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SECTION 132. CONSTITUTION OF NATIONAL FINANCIAL REPORTING AUTHORITY

[Sub section (3) and (11) notified w.e.f. 21st march, 2018, sub section (1) and (12) notified w.e.f. 1st October, 2018, remaining sub-sections notified w.e.f. 24th October, 2018]

(1) The Central Government may, by notification, constitute a National Financial Reporting Authority [\[9\]](#) to provide for matters relating to accounting and auditing standards under this Act.
(2) Notwithstanding anything contained in any other law for the time being in force, the National Financial Reporting Authority shall—

(a) make recommendations to the Central Government on the formulation and laying down of accounting and auditing policies and standards for adoption by companies or class of companies or their auditors, as the case may be;

(b) monitor and enforce the compliance with accounting standards and auditing standards in such manner as may be prescribed;

(c) oversee the quality of service of the professions associated with ensuring compliance with such standards, and suggest measures required for improvement in quality of services and such other related matters as may be prescribed; and

(d) perform such other functions relating to clauses (a), (b) and (c) as may be prescribed.

(3) The National Financial Reporting Authority shall consist of a chairperson, who shall be a person of eminence and having expertise in accountancy, auditing, finance or law to be appointed by the Central Government and such other members not exceeding fifteen consisting of part-time and full-time members as may be prescribed:

Provided that the terms and conditions and the manner of appointment of the chairperson and members shall be such as may be prescribed:

Provided further that the chairperson and members shall make a declaration to the Central Government in the prescribed form regarding no conflict of interest or lack of independence in respect of his or their appointment:

Provided also that the chairperson and members, who are in full-time employment with National Financial Reporting Authority shall not be associated with any audit firm (including related consultancy firms) during the course of their appointment and two years after ceasing to hold such appointment.

(4) Notwithstanding anything contained in any other law for the time being in force, the National Financial Reporting Authority shall—

(a) have the power to investigate, either *suo moto* or on a reference made to it by the Central Government, for such class of bodies corporate or persons, in such manner as may be prescribed into the matters of professional or other misconduct committed by any member or firm of chartered accountants, registered under the *Chartered Accountants Act, 1949 (38 of 1949):

Provided that no other institute or body shall initiate or continue any proceedings in such matters of misconduct where the National Financial Reporting Authority has initiated an investigation under this section;

(b) have the same powers as are vested in a civil court under the Code of Civil Procedure, 1908 (5 of 1908), while trying a suit, in respect of the following matters, namely:—

(i) discovery and production of books of account and other documents, at such place and at such time as may be specified by the National Financial Reporting Authority;

(ii) summoning and enforcing the attendance of persons and examining them on oath;

(iii) inspection of any books, registers and other documents of any person referred to in clause (b) at any place;

(iv) issuing commissions for examination of witnesses or documents;

(c) where professional or other misconduct is proved, have the power to make order for—

(A) imposing penalty of—

(I) not less than one lakh rupees, but which may extend to five times of the fees received, in case of individuals; and

(II) not less than [five lakh rupees] [\[11\]](#), but which may extend to ten times of the fees received, in case of firms;

(B) debarring the member or the firm from engaging himself or itself from practice as member of the Institute of Chartered Accountants of India referred to in clause (e) of sub-section (1) of section 2 of the Chartered Accountants Act, 1949 (38 of 1949) for a minimum period of six months or for such higher period not exceeding ten years as may be decided by the National Financial Reporting Authority.

Explanation.—For the purposes of this sub-section, the expression “professional or other misconduct” shall have the same meaning assigned to it under section 22 of the *Chartered Accountants Act, 1949 (38 of 1949).

(5) Any person aggrieved by any order of the National Financial Reporting Authority issued under clause (c) of subsection (4), may prefer an appeal before [the Appellate Tribunal in such manner and on payment of such fee as may be prescribed.] [\[2\]](#)

[***] [\[3\]](#)

[***] [\[4\]](#)

[***] [\[5\]](#)

[***] [\[6\]](#)

(10) The National Financial Reporting Authority shall meet at such times and places and shall observe such rules of procedure in regard to the transaction of business at its meetings in such manner as may be prescribed.

(11) The Central Government may appoint a secretary and such other employees as it may consider necessary for the efficient performance of functions by the National Financial Reporting Authority under this Act and the terms and conditions of service of the secretary and employees shall be such as may be prescribed.

