

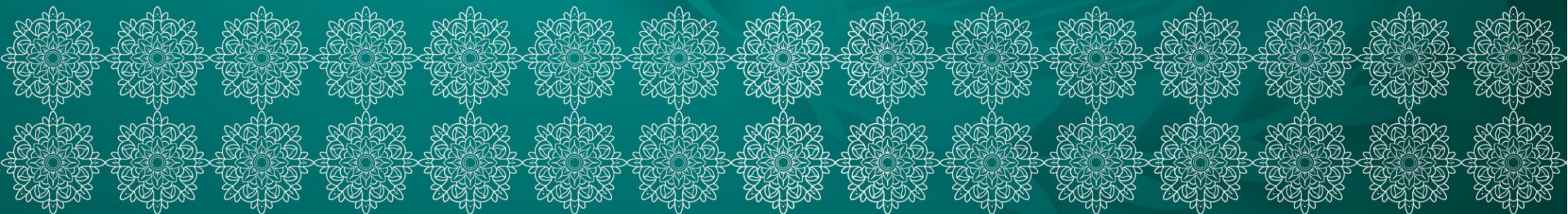


The Institute of
Chartered Accountants
of Pakistan

CA
PAKISTAN

BRIEF MEMORANDUM ON **THE COMPANIES ACT, 2017**

Financial Reporting and Audit related sections



“The first step toward change is awareness. The second step is acceptance.”
Nathaniel Branden

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All reasonable care has been taken in the preparation of this Brief Memorandum. It is intended to provide only a general outline of the topics covered, and is not intended to be a substitute for reading the Companies Act, 2017 and other pronouncements, and a person should utilize his/her professional judgment and the facts and circumstances involved in each particular case. The Institute does not accept any liability to any party for any loss, damage or costs howsoever arising, whether directly or indirectly, whether in contract, or otherwise from any action or decision taken (or not taken) as a result of any person relying on or otherwise using this document or arising from any omission from it.

As part of Continuing Professional Development Program of the Institute, we have been issuing various publications in hard and soft form. The objective has been to create awareness amongst members on important subjects.

I am pleased to launch the Members' Information and Education Series (MIES) – 29 “*Brief Memorandum on the Companies Act, 2017 – Financial Reporting and Audit Related Sections*”. The Memorandum aims to provide a snapshot on the changes in the Companies Act, 2017 relating to the financial reporting and audit related sections along with a comparison of these sections with the relevant sections of the Companies Ordinance, 1984.

As the global economy has been evolving with time the dynamics of business and corporate reporting have also changed. The importance of information to the general public about the way corporations are governed and regulated has taken center stage with the advent of social media and technology. To change the corporate landscape and prove that corporations can do good and also do well, reforms were needed and various jurisdictions have been addressing these issues through revision in their laws and regulations.

In the last decade or so corporate law has been revised in many countries like UK, Ireland, India, Singapore and Malaysia.

In the given scenario there was dire need for revamping Pakistan's corporate law as the Companies Ordinance was promulgated more than three decades ago in 1984.

Revision of law is no simple task - for an all-encompassing and holistic approach a proper strategy is needed involving all stakeholders. The project of revision was initiated by SECP in 2005 by establishing the Corporate Law Review Commission under the able leadership of Chief Justice of Pakistan (Retd.) Ajmal Mian who along with other eminent professionals was engaged to study the corporate laws and best practices of other jurisdictions to devise recommendations with regard to the local environment for developing a concept paper and rewriting the law. In December 2015 the Companies Draft Bill was issued for stakeholder comments. After a through consultation process spread nearly over a year the draft law was debated in the Senate and the Parliament before its approval.

Finally, the endeavors of SECP saw light in May 2017 with the promulgation of the Companies Act, 2017.

The Companies Act, 2017 has brought about many positive changes which will promote growth, transparency, better governance in Pakistan's corporate sector and will help in injecting foreign investment. The Act has simplified processes and has encouraged the use of technology.

Institute has been proactive in its role in strengthening the regulatory framework in Pakistan through working in cooperation with important policy making institutions and regulators including the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan and the Federal Board of Revenue.

Institute members have a vital role in creating value addition through their technical expertise, business acumen and wide presence in all the sectors.

It is hoped this Memorandum will provide useful information to our members. We seek your valuable comments on it.

Nadeem Yousuf Adil
President

On May 30, 2017, with the signature of the President of Pakistan, the Companies Act, 2017 (hereinafter referred to as “the Companies Act”) replaced the three plus decades old Companies Ordinance, 1984 (herein after referred to as “the repealed Ordinance”). The Companies Act is the culmination of extensive review and analysis, consultation and collective insights from regulatory, professional and industry bodies to create a comprehensive set of regulatory regime which can be both practically and effectively applied.

The Companies Act developed with the objective to facilitate all stakeholders as well as strengthen the regulatory framework, incorporates new concepts, simplifies the provisions and requisites and removes the unnecessary regulatory requirements. It is expected that regulatory checks, accountability and governance standards in Pakistan will improve under the new regulatory regime.

The changes in Companies Act impact all major stakeholders across the business cycle spectrum; from simplifying company business, easing regulations for small companies, focusing on the use of technology, enhancing responsibilities of the Securities and Exchange Commission of Pakistan (hereinafter referred to as “Commission” or “SECP”), through to simplified winding up and merger requirements.

The Companies Act with 515 sections and eight schedules is very vast, and Institute’s Technical Services Department while preparing this memorandum focused on the financial reporting and audit related provisions, as these areas are of primary interest and significance for the Institute’s members.

The purpose of this document is to summarize key changes in the financial reporting, audit and auditor related provisions, when compared to the repealed Ordinance, to facilitate understanding of the requirements of the new corporate law.

