Reforms in Corporate Accounts and Auditing Practices in Light of Companies Act 2013 - A Practitioner's View

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Abstract- **The transition from Companies Act, 1956 to Companies Act, 2013 has been an eventful one as several bills and committees have deliberated on the impact of global corporate law jurisprudence on Indian corporate houses, Australia, UK, and the European Commission, In terms of global competitiveness, the new Companies Act has important provisions that are unique to India. Some of the game-changing provisions include mandatory women directors, corporate social responsibility (CSR), audit reporting requirements and One Person Company, and most importantly there is change in accounting practices namely changes in asset accounting techniques. Business and investors have at times expressed their concerns about the practical aspects of applying due Companies Act However, they have also shown confidence in the system due to induction of some of the world-class best practices and have welcomed the changes as an attempt to restore the appeal of Indian business and doing business in India. Regulatory checks, accountability and governance standards in India have received a serious boost with the introduction of new concepts. This paper will help to give an idea about the awareness and opinions of practitioners regarding the changes in Companies Act 2013.**

Keywords- corporate accounts; auditing practices; reforms; Companies Act 2013

I. INTRODUCTION

This document is a template. An electronic copy can be downloaded from the journal website. For questions on paper guidelines, please contact the publications committee as indicated on the journal website. Information about final paper submission is available from the journal website Regulatory checks, accountability and governance standards in India have received a serious boost with the introduction of the new Companies Act 2013. Businesses and investors have expressed confidence in the Act's ability or induce transparency and welcomed the legislation as an attempt to restore the appeal of Indian business. The Government of India introduced this landmark legislation at the beginning of the fiscal year 2014.

The Companies Act 2013 has been enacted to consolidate and amend the law relating to the companies. The changes in the existing company law e Companies Act 1956) was indispensable due to change in the national and international economic environment and for expansions and growth of economy of our dlP9eCentral Government decides to replace the Companies Act 1956 with a new legislation to meet the changed economic environment and to further accelerate the expansion and growth for the economy.

Accounting is the language through which the performance and financial status of an enterprise are communicated to the outside world. In order that the messages communicated through the accounting language are understood by the users, there should be certain common principles. Accountants all over the world agree on certain basic points on which financial accounting theory and practice are based, which are commonly referred to as "accounting principles" 'postulates of accounting', 'accounting concepts',' accounting conventions' and 'accounting standards.

Accounting principles, in other words, are those rules of action or conduct which are adopted by the accountants universally while recording business transactions. They are a body of doctrines commonly associated with the theory and procedure of accounting serving as an explanation of current practices and as a guide for the selection of conventions or procedures where alternatives exist. Accounting principles are also known as accounting postulates or accounting assumptions.

The word "Audit is originated from the Latin word 'audire' which means 'to hear'. In the earlier days, whenever there is suspected fraud in a business organization, the owner of the business would designate a person to check the accounts and bear the explanations given by the person responsible for keeping the account and funds. In those days, the audit is done to find out whether the payments and receipts are properly accounted for or not.

The objective of modern-day accounting is not only for the verification of cash but to report the financial position of the undertaking as disclosed by its Balance shout and Profit and Loss account.

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II. REVIEW OF LITERATURE

a) From the observation of Mr. Nishith Desai, the following can be concluded- that the Companies Act 2013 has introduced significant changes regarding the board composition and has a renewal focus on board processes. Whilst certain of these changes may seem overly prescriptive, a closer analysis leads to a compelling conclusion that the emphasis is on board processes, which over a period of time would depend on the presence of certain individuals on the board.

b) From the viewpoint of various CA professionals - The 2013 at has ushered in a new era of corporate democracy making a titanic shift from "government control to" self-governance ". 2013 Act has a number of measures and for protection of the minority, holders like tighter norms on companies from raising public deposits, filing class-action suit each. The introduction of concepts of KMP, independent director and woman director is aimed at ushering quality professionals at management/board level. The provisions relating to transactions with related parties have been simplified; at the same time scope of it being misused to the detriment of minority shareholders has been prevented. The 2013 Act contains several welcome measures to boost M&A activities by allowing a merger of Indian companies with foreign companies, putting in place a fast track mechanism for a merger between wholly-owned subsidiaries and holding company/merger between small companies and exit to minority shareholders at price determined by the value. All eyes are on the final Rules to be issued by MCA after considering suggestions received from stakeholders on the draft Rules. The Rules, once finalized, will provide far more clarity on the operational modalities of the 2013 Act