(12) The head office of the National Financial Reporting Authority shall be at New Delhi and the National Financial Reporting Authority may, meet at such other places in India as it deems fit.

(13) The National Financial Reporting Authority shall cause to be maintained such books of account and other books in relation to its accounts in such form and in such manner as the Central Government may, in consultation with the Comptroller and Auditor-General of India prescribe.

(14) The accounts of the National Financial Reporting Authority shall be audited by the Comptroller and Auditor-General of India at such intervals as may be specified by him and such accounts as certified by the Comptroller and Auditor-General of India together with the audit report thereon shall be forwarded annually to the Central Government by the National Financial Reporting Authority.

(15) The National Financial Reporting Authority shall prepare in such form and at such time for each financial year as may be prescribed its annual report giving a full account of its activities during the financial year and forward a copy thereof to the Central Government and the Central Government shall cause the annual report and the audit report given by the Comptroller and Auditor-General of India to be laid before each House of Parliament.

[\[7\]](#)**[Applicable Rules**

The National Financial Reporting Authority (Manner of Appointment and other Terms and Conditions of Service of Chairman and Members) Rules, 2018

[Effective from 21st March, 2018]

Rule 2. Definitions.— (1) In these rules, unless the context otherwise requires,— (a) “Act” means the Companies Act, 2013 (18 of 2013);

(b) “Authority” means the National Financial Reporting Authority constituted under subsection (1) of section 132 of the Act.

(2) Words and expressions used in these rules and not defined, but defined in the Act shall have the meanings respectively assigned to them in the Act.

Rule 3. Composition of Authority.- (1) The Authority shall consist of the following persons to be appointed by the Central Government, namely:-

(a) a chairperson;

(b) three full time members; and

(c) nine part time members.

(2) The chairperson shall be a person of eminence, ability, integrity and standing and having expertise and experience of not less than twenty-five years in the field of accountancy, auditing, finance or law.

(3) A full-time member shall be a person of ability, integrity and standing and having expertise and experience of not less than twenty years in the field of accountancy, auditing, finance or law.

(4) The chairperson and all members, before being appointed, shall submit a declaration to the Central Government confirming that they have no conflict of interest or lack of independence in respect of such appointment as chairperson or members in Form I annexed to these rules, failing which their appointment shall not be considered.

(5) The chairperson and full-time members, shall not be associated with any audit firm including related consultancy firms during the course of their appointment and two years after ceasing to hold such appointment.

(6) A part-time member shall be a person who shall not, have any such financial or other interest as is likely to affect prejudicially his functions as a part-time member.

Rule 4. Manner of appointment.- (1) The Central Government shall appoint the chairperson and a full time member referred to in rule 3 on the recommendation of a search-cum-selection committee consisting of —

(a) Cabinet Secretary – Chairperson;

(b) Additional Principal Secretary to the Prime Minister — Member;

(c) Secretary — Ministry of Corporate Affairs— Member;

(d) Chairperson, National Financial Reporting Authority (for selection of full-time members) — Member;

(e) three experts of repute from a panel of experts in the field of accountancy, auditing, finance, law (to be nominated by the Central Government) – Members

(2) The Secretary, Ministry of Corporate Affairs shall be the convener of the search-cum-selection committee.

(3) The search-cum-selection committee shall determine its procedure for making its recommendation.

(4) No appointment of chairperson or a full time member shall be invalid merely by reason of any vacancy or absence in the search-cum-selection committee.

(5) The search-cum-selection committee shall make its recommendations in regard to appointment of chairperson or the members, as the case may be, to the Central Government within a period not exceeding one hundred and twenty days from the date of reference made to it by the Central Government.

(6) The following persons shall be appointed as part time members of the Authority namely:-

(i) one member to represent the Ministry of Corporate Affairs, who shall be an officer not below the rank of Joint Secretary, ex-officio;

(ii) one member to represent the Comptroller and Auditor General of India, who shall be an officer not below the rank of Accountant General or Principal Director, ex-officio;

(iii) one member to represent the Reserve Bank of India, who shall be an officer not below the rank of Executive Director, ex-officio;

(iv) one member to represent the Securities and Exchange Board of India, who shall be an officer not below the rank of Executive Director, ex-officio;

(v) President, Institute of Chartered Accountants of India, ex-officio;

(vi) Chairperson, Accounting Standards Board, Institute of Chartered Accountants of India, ex-officio;

(vii) Chairperson, Auditing and Assurance Standards Board, Institute of Chartered Accountants of India, ex-officio; and

(viii) two experts from the field of accountancy, auditing, finance or law.