This Brief Memorandum on the financial reporting and audit related requirements is organised in the following sections:

- **Executive summary** - Lists down the significant changes in the financial reporting, audit and auditors related regulatory requirements brought about by the Companies Act.
- **Section-wise summary** - Explains major provisions and changes (in each section relating to the “Accounts of Companies” and “Audit”) emanating from the Companies Act, when compared with the repealed Ordinance.
- **Annexures** - *Annexure A* tabulates the sections related to “Accounts of Companies” and “Audit” of the Companies Act, and the corresponding sections of the repealed Ordinance.

Annexure B contains “word by word” comparison of the Definitions of the Companies Act and repealed Ordinance.

Annexure C covers “word by word” comparison of the sections contained in the “Accounts of Companies” of the Companies Act and the related sections of the repealed Ordinance.

Annexure D contains “word by word” comparison of the sections contained under “Audit” of the Companies Act and the related sections of the repealed Ordinance.

Annexure E presents the Third Schedule of the Companies Act, and also contains a comparison of the Third Schedule with the classification and financial reporting framework specified under the repealed Ordinance (through SR0 929 of 2015).

This section lists down the significant changes in the financial reporting, audit and auditors related regulatory requirements brought in by the Companies Act.

Accounting and reporting of surplus on revaluation of fixed assets

The specific section relating to the surplus on revaluation of fixed assets has not been carried forward in the Companies Act. Previously, section 235 of the repealed ordinance, specified the accounting treatment and presentation of the surplus on revaluation of fixed assets, which was not in accordance with the IFRS requirements.

With the omission of said specific section, the accounting difference between the IFRS and corporate law relating to the surplus on revaluation of fixed assets has been eliminated. The companies will now, in accordance with requirements of International Accounting Standard (IAS) 16, *Property, Plant and Equipment*:

- Present surplus on revaluation of fixed assets under equity; and
- Offset the deficit arising from revaluation of the particular category of assets.

The companies will also be required to consider the impact of the change brought forth by the application of IAS 16 on the relevant accounting policies, in accordance with IAS 8, *Accounting policies, Changes in Accounting Estimates and Errors*.

Financial statements disclosures

The disclosure requirements contained in the Fourth and Fifth Schedules have been revised, resulting in the:

- **elimination of duplicative disclosures with the IFRS disclosure requirements;** and
- **incorporation of significant additional disclosures.**

The disclosure requirements outlined in the Fourth and Fifth schedules are in addition to the disclosure requirements prescribed in IFRS. Therefore, duplicative disclosures have been eliminated.

The new general disclosure requirements have been added in the Fourth and Fifth schedules. These include:

S. No.	Financial statements disclosure requirements	New / enhanced / revised requirement	Applicable under the Fourth schedule	Fifth schedule
1	Geographical location and address of the business unit, including mill and/or plant.	New requirement	✓	✓
2	Particulars of the immovable assets, including location and area of land.	New requirement	✓	✓
3	Disclosure of factory employees, in addition to the disclosure of number of employees.	New requirement	✓	✓
4	Detailed disclosure of the associated companies, subsidiaries, joint ventures or holding companies incorporated outside Pakistan, providing their name, registered address, basis of association, operational status and auditor's opinion on their latest financial statements.	New requirement	✓	✓
5	Detailed related party information (irrespective of the related party transactions during the year), disclosing the; name, business relationship and percentage of shareholding of all related parties.	New requirement	✓	-
6	A summary of significant transactions and events affecting the financial position and performance during the year.	New requirement	✓	✓
7	Implementation plans with regard to utilization of proceeds raised through issue of public offering of securities or debt instruments. This disclosure is required till the implementation of such plans.	New requirement	✓	-
8	Particulars of the foreign shareholders, other than the natural person, holding more than 5% of the paid up capital. This includes names of beneficial owners.	New requirement	✓	✓
9	Detailed particulars of the foreign companies or undertakings provided with the loans or investments.	New requirement	✓	✓
10	Detailed disclosure relating to the export sales based outstanding debts, requiring the jurisdiction-wise export sales, name of the related party, name and relationship with the defaulting party and details of legal action.	New requirement	✓	-
11	Specific disclosures for Shariah compliant companies and companies listed on the Islamic Index now included in the Schedule. (Previously, these disclosures were prescribed through a SECP Circular).	New requirement	✓	-

The other significant new and amended disclosure requirements relating to the statement of financial position and profit and loss are as under:

S. No.	Financial statements disclosure requirements	New / enhanced / revised requirement	Fourth schedule	Fifth schedule
1	The threshold for the determination of “Executive” for disclosure purposes has been increased from annual basic salary of Rs. 0.5 million to Rs. 1.2 million.	Revised Threshold	✓	✓
2	Specific requirement to present separately in the financial statements the; revaluation surplus on property, plant and equipment, long-term deposits and prepayments, unpaid dividend, unclaimed dividend and cash and bank balances.	Revised requirement	✓	✓
3	Disclosure of the property or asset acquired by the company, however, not held in the name of company or not in possession and control of the company.	Existing requirement	✓	✓
4	Disclosure of the forced sale value of the revalued property plant and equipment, and investment property.	New requirement	✓	✓
5	The threshold for the disclosure of fixed assets sold during the year has been increased, as asset with book value of Rs. 500,000 required to be included in disclosure, compared to previous threshold of Rs. 50,000. Further, the disclosure of fixed assets sold during the year was only applicable under the Fourth Schedule. However, this disclosure is a now also required under the Fifth schedule.	Revised requirement under Fourth schedule and New requirement under Fifth schedule	✓	✓
6	Disclosure confirming compliance with the requirements of the Companies Act relating to the long-term investments has been added.	New requirement	✓	✓
7	Detailed disclosure of the loans and advances provided to the directors, requiring disclosure of; confirmation of compliance with requirements of Companies Act relating to the loans and advances provided to the director, purpose of the loan and reconciliation of the carrying amount.	New requirement	✓	✓
8	Detailed disclosure of the loans and advances to associates and related parties, requiring disclosure of; the name, terms of loan, particulars of security, maximum amount outstanding, provision made and amount write-off.	New requirement for Fifth schedule	✓	✓
9	Disclosure of reasons for the loans and advances obtained / provided at terms other than arm's length basis.	New requirement	✓	✓

