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REVISION/ RECTIFICATION OF FINANCIAL STATEMENTS*

Under the Companies Act, the Board of Directors of a company is required to prepare a Balance Sheet and Profit and Loss Account in relation to every financial year and lay the same before the Company in Annual General Meeting. Ordinarily, the accounts once adopted at the Annual General Meeting cannot be reopened. The broader aspects of the auditor's duties and responsibilities when he is required by the management to report on the revised accounts, subsequent to their adoption at the Annual General Meeting of a Company, have been considered by the Council from time to time.** The views of the Department of Company affairs on this subject were sought in 1977 and the reply received from the Department was published in February, 1977 issue of the Newsletter issued by the Council (Pages 189 & 190). The matter has again been considered by the Council at its 106th meeting and it has been decided that the reopening or rectification of accounts after they have been adopted at the Annual General Meeting should not be permitted under any circumstances.

* Published in the Chartered Accountant, pp. 102-103, August, 1983.

** See the Annexure to this Chapter which suggests the manner of qualification.

Revision/Rectification of Financial Statements

Annexure

Auditors' responsibility in case of revision/rectification of balance sheet and profit and loss account of a company already adopted by the company at its annual general meeting.¹

Attention of the members is invited to the announcement appearing at pages 102 and 103 of the August, 1983 issue of the Journal on the above subject. The Council of the Institute of Chartered Accountants of India reiterates its view that accounts of a company once adopted at its annual general meeting cannot be reopened and revised. However, it has been brought to the notice of the Council that members are sometimes called upon to report on accounts reopened and revised by the board of directors. In such situations, members may adopt the following format for their qualified report on such revised accounts.

AUDITORS' REPORT

I. We have examined the attached Balance Sheet of M/s _____ as at _____ and the annexed Profit and Loss Account for the year ended on that date, which are the revised statements of the original Balance Sheet and Profit and Loss Account covered by the audit report of M/s _____ dated _____ and adopted by the shareholders at the _____ Annual General Meeting held on _____.

II. As per the opinion of the Institute of Chartered Accountants of India and that of the Department of Company Affairs², a company cannot reopen and revise the accounts once adopted by the shareholders at an annual general

¹ Published in the Chartered Accountant, pp. 655, February, 1985.

² Subsequent to the issue of this Annexure to the Guidance Note, a circular dated 28.7.1987 has been issued by the Department of Company Affairs. The circular reads as below:

"It has been decided that revision of Balance Sheets for meeting technical requirements of taxation laws is not prohibited under the Companies Act, 1956, and as, such the same may be taken as permitted."

Accordingly, where the change is as per the aforesaid circular, the auditor may have to make an appropriate modification in the wording of the report. In such a situation, the relevant paragraph of the report may appear as below:

"As per the opinion of the Institute of Chartered Accountants of India, a company cannot reopen and revise the accounts once adopted by the shareholders at an annual general meeting. However, the Department of Company Affairs vide its circular dated 28.7.1987, has opined that for meeting technical requirements of taxation laws, the accounts can be reopened. The Board of Directors of the company, contrary to the aforesaid opinion of the Institute, has reopened and revised the aforesaid accounts for adjusting (Here, specify the matter for meeting the technical requirements of taxation laws regarding which accounts were reopened)."

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meeting. Contrary to these opinions, the Board of Directors of the Company has reopened and revised the aforesaid Accounts.

III. We have considered the earlier auditor's report dated -----on the original accounts and have examined the changes made therein which are as under:

(Deal with changes and their effect - state the qualifications, if any, required to be made. Qualifications in the previous auditor's report, to the extent applicable, should also be given).

IV. As required by the Manufacturing and Other Companies (Auditor's Report) Order 1975, issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.

V. Further to our comments in the annexures referred to in paragraph IV above, and subject to the remarks in paragraphs II and III we report that:

- (a) we have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit;
- (b) in our opinion, proper books of account as required by law have been kept by the company so far as appear from our examination of the books;
- (c) the balance sheet and profit and loss account dealt with by the this report are in agreement with the books of account;
- (d) in our opinion and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act, 1956, in the manner so required and given a true and fair view;
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at _____; and
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date.

Date _____

Signature _____
Chartered Accountants

Note: In case there is no change in the auditors, the above form would have to be suitably changed.