Rule 5. Medical fitness.—No person shall be appointed as the chairperson or full time member unless he is declared medically fit by an authority specified by the Central Government in this behalf.

Rule 6. Resignation.— The chairperson or a member may, by writing under his hand addressed to the Central Government, resign from his office at any time:

Provided that the chairperson or member shall, unless he is permitted by the Central Government to relinquish office sooner, continue to hold office until the expiry of three months from the date of receipt of such notice or until a person duly appointed as a successor enters upon his office or until the expiry of his term of office, whichever is the earliest.

Rule 7. Removal from office.— (1) The Central Government may, on the recommendation of a Committee referred to in sub-rule (1) of rule 4, remove from office the chairperson or a member, who—

(a) has been adjudged as an insolvent; or

(b) has been convicted of an offence which, in the opinion of the Central Government, involves moral turpitude; or

(c) has become physically or mentally incapable of acting as the chairperson or member; or

(d) has acquired such financial or other interest as is likely to affect prejudicially his functions as the chairperson or member; or

(e) has so abused his position as to render his continuance in office prejudicial to the public interest:

Provided that the chairperson or the interested member shall not be the member of such Committee, where the subject matter of the cause is against him.

(2) No member shall be removed under clauses (b) to (e) of sub-rule (1) unless he has been given a reasonable opportunity of being heard in the matter.

Rule 8. Procedure for inquiry of misbehavior or incapacity of the chairperson or a member.— (1) If a written complaint is received by the Central Government, alleging any definite charge of misbehavior or incapacity to perform the functions of the office in respect of the chairperson or a full time member, the Ministry of Corporate Affairs shall make a preliminary scrutiny of such complaint.

(2) If on preliminary scrutiny, the Ministry of Corporate Affairs, is of the opinion that there are reasonable grounds for making an inquiry into the truth of any such misbehavior or incapacity of the chairperson or full time member, it shall make a reference to the Committee constituted under sub-rule (1) of rule 4 to conduct the inquiry:

Provided that the chairperson or the interested member shall not be the member of such committee, where the subject matter of the cause is against him.

(3) The Committee shall complete the inquiry within one hundred and twenty days time or such further time as may be extended by the Central Government on the request of the committee in this behalf.

(4) After the conclusion of the inquiry, the Committee shall submit its report to the Central Government stating therein its findings and the reasons thereof on each of the charges separately with such observations on the whole case as it may think fit.

(5) The Committee shall not be bound by the procedure laid down by the Code of Civil Procedure, 1908 (5 of 1908) but shall be guided by the principles of natural justice and shall have power to regulate its own procedure, including the fixing of date, place and time of its inquiry.

Rule 9. Term of Office.— (1) The term of office of the chairperson and a full time member shall be three years from the date on which he enters upon his office or till he attains the age of sixty-five years, whichever is earlier, and he shall be eligible for re-appointment for one more term.

(2) A part -time member shall hold office for a period, not exceeding three years, as may be specified in the order of his appointment or the period for which he holds the substantive post by virtue of which he has been appointed as the part-time member, whichever is earlier, but shall be eligible for re-appointment.

Rule 10. Vacancy.— In case of a vacancy in the office of the chairperson or a full-time member, the Central Government shall have the power to appoint the senior most fulltime member or in his absence any other full time member to officiate as chairperson.

Rule 11. Salary and allowances.—(1) The chairperson shall be paid a salary of two lakhs fifty thousand rupees (fixed) and other allowances and benefits as are admissible to a Central Government officer holding posts carrying the same pay.

(2) A full time member shall be paid a salary of two lakhs twenty-five thousand rupees and other allowances and benefits as are admissible to a Central Government Officer holding a Group 'A' post carrying the same pay.

(3) In case the person appointed as the chairperson or full time member is in receipt of any pension, the pay of such person shall be reduced by the gross amount of pension drawn by him.

Rule 12. Pension, Gratuity and Provident Fund.— (1) The chairperson or a full time member shall be governed by the provisions of the Contributory Provident Fund (India) Rules, 1962 and the Contribution Pension System.