S. No.	Financial statements disclosure requirements	New / enhanced / revised requirement	Fourth schedule	Fifth schedule
10	Disclosure of short-term loans and advances exceeding the amount of Rs.1 million, provided to parties other than the suppliers and.	New requirement	✓	-
11	Separate disclosure of the treasury shares has been added under share capital. Further, the new requirement to disclose the terms of shareholder agreement relating to voting rights, board selection, right of first refusal and block voting.	New requirement	✓	✓
12	Presentation of a statement of compliance with the provisions of section 208, incase of provident fund/ provident fund trust is maintained by the company.	Existing requirement	✓	✓
13	Disclosure of the security deposit payable along with particulars of amount received against goods or services to be delivered and amount utilizable by the company and the amount kept in separate bank account.	New requirement	✓	✓
14	Enhanced disclosure relating to contingencies requiring, name of the forum at which case is pending along with the details of proceedings and relief sought.	Enhanced requirement	✓	✓
15	Disclosure of auditor's remuneration, showing separately, service-wise fees and expenses. This is a new disclosure requirement in the Fifth schedule.	New requirement in Fifth schedule	✓	✓
16	Disclosure of the donee's name for the donation exceeding Rs. 50,000.	New requirement	✓	✓
17	Disclosure of management's assessment of sufficiency of the tax provision. Additionally, a disclosure requiring comparison of last three years tax provision and tax assessment.	New requirement	✓	✓
18	Disclosure of royalties paid by the company, showing the name, registered address and relationship with the payee.	New requirement	✓	✓

Statement of Compliance of the board of directors and auditor's report

A new provision relating to the preparation of the “Statement of Compliance” has been added, pursuant to which the companies and/or classes of companies, as directed by SECP through special or general order will be required to prepare the Statement of Compliance.

The newly incorporated provisions of the Companies Act also require that the Statement of Compliance shall be:

- approved by the Board of Directors;
- signed by the chief executive and a director of the company;
- attached with the financial statements; and
- reviewed by the auditors’ and a review report issued thereon.

Further, the Statement of Compliance shall contain the contents specified by SECP through Directors (Powers and Responsibilities) Regulations, 2017, and shall be termed as “Statement of Compliance of Board of Directors”. The contents and format of the Statement of Compliance, and classes of companies required to prepare the statement are yet to be specified by SECP.

A new auditor reporting responsibility has also been introduced, requiring the auditors to review and issue a report on the statement of compliance.

The draft format of auditor’s assurance report on the Statement of Compliance has been specified by SECP through draft Auditor’s (Reporting Obligations) Regulations 2017 dated May 15, 2017, for public consultation. In accordance with the draft auditor’s assurance report, the auditors shall carry out a limited assurance engagement and perform procedures to check that the Company has:

- maintained proper records showing full particulars including quantitative details and situation of fixed assets;
- conducted physical verification of inventory at reasonable intervals;
- established an internal control system;
- deposited regularly, the undisputed government dues, including duties and taxes;
- deposited regularly, the undisputed employees retirement contribution as required under the Companies Act;
- not defaulted in payments of dues to financial institutions or banks or debenture holders;
- conducted business during the year in accordance with the objects of the company;
- received the principal and return on the loans granted other than in the normal course of business;
- not charged personal expenses to the revenue account, other than those covered under the employment terms;
- complied with the requirements of the Companies Act relating to the: acquisition or disposal of fixed assets; investments or divestments; agreements with related parties; and raising capital.
- applied the funds raised through capital or term loan for the purpose for which they were obtained;

- ensured that none of the directors is disqualified to act as director;
- reported the fraud (if any) during the year;
- complied with the provisions of the conditions of the licence, permission or approval, granted by the Federal or Provincial Government, or local or other licensing authority; and
- obtained security in respect of secured loans and advances.

The Institute's relevant committee is considering the contents of the draft assurance report and will share the comments with SECP in due course, including the applicability date of the requirements relating to the Statement of Compliance.

It is to be noted that SECP has not yet specified the companies / class of companies required to prepare the Statement of Compliance. Further, SECP has also not published the contents of the Statement of Compliance applicable to such companies. The contents are expected to cover the above mentioned requirements / areas, in view of draft auditor's reporting responsibilities. However, comments on the contents could only be offered only after the publication of final auditor's assurance report format and/or the Statement of Compliance

Provisions relating to certain companies

Private companies with paid up capital less than rupees one million

- Private companies having paid up capital not exceeding one million rupees have been granted exemption from the statutory audit requirements. Previously, statutory audit was mandatory for all companies.
- A new section has been added for the filing of financial statements by the private companies having paid up capital up to one million rupees. Such companies can file either audited or unaudited financial statements with the registrar within thirty days of meeting approving or adopting the financial statements, as the case may be.
- Further, such companies are mandated to attach an affidavit with the financial statements to confirm that the financial statements have been approved by the board of the directors. The said affidavit shall be executed by the CEO or the directors signing the financial statements, as the case may be.
- Exemption has been granted from the preparation of consolidated financial statements to a private company and its subsidiary, if neither the holding company nor the subsidiary company has the paid up capital exceeding one million rupees.

Single member company

- A provision has been added relating to the single member company, clarifying that such companies are not required to lay the audited financial statements in the AGM.

Private company with paid up capital less than three million rupees

- The preparation of directors' report has not been made mandatory for a private company which is not a subsidiary of a public company and has paid up capital not exceeding three million rupees.

Qualification of the auditor

It has been specified that either a chartered accountant or a cost and management accountant can be appointed as auditor of a private company with paid up capital of three million rupees or less. Previously, any person was allowed to act as auditor of such companies.

