M. Com. Sem. II

Corporate Legal Framework

Topic – Main Points Companies Act, 2013

The Companies Act 1956, which came into force on 1st April 1956, had a total of 658 Sections and 14 Schedules. From 1960 to 2002, this Act was amended a total of 24 times. The Companies Act, 2013 came into force throughout India from 1st April 2014. This new Act has a total of 29 chapters, 470 sections, and 7 Schedules.

The Companies Act 2013 is a comprehensive law for the formation, management and regulation of companies in India, replacing the 1956 Act.

Following are the main points of the Companies Act, 2013 –

- A company whose net worth is at least Rs. 500 crore or whose annual turnover is Rs. 1000 crore or more, or whose ~~a~~ annual profit is at least Rs. 5 crore, will have to mandatorily spend 2% of its average profit of the previous 3 years on Corporate Social Responsibility (CSR).

- The auditor will have to be mandatorily changed every 5 years, while independent directors can be changed in 6 years.
- It is mandatory for some public and private companies to have at least one women director.
- Any ~~audit~~ auditor of a company will serve a maximum of 20 companies at a time.
- The board of directors will have a minimum of one-third independent directors.
- A criminal case can be registered against the auditor for presenting an incomplete or incorrect audit report.
- The maximum number of members in a private company will be 200 instead of 50.
- Now only one person can form his own company
- Transparency in financial statements and reports is highly emphasized.
- Company incorporation has been made easy through digital registration (e-filling).