c) From the point of view of CA Nishant Sharma & CS Rachita Dang - as the time passes & corporate sector bet & more integrated with the society there in need to incorporate necessary changes in corporate laws governing this sector & the companies. No doubt the introduction of a very comprehensive Companies Act, 2013 is a milestone but the concerns are about its implementation. No act is helpful if it is not implemented in its spirit, similarly, there is also a need to have unified laws for corporate sectors to remove ambiguities due to the existence of multiple acts & statutes. Companies Act, 2013 overcomes some of the major loopholes of Companies Act, 1956 but there might be some loopholes with company Act 2013 as well especially when in the areas where it does not provide for punitive or criminal actions like in the case of Section 135. So, there is a need to have a re-look at some of the parts of the newly introduced Act

d) As per ICSI- the Indian Companies Act 2013 replaced the Indian Companies Act, 1956. The Companies Act 2013 makes comprehensive provisions to govern all listed and unlisted companies in the country. The Companies Act 2013 implemented many new sections and repealed the relevant corresponding sections of the Companies Act 1956. This is landmark legislation with far-reaching consequences on all companies incorporated in India.

e) CA Deepak Gupta has his own interpretation of Companies ACT 2013- The new law transits company secretaries to corporate governance professionals. It brackets the in the category of key managerial personnel and holds them responsible for the implementation of all relevant laws applicable to the companies. It envisages a much larger role for them in the areas of secretarial audit, restructuring, liquidation, valuation and much more. 43 Companies Act, 1956 via-à-visa Companies Act 2013. The Companies Act, 2013 is progressive and forward-looking which promises improved corporate governance enhanced disclosures and transparency, facilitation of responsible entrepreneurship, increased accountability of company managements and auditors, protection of interest of investors particularly small and minority inventors, better shareholder democracy, facilitation of corporate social responsibility (CSR) and stricter enforcement processes.

III. OBJECTIVE

a) To know the perception of accounting practitioners on the rules and regulations of the Companies Act 2013 about accounting

b) To know the perception of accounting practitioners on the inspection and role of auditors' in line with the new Companies Act, 2013

c) To study the reaction of accounting professionals on appointment, retirement, qualification, disqualification, removal of auditors.

d) To study the practical problem and opinions of the practitioners and chartered accountant in the wake of the new Companies Act, 2013.

I. METHODOLOGY

a) Research Design: -The aim of the project is to understand the changes in Companies Act 2013 in accounting and audit practices. This is to recognize the reactions of the professionals about the changes.

b) Research Type: - The data for this project are collected from both primary as well as secondary sources.

c) Sample Size: - 30

d) Sample Selection Process: -Convenient sampling process

e) Data Collection Technique: - Through a survey method questionnaire and searching data through internet surfing and books.

f) Data Source: - Primary data are collected through a structured questionnaire containing 36 questions and administered to 30 respondents. Secondary data are collected through several books, journals, and relevant electronic media.

g) Survey Period: - As the survey is a combination of both primary and secondary data so the secondary data are collected from 4years (2013-2016). The primary data are collected from the date of topic selection i.e. August 2016 to finish the project i.e. January 2017 which is 6 months.

h) Data Analysis and Presentation Technique: -For the analysis of the project the help of various pie-charts, bar charts, line charts are taken.

V. LIMITATIONS OF THE STUDY

The most important limitation of the study is the lack of respondents of the questionnaire. The limited knowledge of the subject matter leads the respondents to answer the questions without understanding their meaning. Some professionals by whom, the questionnaire is solved tends to give a false answer to make the answer more presentable.

VI. ANALYSIS & FINDINGS

Analysis of the survey is described in the following table-1 with the percentages of each response options

