Definitions

1. Accounting Standards

Under Section 2(2) of Companies Law, 2013

Accounting standards are a set of guidelines which are laid down for the purpose of recording the financial statements.

Accounting standards came into effect from !st of April, 2014.

Earlier it was also referred as “General Accepted Accounting Principles (GAAP)”.

These standards are also called as Indian Accounting Standards (IAS).

It is set by Central Government on the recommendation of Institute of Chartered Accountants of India.

2. Auditing Standards

Section 2(7)

It came into effect from 12th September, 2014.

Auditing is an official financial inspection of accounts.

For auditing there are set of procedures or standards.

Every auditor shall follow the auditing standards as given by Central Government.

3. Books of Accounts

Section 2(13)

Every company must maintain books of accounts.

It shall reflects all income and expenditure, sales and purchases of goods, the assets and liabilities of the company.

It is the requirement to maintain the books of accounts for a company.

4. Deposits

Section 2(31)

Deposits is a kind of methods used for the purpose of raising funds by the company from the public.

It includes receipt of money by way of deposits or loans.

5. Financial Year

Section 2(41)

Every company is required to follow the financial year in order to ascertain the profit or loss of the company in that year.

The financial year of the company starts from 1st of April and ends on 31st March of the current year.

6. Foreign Company

Section 2(42)

It is the company or a body corporate which is incorporated outside India.

It has a place of business in India.

It operate by itself or through an agent, physically or through electronic mode.

To qualify for a foreign company, not less than 50% of the paid up share capital is to be held by one or more citizens of India or by one or more companies in India.

7. Independent Director

Section 2(47)

Independent directors are directors on the board of a company.

They are independent individuals who have no interest in the company.

An independent director is a director other than a managing director or whole time director or nominee director.

Number of independent director in Listed company shall be at least 1/3rd of the total number of Directors.

In case of Public company there must be at least 2 independent directors.

8. Indian Deposit Receipt

Section 2(48)

Foreign companies were not able to get listed on Indian equity markets.

Indian investors were finding it difficult to invest in foreign companies.

Therefore in this way IDR came in force.

It is a way to own shares of a foreign company. It is kind of receipt of ownership of shares in foreign company.

It is kind of financial negotiable instrument issued by the bank listed in India.

9. One Person Company

Section 2(62)

It means a company which has only 1 person as a member.

The member should be a citizen & resident of India.

There should be a nominee who too shall be a citizen & resident of India.

OPC has minimum 1 director.

OPC enjoys the benefits of a private company.

No Board meeting is necessary.