IFRS compliant financial statements

The companies have been allowed to prepare the statutory financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB). Pursuant, to this new provision, companies have a choice to prepare the statutory financial statements in accordance with either the:

- IFRS issued by IASB and notified by SECP; or
- IFRS issued by IASB.

Accordingly, the companies can decide to apply the IFRS which have been issued by the IASB and not yet notified by SECP for adoption in Pakistan.

Authentication of financial statements of listed companies

The financial statements of the listed company are required to be signed by the chief financial officer, in addition to a director and chief executive officer.

New auditor's reports

A specific provision requiring the auditor's report to be in compliance with the requirements of International Auditing Standards (ISAs) has been added.

The International Auditing and Assurance Standards Board (IAASB) has issued a set of new and revised ISAs on auditor reporting, and all the auditor's reports have been changed in the ISAs. The key features of the revision in the auditor's report include: the introduction of Key Audit Matters (KAM) for the listed company, placement of audit opinion and basis of conclusion at the beginning of the report, enhanced description of management and auditor responsibilities and reporting on other information. Globally, the new auditor's reporting ISAs have become applicable for audit reports on financial statements for the period ending on or after 15 December 2016.

The auditor's opinion related responsibilities have been spelled out in section 249 of the Companies Act. These are similar to the previous responsibilities mentioned in the repealed Ordinance, except that now the auditor is not specifically required to include in the audit opinion that as to whether the accounting policies are consistently applied and concurrence with the change in the policy. Further, reporting in respect of objects of the company has been deleted. The opinion on guarantees extended and investments made for the purpose of the company, reflects the additional auditor reporting responsibilities outlined in the Companies Act.

Pursuant to the enactment of the Companies Act 2017, and in consideration to the requirements of new and revised ISAs, the revised draft formats of the auditor reports have been issued by the SECP through draft Auditors (Reporting Obligations) Regulations, 2017, for public consultation. The draft Regulations mention that once published the auditor report formats contained therein will become applicable "at once". However, the Institute while formulating its comments on the draft Regulations has urged the SECP to set an effective date that facilitates all the stakeholders in ensuring compliance of the requirements of the Companies Act.

It is to be noted that till the issuance of revised formats by SECP, the auditors' reports formats prescribed in Form 35A, 35B and 35C of the repealed Companies Ordinance will remain effective in accordance with the provisions of section 509 (2)(b) of the Companies Act. Said section explains that all rules, regulations, notification, guideline, circular, directive, order (special or general) or exemption issued, made or granted under the repealed Ordinance shall have effect as if it had been issued, made or granted under the corresponding provision of this Companies Act unless repealed, amended or substituted under this Act.

Accounting treatment of associated companies

A new provision has been incorporated in the Companies Act, requiring the companies to consider the IFRS definition of associate for the financial reporting purposes. This provision will now ensure that the accounting treatment of associated companies in the financial statements is in accordance with the requirements of IFRS.

Previously, the definition of the associated companies as mentioned in the repealed Ordinance differed from the related definition of IFRS, and accounting of the associated companies in the financial statements was done in accordance with the definition of the repealed Ordinance.

In the Companies Act, the definition of associated companies and associated undertakings has been revised to exclude the companies related by virtue of relationship with the appointment of an independent director, and this change will help in aligning the definition of related party contained in IFRS. However, the revised definition of associated companies still differs from the IFRS definition, exposing to the possibility of divergent accounting treatment of associated companies from IFRS requirements.

In consideration of the above, the new provision has been added in the Companies Act, through which the associated companies will be accounted for in the financial statements in accordance with the IFRS definition.

Accounting treatment of subsidiary company

The definition of the subsidiary company has been expanded with the explanation of direct and indirect holding and control based approach in the composition of the board. Though, the revised definition is more aligned to the IFRS definition of subsidiary, however, differences may arise in the determination of subsidiary and consequent accounting treatment. IFRS requires a greater focus on the control exhibited by the investor who has power over an investee's activities whereas the Companies Act definition considers the majority of the voting rights.

Audit of cost accounts

The provision relating to the audit of cost accounts have been amended; as such audits will now be carried out on the specific orders of SECP, subject to the recommendation of the regulatory authority supervising the business of relevant sector or any entity of the sector. Previously, SECP had mandated the cost audits for the specified sectors.

Disqualification of the auditor

The grounds for the auditor's disqualification have been increased as conviction by the court of law and non-compliance with the code of ethics issued by the Institute will now also lead to the disqualification.

Further, clarification has been provided with the addition of wording "other than in the ordinary course of business" in the grounds for disqualification resulting from auditor's direct or indirect business relationship; provision of guarantee or security; or indebtedness.

Applicable accounting frameworks

The companies have been classified in various categories for the financial reporting purposes. The basis of categorization and applicable financial reporting framework for each category are outlined in the newly added Third schedule. Further, references to the Fourth and Fifth schedule are made in the Third schedule. In comparison to the previously set out criteria and classification of companies mentioned in SRO 929 of 2015, following changes have been brought forth through Third schedule.

- The criteria for the classification of public interest companies has been broadened, and two additional basis i.e. the number of members and assets value have been included.
- The criteria has also been broadened for classifying large-sized company, a clause has been added on the number of employees, number of shareholders and asset value.
- New sub-category of foreign company with a turnover of Rs. 1 billion or more has been added under the large-sized companies. Further, a new sub-category of foreign company with a turnover of less than Rs. 1 billion has been added under medium-sized company.
- The criteria for classification of non-listed company licensed under section 42 or section 45 of the Companies Act has been simplified. Now classification is based only on the gross revenue.
- Specific criteria for the determination of medium-sized companies has been incorporated. Previously, medium-sized companies were classified on the basis of exception.
- Criteria of employees has been added in the small-sized and medium-sized company.