(2) Additional pension and gratuity shall not be admissible for service rendered in the Authority.

Rule 13. Leave.— (1) The chairperson and a full time member shall be entitled to following leave, namely -

(a) earned leave at the rate of thirty days for every completed calendar year of service;

(b) casual leave, not exceeding eight days in a calendar year.

(2) The payment of leave salary during leave shall be governed by rule 40 of the Central Civil Services (Leave) Rules, 1972.

(3) The chairperson or a full time member shall be entitled to encashment of leave in respect of the earned Leave standing to his credit, subject to the condition that maximum leave encashment, including the amount received at the time of retirement from previous service shall not in any case exceed the prescribed limit under the Central Civil Service (Leave) Rules, 1972.

Rule 14. Leave and Foreign Travel Sanctioning Authority. — (1) The leave sanctioning authority,—

(a) for a full-time member, shall be the chairperson and in case of absence of chairperson, the Central Government; and

(b) for the chairperson, shall be the Central Government.

(2) The Central Government shall be the sanctioning authority for foreign travel of the chairperson or a full-time member.

Rule 15. House rent allowance.—The chairperson or a full time Member shall be entitled to the house rent allowance at the same rate as are admissible to a Central Government officer holding a Group 'A' post carrying the same pay:

Provided that the chairperson or a full-time member shall not be eligible for house rent allowance in case he is declared eligible for general pool residential accommodation and occupies Government accommodation allotted to him.

Rule 16. Transport allowance.—The chairperson or a full time member shall be entitled to the facility of staff car for journeys for official and private purposes in accordance with the facilities as are admissible to a Central Government officer holding a Group 'A' post carrying the same pay as per the provisions of applicable staff car rules.

Rule 17. Declaration of Financial and other Interests.—The chairperson or a full time member shall, before entering upon his office, declare his assets, liabilities and financial and other interests.

Rule 18. Other conditions of service.—(1) The terms and conditions of service of a chairperson or a full time member with respect to which no express provision has been made in these rules, shall be such as are admissible to a Central Government officer holding a Group 'A' post carrying the same pay.

(2) The chairperson or a full time member shall not practise before the Authority after retirement or resignation or removal from the service of the Authority.

(3) The chairperson or a full time member shall not undertake any arbitration work while functioning in the Authority.

(4) The chairperson or a full time member shall not, for a period of two years from the date on which he ceases to hold office, accept any employment in, or connected with the management or administration of, any person who has been a party to a proceeding before the Authority:

Provided that nothing contained in this rule shall apply to any employment under the Central Government or a State Government or a local authority or in any statutory authority or any corporation established by or under any Central, State or Provincial Act or a Government company as defined in clause (45) of section 2 of the Companies Act, 2013 (18 of 2013).

Rule 19. Oath of office and secrecy.—Every person appointed to be the chairperson or a full time member shall, before entering upon his office, make and subscribe an oath of office and secrecy in Form II and Form III annexed to these rules.

Rule 20. Sitting fee and allowances of Part-time Members. — (1) A part-time member other than those holding the position on ex-officio basis, shall be entitled to receive remuneration by way of a sitting fee of rupees six thousand only for each meeting of the Authority attended by him.

(2) A part-time member while on tour (including the journey undertaken to attend a meeting of the Authority) shall also be entitled to travelling allowance and daily allowances at the same rates and scale as are applicable to a Group A officer in Senior Administrative Grade in the Central Government.

Rule 21. Power to Relax.— Where the Central Government is of the opinion that it is necessary or expedient so to do, it may, by order for reasons to be recorded in writing relax any of the provisions of these rules with respect to any class or category of persons.

Rule 22. Interpretation.—If any question arises relating to the interpretation of these rules, the decision of the Central Government thereon shall be final.

■ Section - 82

In section 82 of the principal Act, in **sub-section (1)**,—

(i) the words, brackets and figures "and the provisions of **sub-section (1) of section 77** shall, as far as may be, apply to an intimation given under this section" shall be omitted;

(ii) the following proviso shall be inserted, namely:—

"Provided that the Registrar may, on an application by the company or the charge holder, allow such intimation of payment or satisfaction to be made within a period of three hundred days of such payment or satisfaction on payment of such additional fees as may be prescribed."

