

# INDIA LEGAL UPDATE

May 31, 2023

## MCA amends the Companies (Accounts) Rules, 2014 to strengthen the manner of bookkeeping

### Notification Date

March 24, 2021; April 1, 2021, and March 31, 2022

### Effective Date

April 1, 2023

### Legal Framework

Companies Act, 2013, Companies (Accounts) Rules, 2014

### Government Authority

Ministry of Corporate Affairs

### Source Weblink

[Companies \(Accounts\) Amendment Rules, 2021](#); [Companies \(Accounts\) Second Amendment Rules, 2021](#); [Companies \(Accounts\) Second Amendment Rules, 2022](#)

### LEGAL UPDATE

To strengthen the manner of keeping books of accounts in electronic mode and enhancing the list of matters to be included in the Board's Report, MCA has amended the Companies (Accounts) Rules, 2014.

#### • Manner of Books of Account to be Kept in Electronic Mode:

The Companies (Accounts) Amendment Rules, 2021 added a proviso stating that w.e.f. April 1, 2021, for the FY commencing from April 1, 2021, companies using accounting software for maintaining their books of account, shall use only such accounting software which:

- has a feature of recording the audit trail of each transaction,
- creating an edit log of each change made in books of account along with the date when such changes were made, and
- ensuring that the audit trail cannot be disabled.

#### • Matters to be included in the Board's Report:

With effect from April 1, 2021, the following clauses are also added to the scope of the matters that should be included in the Board's Report:

- the details of the application made or any proceeding pending under the IBC, 2016 (Insolvency and Bankruptcy Code) during the year along with their status as the end of the FY, and
- the details of the difference between the amount of the valuation done at the time of one-time settlement and the valuation done while taking a loan from the Banks or Financial Institutions along with the reasons thereof.

## Companies (Accounts) Second Amendment Rules, 2021

*Vide* Notification dated April 1, 2021, the effective date for the implementation of the amendment introduced in the provisions relating to the manner of books of accounts to be kept in the electronic mode under the Companies (Accounts) Amendment Rules, 2021 is changed to April 1, 2022, from April 1, 2021.

## Companies (Accounts) Second Amendment Rules, 2022

Further, *vide* Notification dated March 31, 2022, the above-mentioned effective date is further extended and now it shall become implemented from **April 1, 2023** instead of April 1, 2022.

## Purpose of the Amendment

These Amendment Rules aimed at enabling businesses to track all financial activities with transparency and detect fraud in time.

## Queries?

If you have any queries about this article, please reach out to our experts:



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