Other significant changes**Financial reporting related other significant changes include:**

- Definitions relating to financial reporting have been added/ amended. In addition to the revision of definitions of subsidiary', and 'associated companies', the other significant financial reporting related definitions include; 'financial statements', financial period', 'turnover', and 'chief financial officer'.
- The definition of the financial statements with the inclusion of contents of financial statements has been aligned with what is prescribed in the IFRS.

- A new enabling section has been incorporated on the compliance with the code of corporate governance, through which the Commission has been empowered to provide framework to ensure good corporate governance practices, compliance and matters incidental and axillary for companies or class of companies in a manner as may be specified.
- The threshold for mandatory filing of audited financial statements with the registrar has been increased. The private companies with paid-up capital of ten million rupees or more have been mandated to file audited financial statements with the registrar. Previously, private companies having paid up capital of seven and half million rupees were required to file audited financial statements with the registrar.
- Additional items to be covered in the directors' report have been specified for various classes of companies. These include: a fair review of the business; description of the risks and uncertainties faced by the company and the adequacy of internal financial controls.
- For the listed companies few other additional areas for inclusion in the directors' report have been specified, these include: discussion of the main trends and factors likely to affect the future prospects; position and performance of the company; impact of the company's business on the environment; activities undertaken relating to corporate social responsibility and director's responsibility for adequate internal financial controls.
- The requirement to add a statement signed by the directors has been removed, in case the financial statements are not signed by the CEO, owing, to non-availability in Pakistan.
- The requirements relating to investments in associated companies and undertakings have been modified. With regard to the investment by way of loans and advances detailed requirements have been introduced including requirement to have the arrangement in writing with certain specified particulars and such investment to be made after due diligence and certification by directors. The directors have also been made personally responsible in case the agreed rate of return is not received on loans and advances. A provision has also been added, providing clarification that an increase in the amount or any change in nature or terms of investment shall be under the authority of a special resolution. Further, a statement to confirm that investment in associated companies have been made in accordance with the requirements of the Companies Act is now required to be included in the financial statements of the company as specified in the Fourth and Fifth schedules.
- A new section has been incorporated, under which the expression 'related party' has been defined and framework for the related party transactions has also been explained.

Under the provisions of the Companies Act, a company may enter into any contract or arrangement with a related party only in accordance with the policy approved by the board, subject to such conditions as may be specified, relating to:

- sale, purchase or supply of any goods or materials;
- selling or otherwise disposing of, or buying, property of any kind;
- leasing of property of any kind;
- availing or rendering of any services;
- appointment of any agent for purchase or sale of goods, materials, services or property; and
- such related party's appointment to any office or place of profit in the company, its subsidiary company or associated company.

However, in case the majority of the directors are interested in any of the above transactions, the matter shall be placed before the general meeting for approval through a special resolution. Further, explanation has been provided that the requirements shall apply to any transactions entered into by the company in its ordinary course of business on an arm's length basis.

All contracts or arrangements entered into with related parties that is other than in the ordinary course of business on an arm's length basis are required to be stated in the board of director's report to the shareholders along with the justification for entering into such contracts or arrangements.

Audit related other significant provisions include:

- Appointment of auditor is to be made on the recommendation of the directors. A member or members having not less than ten percent shareholding is also entitled to propose an auditor for appointment. Previously there was not such threshold prescribed.
- The time period for the appointment of first auditors has been increased from sixty days to ninety days of date of incorporation of the company.
- The representation of the retiring auditors (when they are not proposed for reappointment) is only required to be read out at the AGM, as compared to previous requirement of sending the representation to the members prior to the AGM.
- Additional rights have been sanctioned to the auditors, these include, requiring information from any person holding or accountable for the company's books of account; and access to the subsidiary companies and its employees, officers and auditors.
- Further, a level 3 penalty has been introduced for non-provision of access to the books of account or information or provision of false information by an officer of the company to the auditor.

- A provision has been added requiring name of engagement partner to be mentioned in the auditor report. Further, where a partnership firm is appointed as auditor the auditor report is to be signed by the partnership firm with disclosing the name of engagement partner.
- The fines and penalties imposed for breaches and non-compliance with the provisions relating to audit have been enhanced.

Accounts of companies

Financial Statements (Section 223)

- The first financial statements must be laid at the annual general meeting within 16 months (previously 18 months) from the date of incorporation of company. [223\(3\)](#)
- The condition for the audit of financial statements is not applicable to a private company having paid up capital not exceeding one million rupees or such other amount as may be prescribed by the Commission. [223\(5\)](#)
- In addition to submission through post, listed companies are required to electronically send a copy of financial statements and reports to the Commission, and also post the same on the company's website. [223\(7\)](#)

Classification of companies (Section 224)

- The companies have been classified in various categories. The basis of categorization and applicable financial reporting framework for each category are outlined in the newly added Third Schedule.

Contents of financial statements (Section 225)

- The associated companies for the purpose of preparation of the financial statements shall be accounted for in accordance with the financial reporting standards. [225\(1\)](#)
- The companies are now allowed to prepare financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB). [225\(4\)](#)
- The Commission is now empowered to modify or grant exemption from the requirements of the schedule applicable to a company. Previously, this power vested with the Federal Government. [225\(5\)](#)

Duty to prepare directors' report and statement of compliance (Section 226)

- The board of directors is required to prepare a directors' report, annually. However, the requirement to prepare a directors' report is not mandatory for a private company which is not a subsidiary of a public company and has paid up capital not exceeding three million rupees. [226\(1\)](#)
- Further, the Commission is empowered to direct the companies to prepare a statement of compliance. [226\(2\)](#)

Contents of directors' report and statement of compliance (Section 227)

