

Companies (Branch Audit Exemption) Rules, 1961

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Companies (Branch Audit Exemption) Rules, 1961

In exercise of the powers conferred by sub-section (4) of section 228 of the Companies Act, 1956 (1 of 1956), the Central Government hereby makes the following rules, namely:-

1. Short title :-

These Rules may be called the Companies (Branch Audit Exemption) Rules, 1961.

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Full description of the activities in which engaged (e.g., goods produced, articles manufactured or processed, services rendered, as the case may be).

3. Exemption based on quantum of activity :-

Where a company carrying on any manufacturing, processing or trading activity has a branch office whose average of the quantum of activity during the relevant financial year does not exceed rupees two lakhs or two per cent of the average of the total turnover of the company including all its branches and other offices and the earnings from services rendered and from any other source during the same period whichever is higher, the branch office shall be exempt from the provisions of section 228 : Provided that in any such case, the auditor of the company shall have the rights referred to in sub-section (2) of section 228 in relation to the accounts of the branch office. Explanation.-For the purposes of this rule, the average quantum of activity shall be taken to be-

(a) the average of the quantum of activity during the three

financial years immediately preceding the relevant financial year, or

(b) if three financial years have not been completed since the establishment of the branch office, the average of the quantum of activity during the two financial years, or, as the case may be, the quantum of activity during the year, immediately preceding the relevant financial year, or

(c) in other cases, the quantum of activity during the relevant financial year.

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Financial year or years in respect of which exemption is desired.

5. Application for exemption :-

(1) Every application for exemption under Rule 4 shall be made by the company in the form set out in the Annexure to these Rules and shall be accompanied by a treasury challan in token of payment of the fee prescribed thereof under section 637A of the Act; the fee shall be credited to the Head "XXI- Miscellaneous Departments-Miscellaneous-Registration of Joint Stock Companies": Provided that, except in cases where the relevant financial year for which exemption is sought closes on or before the 31st of March, 1961, no application for exemption shall be made unless the company has by ordinary resolution passed at a general meeting approved the proposal to apply for such exemption.

(2) An application for exemption on the ground mentioned in clause (b) of sub-rule

(1) of rule 4 shall be accompanied by-

(a) a certificate signed by the ¹ [***] managing director or manager of the company, as the case may be, to the effect that arrangements have been made for the audit of the accounts of the branch office as specified in clause (b) of sub-rule (1) of rule 4; and

(b) a written statement from the auditor of the company that, in his opinion, arrangements made for the audit of the accounts of the branch office are adequate and that the arrangements made for the keeping of the accounts of the branch office are such as would enable the person auditing the accounts to certify

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Reasons for/Grounds on which exemption is asked for.

1. Redundant after abolition of the system of managing agents.

7. Audit report to refer exemption :-

Where, in any financial year, the accounts of the branch office of a company have not been audited by an auditor mentioned in sub-section (1) of section 228 , the auditor of the company shall expressly state in the audit report that the branch office is exempt from the requirements of section 228 by virtue of rule 3 or that an exemption has been granted under rule 4.

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(a) Where the applicant-company is not a banking company, a statement showing separately the following particulars in respect of each of the branch offices for which exemption from audit is desired for each of the last three financial years-

(i) the value of the goods or articles produced, manufactured or processed at each branch office;

(ii) the value of the goods or articles sold and of services rendered at each branch office;

(iii) the amount of expenditure of a revenue nature incurred by each branch office; and

(iv) the amount of expenditure of a capital nature incurred by each branch office.

(b) Where the applicant-company is a banking company, a statement showing separately the total amount of outstanding advances ¹ (including bills purchased and discounted) of each of the branch offices as at the last date of each of the last three financial years].

1. Now Department of Company Affairs.