TABLE-1 RESPONSE OPTION

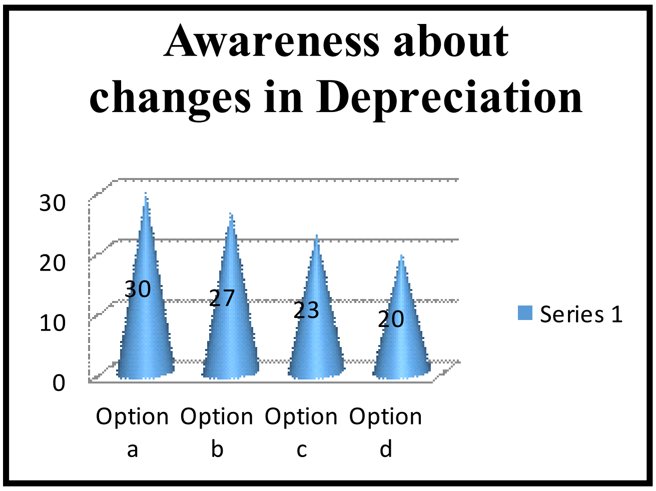
SL. NO.	Statement	Option a	%	Option b	%	Option c	%	Option d	%
1	Awareness about changes in depreciation	Fully aware & following the change	30	Aware but not following the change	27	Partially aware	23	Unaware	20
2	Opinion about changes in depreciations	Required for fair disclosure	33	Required for best international practices	27	Redundant & will increase complications	27	Not required	13
3	Awareness about changes in CFS	Fully aware & following the change	33	Aware but not following the change	23	Partially aware	30	Unaware	13
4	Opinion about changes in CFS	Required to assess the position of the company	23	Required for best international practices	13	Redundant & will increase complications	33	Not required	27
5	Awareness about changes in financial year	Fully aware & following the change	37	Aware but not following the change	27	Aware but not following the change	27	Unaware	10
6	Opinion about changes in financial year	Yes, as it will make comparison easy	23	Yes, as it will help to follow international accounting year	27	No, as it will complicate things	30	No, as it will increase time & cost	20
7	Awareness about changes in restatement of accounting statement	Fully aware & following the change	27	Aware but not following the change	33	Aware but not following the change	30	Unaware	10
8	Opinion about changes in restatement of accounting statement	Yes, as there is scope for voluntary restatement	30	Yes, as it will help to follow international practices	17	Yes, as it is approved by SEBI	27	No, as it is a difficult provision	27
9	Awareness about changes in reappointment & tenure of auditor	Fully aware & following the change	37	Aware but not following the change	23	Aware but not following the change	27	Unaware	13
10	Opinion about	Yes, as it will	17	Yes, as it is an	27	No, as it will	43	No, as it	13

	changes in reappointment & tenure of the auditor	prevent non-professional relation between auditor and client		international rule		only increase hazards		will take too much time and fund	
11	Awareness about mandatory rotation of auditor	Fully aware & following the change	30	Aware but not following the change	23	Aware but not following the change	37	Unaware	10
12	Opinion about the mandatory rotation of auditor	Yes, as it will prevent non-professional relation between auditor and client	33	Yes, as it is an international rule	33	No, as it will only increase hazards	20	No, as it will take too much time and fund	13
13	Awareness about changes in eligibility of auditor	Fully aware & following the change	27	Aware but not following the change	33	Aware but not following the change	27	Unaware	13
14	Opinion about changes in eligibility of auditor	Yes, as it will prevent non-professional relation between auditor and client	23	Yes, as it is an international rule	30	No, as it will only increase hazards	30	No, as it will take too much time and fund	17

Source-primary data

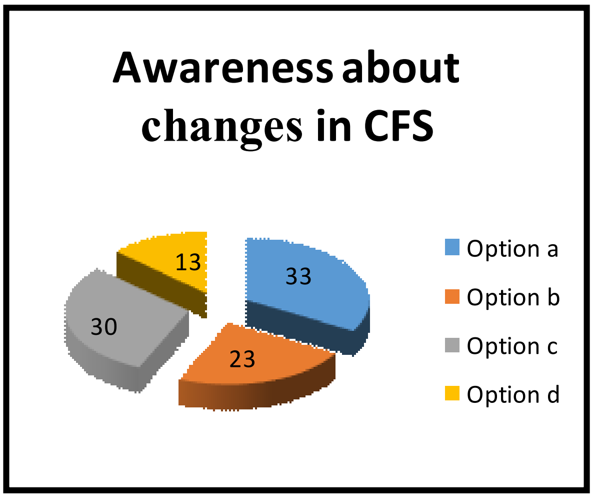
Some of these findings are shown with the help of bar charts and pie charts