- The directors' report of every company, in addition to the state of affairs of the company shall now also include a fair review of the business. [227\(1\)](#)
- Further, the additional contents of the directors' report in comparison to the previous requirements include description of the risks and uncertainties facing the company and the adequacy of internal financial controls. These requirements apply to the directors' report of the public company or a private company which is the subsidiary of a public company. [227\(2\)](#)
- For the listed companies few additional contents for the directors' report are also specified, that include: discussion of the main trends and factors likely to affect the future prospects, position and performance of the company; impact of the company's business on the environment; activities undertaken relating to corporate social responsibility and directors responsibility for adequate internal financial controls. [227\(3\)](#)
- The directors' report and statement of compliance must be approved by the board and signed by the chief executive and a director of the company. Previously, Chairman of the board, CEO or CEO and the number of directors signing the financial statements were allowed to sign the directors' report. [227\(5\)](#)

Consolidated financial statements (Section 228)

- Exemption has been granted from the preparation of consolidated financial statements to a private company and its subsidiary, if neither of the holding company nor the subsidiary company has the paid up capital exceeding one million rupees. [228\(1\)](#)
- The interim financial statements of a subsidiary prepared for consolidation purposes incases there are different financial year ends of the subsidiary and holding company are no longer required to be reviewed by the auditors' of that subsidiary. The repealed Ordinance contained the requirement of auditors' review of interim financial statements of the subsidiary. [228\(2\)](#)

Financial year of holding company and subsidiary (Section 229)

- The allowance provided to change the financial year to both the holding company and the subsidiary. Previously, subsidiaries were allowed to change their financial year to correspond with the holding company's financial year. [229\(1\)](#)

Approval and authentication of financial statements (Section 232)

- The financial statements of the listed company shall be now be signed by the chief financial officer of the company, in addition to the chief executive officer and one director. In case of any other company chief executive and one director are required to sign the financial statements. [232\(1\)](#)

- The requirement to add a statement signed by the directors, in case the financial statements are not signed by the CEO, owing, to his for the time being non-availability in Pakistan has been removed.
- Further, the private company having a paid up capital not exceeding one million rupees, consequently, exempt from the audit requirements, is required to attach an affidavit containing the representation that the financial statements have been approved by the board. The said affidavit shall be executed by the CEO or the directors signing the financial statements, as the case may be, and shall be attached with the financial statements. [232\(1\)](#)
- A clarification has been added, requiring the financial statements of a single member company to be signed by one director. [232\(2\)](#)

Copy of financial statements to be forwarded to the registrar (Section 233)

- The listed company is required to file the financial statements with the registrar, within thirty days from the date of adoption of the financial statements. All other companies are required to file the financial statements within fifteen days from the date of adoption of the financial statements. Previously, all companies were required to file the financial statements with the registrar within thirty days of their adoption. [233\(1\)](#)
- The requirement to file financial statements with the registrar for private companies having paid up capital of seven and half million rupees has been increased to ten million rupees. [233\(2\)](#)

Filing of unaudited financial statements (Section 234)

- A new section has been added for the filing of financial statements by the private companies having paid up capital up to one million rupees. Such companies are required to file either audited or unaudited financial statements with the registrar within thirty days of meeting approving or adopting the financial statements, as the case may be. [234\(1\)](#)

Quarterly financial statements of listed companies (Section 237)

- The cumulative figures for the half year ended financial statements shall be subject to a limited scope review by the Company's statutory auditors'. [237\(1\)](#)
- The quarterly financial statements of the listed company shall be posted on the company's website and also transmitted electronically to the Commission, securities exchange and the registrar, in addition to the physical submission to the above. Further, the quarterly financial statements shall be dispatched to the member on request, without any fee. [237\(2\)](#)

Audit

Appointment and removal of auditors (Section 246)

- The time period for the appointment of first auditors increased from sixty days to ninety days of date of incorporation of the company. [246\(1\)](#)
- The subsequent appointment of the auditors shall be made at the AGM on the recommendation of the board. However, pursuant to the newly added provision, member or members holding not less than 10 percent of shareholding of the company is also entitled to propose any auditor whose consent has been obtained by him or them and a notice in this regard has been given to the company not less than seven days before the date of the AGM. In such a case the company is required to send copy of the notice to the retiring auditor and shall also post on its website. [246\(3\)](#)
- The representation of the retiring auditors (when they are not proposed for reappointment) is only required to be read out at the AGM, as compared to previous requirement of sending the representation to the members prior to the AGM. Further, it shall be mandatory for the auditor or a person authorised to attend the AGM, where such representation is read out. [246\(4\)](#)

Qualification and disqualification of auditors (Section 247)

- A chartered accountant can only be appointed as auditor of a public company or a private company which a subsidiary of a public company or a private company having paid up capital of three million rupees or more. [247\(1a\)](#)
- However, other companies having paid up capital of less than three million rupees can appoint an auditor who is a chartered accountant or cost and management accountant. [247\(1b\)](#)
- Following new situations and circumstances leading to the disqualification of the auditor have been added: [247\(3\)](#)
 - ❑ A person who has been convicted by court of an offence involving fraud and period of ten years has not elapsed from the date of such conviction;
 - ❑ A person who has given guarantee or provided security in connection with the indebtedness of any third person to the company other than in the ordinary course of the business;
 - ❑ A person or firm has direct or indirect business relationship with the company other than in the ordinary course of the business; and
 - ❑ A person who is not eligible to act as auditor under the code of ethics as adopted by ICAP or ICMAP.
- Further, wording 'other than in the ordinary course of business of such entities' has been added to the situation where a person is disqualified to become auditor of the company owing, to indebtedness to the company of a sum exceeding one million rupees or ninety days overdue utility bills. [247\(3\)](#)

Auditors' right to information (Section 248)

- A specific section outlining auditors' rights has been inserted. Previously, the auditors' rights were covered along with the duties of the auditors' in a single section. Additional rights have been sanctioned to the auditors that include, requiring information from any person holding or accountable for any company's books of account and access to the subsidiary companies and its employees, officers and auditors. [248\(1\)](#)
- A level 3 penalty has been introduced for non-provision of access to the books of account or information or provision of false information by an officer of the company. [248\(2\)](#)

Duties of auditor (Section 249)

- As explained above, duties of auditors are now spelled out in a separate section.
- A specific provision has been added, requiring the auditors' report to be in compliance with the ISAs as adopted by ICAP. In this regard, the format of the auditor reports will be issued by the Commission. [249\(1\)](#)
- Further, modifications have been made in the auditors' report for inclusion of additional matters. The auditors' report is now required to include opinion in respect of whether investments made, expenditure incurred and guarantees extended, during the year, were for the purpose of company's business. Previously, this was only to the extent of expenditure. [249\(3\)](#)
- The requirement to include opinion in respect of whether the business conducted, investments made and expenditure incurred during the year were in accordance with the objects of the company has been deleted. Further, requirement to include opinion relating to constancy of accounting policies has not been carried forward in the Companies Act.