■ Section - 90

Section 90 Investigation of beneficial ownership of shares in certain cases: ~~The section simply enables the Central Government to appoint one or more competent persons to investigate and report as to the beneficial ownership with regard to any share or class of shares. This section is to be read with section 216, as if such investigation, were investigation ordered under the section. (Not Applicable on Govt Co)~~

(1) Every individual, who acting alone or together, or through one or more persons or trust, including a trust and persons resident outside India, holds beneficial interests, of not less than twenty-five per cent. or such other percentage as may be prescribed, in shares of a company or the right to exercise, or the actual exercising of significant influence or control as defined in **clause (27) of section 2**, over the company (herein referred to as "significant beneficial owner"), shall make a declaration to the company, specifying the nature of his interest and other particulars, in such manner and within such period of acquisition of the beneficial interest or rights and any change thereof, as may be prescribed:

Provided that the Central Government may prescribe a class or classes of persons who shall not be required to make declaration under this sub-section.

(2) Every company shall maintain a register of the interest declared by individuals under sub-section (1) and changes therein which shall include the name of individual, his date of birth, address, details of ownership in the company and such other details as may be prescribed.

(3) The register maintained under **sub-section (2)** shall be open to inspection by any member of the company on payment of such fees as may be prescribed.

(4) Every company shall file a return of significant beneficial owners of the company and changes there in with the Registrar containing names, addresses and other details as may be prescribed within such time, in such form and manner as may be prescribed.

(5) A company shall give notice, in the prescribed manner, to any person (whether or not a member of the company) whom the company knows or has reasonable cause to believe—

(a) to be a significant beneficial owner of the company;

(b) to be having knowledge of the identity of a significant beneficial owner or another person likely to have such knowledge; or

(c) to have been a significant beneficial owner of the company at any time during the three years immediately preceding the date on which the notice is issued, and who is not registered as a significant beneficial owner with the company as required under this section.

(6) The information required by the notice under **sub-section (5)** shall be given by the concerned person within a period not exceeding thirty days of the date of the notice.

(7) The company shall,—

(a) where that person fails to give the company the information required by the notice within the time specified therein; or

(b) where the information given is not satisfactory, apply to the Tribunal within a period of fifteen days of the expiry of the period specified in the notice, for an order directing that the shares in question be subject to restrictions with regard to transfer of interest, suspension of all rights attached to the shares and such other matters as may be prescribed.

(8) On any application made under **sub-section (7)**, the Tribunal may, after giving an opportunity of being heard to the parties concerned, make such order restricting the rights attached with the shares within a period of sixty days of receipt of application or such other period as may be prescribed.

(9) The company or the person aggrieved by the order of the Tribunal may make an application to the Tribunal for relaxation or lifting of the restrictions placed under **sub-section (8)**.

(10) If any person fails to make a declaration as required under **sub-section (1)**, he shall be punishable with fine which shall not be less than one lakh rupees but which may extend to ten lakh rupees and where the failure is a continuing one, with a further fine which may extend to one thousand rupees for every day after the first during which the failure continues.

(11) If a company, required to maintain register under **sub-section (2)** and file the information under **sub-section (4)**, fails to do so or denies inspection as provided therein, the company and every officer of the company who is in default shall be punishable with fine which shall not be less than ten lakh rupees but which may extend to fifty lakh rupees and where the failure is a continuing one, with a further fine which may extend to one thousand rupees for every day after the first during which the failure continues.

(12) If any person wilfully furnishes any false or incorrect information or suppresses any material information of which he is aware in the declaration made under this section, he shall be liable to action under **section 447**.

■ Section - 92

'Provided further that the Central Government may prescribe abridged form of annual return for "One Person Company, small company and such other class or classes of companies as may be prescribed" Every company shall place a copy of the annual return on the website of the company, if any, and the weblink of such annual return shall be disclosed in the Board's report."

■ MGT - 9

Removed

■ Section - 93

Removed

■ Section - 94

Copy of Proposed SR removed

■ Section - 96

Provided that annual general meeting of an unlisted company may be held at any place in India if consent is given in writing or by electronic mode by all the members in advance.

■ Section - 100

Provided that an extraordinary general meeting of the company, other than of the wholly owned subsidiary of a company incorporated outside India, shall be held at a place within India.