Chart-1



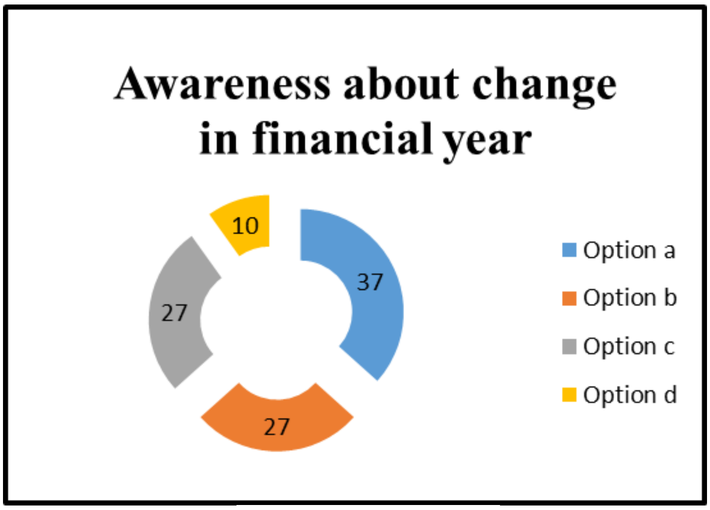
Source-primary data

Chart-2



Source-primary data

Chart-3



Source-primary data

VII. INTERPRETATION OF THE TABLE-1

a) SL.NO. 1 - From the table, it is interpreted that maximum of the respondents (30%) are fully aware and using the changes in depreciation followed by the respondents (27%) who are aware but not using he changes the least number of respondents (20%) are unaware of the changes.

b) SL.NO. 2 - The maximum number of the respondent (33%) thinks the changes are needed to follow as they lead to fair discloser practice as well as the least number of respondents (13%) think it is no required at all as it will only increase the subjective biases.

c) SL.NO. 3 - The maximum number of the respondent (33%) are aware of the changes in CFS and implementing it. The responses (14%) which came in the favour of unaware are the lowest

d) SL.NO. 4 - From the above, it can be concluded that the highest number (33%) of responses are in favour of, not required as it will only increase the and the lowest responses (13%) are in favour of required for keeping up with the international need

e) SL.NO. 5 - From the table, it can be concluded that the maximum respondent (37%) are fully aware and taking into consideration of the changes in the financial year followed by the number of the respondent (27%) who are aware and processing the changes as well as who are partially aware. The lowest responses (10%) are in favour of unaware.

f) SL.NO. 6 - The maximum number of the respondent (30%) thinks the changes will only increase the complication and so on.

g) SL.NO. 7 - from above it is clear that the partial awareness about changes in restatement in accounting statements are maximum (33%) and the lowest response is in the unaware option (10%).

h) SL.NO. 8 - It is clear from above that maximum respondents (30%) think that the change is a good idea as there are scopes of voluntary restatements. The minimum respondent (7%) think it is not a good idea.

i) SL.NO. 9 - By examining the table it is clear that the maximum number of respondents (37%) and fully aware and following the changes in reappointment and tenure of auditors and so on.

j) SL.NO. 10 - From above the maximum respondent (47%) thinks the change is a hazard and so on.

k) SL.NO. 11 - The table depicts that maximum respondents (37%) are partially aware of the changes in mandatory auditor rule. The minimum responses (10%) are from them who are completely unaware of the changes.

l) SL.NO. 12 - From the table maximum responses (33%) are in favour of both options a and b. The lowest are the responses (13%) which supports the idea that the change is going to increase the cost and will consume more time for conducting auditing

m) SL.NO. 13 - Maximum responses (33%) are in favour of aware but not following and minimum responses (13%) are in favour of unaware

n) SL.NO.14 - The table depicts that maximum responses are in favour of both option b and c.

VIII.CONCLUSIONS

From the study and the analysis, it is cleared that there are differences among the opinions of the respondents. Following conclusions can be made from the observation-

Maximum respondents support the change in depreciation accounting as it is a practice of fair and full discloser whereas maximum respondents do not support the change in CFS as they think that it will increase the complication in the balance sheet. On the other hand, maximum respondents do not support the change in the financial year as according to them it will complicate the situation. The study also found that, maximum respondents support the change in the restatement of financial reporting as there is a scope of a voluntary re-statement. It also disclosed that maximum respondents do not support the change in reappointment and tenure of the auditor as they think it might increase the hazards. Finally, it gives the insight that maximum respondents support the change in mandatory rotation of auditor as according to them it will prevent the creation of non-professional relation between the auditor and the client.

IX. REFERENCES

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