Audit of cost accounts (Section 250)

- Cost audits shall be applicable in accordance with direction of the Commission subject to the recommendation of the regulatory authority supervising business of relevant sector. [250\(2\)](#)

Signature of auditor's report (Section 251)

- The auditor's report must state the name of the auditor, engagement partner, date and indicate the place at which it is signed. The report shall be signed:
 - a) If the auditor is an individual, the report must be signed by him; [251\(2\)](#) and
 - b) If the auditor is a firm, the report must be signed by the partnership firm with the name of the engagement partner. Previously, in case of a firm, any partner could sign the auditors' report in the name of the firm. [251\(3\)](#)

Annexure A – Comparative table
Accounts of Companies

Companies Act, 2017	Repealed Companies Ordinance, 1984	Comments
Section 220 Books of account to be kept by company	Section 230 Books of account to be kept by company	
Section 221 Inspection of books of account by the Commission	Section 231 Inspection of books of account by registrar	
Section 222 Default in compliance with provisions of section	Section 232 Default in compliance with provisions of section	
Section 223 Financial Statements	Section 233 Annual accounts and balance-sheet	
Section 224 Classification of Companies		New section has been added in the Companies Act, 2017.
Section 225 Contents of Financial Statements	Section 234 Contents of balance-sheet	
	Section 234A Special audit	Specific section has not been carried forward in the Companies Act, 2017.
	Section 235 Treatment of surplus arising out of revaluation of fixed assets	Specific section, outlining the accounting treatment has not been not carried forward in the Companies Act, 2017.
Section 226 Duty to prepare directors' report and statement of compliance	Section 236 Director's report	In the companies Act, 2017, the provisions relating to responsibility for preparation and contents of directors' report have been explained through two sections. Further, responsibility for the
Section 227 Contents of directors' report and statement of compliance		

Companies Act, 2017	Repealed Companies Ordinance, 1984	Comments
		preparation of a statement of compliance has been added.
Section 228 Consolidated financial statements	Section 237 Consolidated financial statements	
Section 229 Financial year of holding company and subsidiary	Section 238 Financial year of holding company and subsidiary	
Section 230 Rights of holding company's representatives and members	Section 239 Rights of holding company's representatives and members	
Section 231 Financial Statements of modaraba company to include modaraba accounts	Section 240 Balance sheet of modaraba company to include modaraba accounts	
Section 232 Approval and authentication of Financial Statements	Section 241 Authentication of balance-sheet	
Section 233 Copy of Financial Statements to be forwarded to the registrar	Section 242 Copy of balance-sheet to be forwarded to the registrar	
Section 234 Filing of unaudited financial statements		New section has been added in the Companies Act, 2017.
Section 235 Right of member of a company to copies of the Financial Statements and the auditor's report	Section 243 Right of member of company to copies of the balance-sheet, etc. and the auditor's report	
Section 236 Penalty for improper issue, circulation or publication of Financial Statements	Section 244 Penalty for improper issue, circulation or publication of balance sheet or profit and loss account	
Section 237 Quarterly financial statements of listed companies	Section 245 Quarterly accounts of listed companies	
Section 238	Section 246	

COMPARITIVE TABLE

Brief Memorandum on Companies Act, 2017

Companies Act, 2017	Repealed Companies Ordinance, 1984	Comments
Power of Commission to require submission of additional statements of accounts and reports	Power of Commission to require submission of additional statements of accounts and reports	
Section 239 Rights of debenture-holders to obtain copies of financial statements	Section 247 Rights of debenture-holders, etc., as to receipt and inspection of report	

Audit

Companies Act, 2017	Repealed Companies Ordinance, 1984	Comments
Section 246 Appointment, removal and fee of auditors	Section 252 Appointment and remuneration of auditors	The provisions relating the appointment, remuneration and ancillary provisions have been consolidated under section 246.
	Section 253 Provisions as to resolutions relating to appointment and removal of auditors	
Section 247 Qualification and disqualification of auditors	Section 254 Qualification and disqualification of auditors	
Section 248 Auditors' right to information	Section 255 Powers and duties of auditors	The powers / rights of the auditor and duties have been segregated under two sections (248 and 249). Previously, were covered through a single section.
Section 249 Duties of auditor		
	Section 256 Reading and inspection of auditor's report	
Section 250 Audit of cost accounts	Section 258 Audit of cost accounts	
Section 251 Signature of auditor's report	Section 257 Signature on audit report	
Section 252 Penalty for non-compliance with provisions by companies	Section 259 Penalty for non-compliance with provisions by companies	
Section 253 Penalty for non-compliance with provisions by auditors	Section 260 Penalty for non-compliance with provisions by auditors.	

