited to the unpaid value of shares held by them.
  - **Distinction between ownership and management**- The members who are basically the shareholders are different from the management- who are the personnel responsible for carrying out the business on a daily basis.
  - **Maintenance of books**- A company shall maintain the books periodically as prescribed under law which will be subject to audit every year.



# CHAPTER 10-Company Accounts

---

- **Types of companies**

- Government company
- Foreign company
- **Private company**
- **Public company**
- One person company
- Small company
- Listed company
- Unlimited company
- Co limited by shares
- Co limited by guarantee
- Holding and subsidiary company



# CHAPTER 10-Company Accounts

---

- **Maintenance of books and preparation of Financial statements-**

- Every co as per Sec 128 of the Companies Act, 2013 shall prepare the required books at its registered office and prepare the financial statements for every financial year as per Section 2(40) of the Companies Act, 2013.
- Financial statements include
  - A balance sheet at the end of the year
  - A profit and loss account- in case of profitable co and Income and expenditure account in case of non profit company.
  - Cash flow statement showing the changes in the cash position
  - A statement of changes in equity- change in the share holding
  - Notes to accounts or any explanatory statements forming part of the financial statements.



# CHAPTER 10-Company Accounts

---

- **Maintenance of books and preparation of Financial statements-**
  - Financial statements comply with the following-
    - Any specific acts such as Electricity, Insurance and Banking Act. The financial statements of those companies have to be in accordance with the rules laid in the respective acts.
    - Comply with the relevant and applicable accounting standards
    - With schedule III of the Companies Act 2013- AS per Sec 129, the Financial statements shall give a true and fair view of the affairs of the company.
    - Part I of Schedule III- Balance sheet format- refer to page- 10.8
    - Part II of Schedule III- Profit and loss format- refer to page- 10.13



---

**THANK YOU**