Annexure B – Definitions

S. No.	Companies Act, 2017 Section	Companies Ordinance, 1984 Section	Brief Explanation
1	<p>4. “associated companies” and “associated undertakings” mean any two or more companies or undertakings, or a company and an undertaking, interconnected with each other in the following manner, namely:—</p> <p>(a) if a person who is owner or a partner or director of a company or undertaking, or who, directly or indirectly, holds or controls shares carrying not less than twenty percent of the voting power in such company or undertaking, is also the owner or partner or director of another company or undertaking, or directly or indirectly, holds or controls shares carrying not less than twenty percent of the voting power in that company or undertaking; or</p> <p>(b) if the companies or undertakings are under common management or control or one is the subsidiary of another; or</p> <p>(c) if the undertaking is a <i>modaraba</i> managed by the company;</p>	<p>2. associated companies” and “associated undertakings” mean any two or more companies or undertakings, or a Company and an undertaking, interconnected with each other in the following manner, namely: —</p> <p>(i) if a person who is the owner or a partner or director of a company or undertaking, or who, directly or indirectly, holds or controls shares carrying not less than twenty per cent of the voting power in such company or undertaking, is also the owner or partner or director of another company or undertaking, or, directly or Indirectly, holds or controls shares carrying not less than twenty per cent of the voting power in that company or undertaking; or</p> <p>(ii) if the companies or undertakings are under common management or control or one is the subsidiary of another; or</p> <p>(iii) if the undertaking is a <i>modaraba</i> managed by the company;</p> <p>and a person who is the owner of or a partner or director in a company or</p>	

S. No.	Companies Act, 2017 Section	Companies Ordinance, 1984 Section	Brief Explanation
	<p>and a person who is the owner of or a partner or director in a company or undertaking or, who so holds or controls shares carrying not less than ten percent of the voting power in a company or undertaking, shall be deemed to be an "associated person" of every such other person and of the person who is the owner of or a partner or director in such other company or undertaking, or who so holds or controls such shares in such company or undertaking:</p> <p>Provided that—</p> <p>(i) shares shall be deemed to be owned, held or controlled by a person if they are owned, held or controlled by that person or by the spouse or minor children of the person;</p> <p>(ii) directorship of a person or persons by virtue of nomination by concerned Minister-in-Charge of the Federal Government or as the case may be, a Provincial Government or a financial institution directly or indirectly owned or controlled by such Government or National Investment Trust; or</p>	<p>undertaking or, who so holds or controls shares carrying not less than ten per cent of the voting power in a company or undertaking, shall be deemed to be an "associated person" of every such other person and of the person who is the owner of or a partner or director in such other company or undertaking, or who so holds or controls such shares in such other company or undertaking:</p> <p>Provided that shares shall be deemed to be owned, held or controlled by a person if they are owned, held or controlled by that person or by the spouse or minor children of the person:</p> <p>Provided further that—</p> <p>(i) directorship of a person or persons by virtue of nomination by the Federal Government or a Provincial Government or a financial institution directly or indirectly owned or controlled by such Government; or</p> <p>(ii) shares owned by the National Investment Trust or the Investment Corporation of Pakistan or a financial institution directly or indirectly owned or controlled by the Federal Government or a Provincial</p>	

S. No.	Companies Act, 2017 Section	Companies Ordinance, 1984 Section	Brief Explanation
	<p>(iii) directorship of a person appointed as an “independent director”; or</p> <p>(iv) shares owned by the National Investment Trust or a financial institution directly or indirectly owned or controlled by the Federal Government or a Provincial Government; or shares registered in the name of a central depository, where such shares are not beneficially owned by the central depository;</p> <p>shall not be taken into account for determining the status of a company, undertaking or person as an associated company, associated undertaking or associated person;</p>	<p>Government or shares registered in the name of a central depository, where such shares are beneficially owned by the central depository;</p> <p>shall not be taken into account for determining the status of a company, undertaking or person as an associated company, associated undertaking or associated person;</p>	
2	(15) “ chief financial officer ” means an individual appointed to perform such functions and duties as are customarily performed by a chief financial officer;		New definition added.
3	(32) “ financial period ” in relation to a company or any other body corporate, means the period (other than financial year) in respect of which any financial statements thereof are required to be made pursuant to this Act;		New definition for financial period added.

S. No.	Companies Act, 2017 Section	Companies Ordinance, 1984 Section	Brief Explanation
4	<p>(33) “financial statements” in relation to a company, includes,—</p> <p>(a) a statement of financial position as at the end of the period;</p> <p>(b) a statement of profit or loss and other comprehensive income or in the case of a company carrying on any activity not for profit, an income and expenditure statement for the period;</p> <p>(c) a statement of changes in equity for the period;</p> <p>(d) a statement of cash flows for the period;</p> <p>(e) notes, comprising a summary of significant accounting policies and other explanatory information;</p> <p>(f) comparative information in respect of the preceding period; and</p> <p>(g) any other statement as may be prescribed;</p>		New definition of ‘financial statement’ added aligning the terminology with that of IFRS.
5	(34) “financial year” in relation to a company or any other body corporate, means the period in respect of which any financial statement of the company or the body corporate, as the case may	(16) "financial year" in relation to any body corporate, means the period in respect of which any profit and loss account or the income and expenditure account, as the case may be, of the body	The word ‘company’ added. Further, profit and loss account or the income and expenditure account replaced by the term ‘financial statement’.

S. No.	Companies Act, 2017 Section	Companies Ordinance, 1984 Section	Brief Explanation
	be, laid before it in general meeting, is made up, whether that period is a year or not;	corporate, laid before it in general meeting, is made up, whether that period is a year or not;	
6	<p>(68) “subsidiary company” or “subsidiary”, in relation to any other company (that is to say the holding company), means a company in which the holding company,—</p> <p>(a) controls the composition of the board; or</p> <p>(b) exercises or controls more than one-half of its voting securities either by itself or together with one or more of its subsidiary companies:</p> <p>Provided that such class or classes of holding companies shall not have layers of subsidiaries beyond such numbers, as may be notified;</p> <p>Explanation.- For the purposes of this clause,—</p> <p>(i) a company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (a) or sub-clause (b) is of another subsidiary company of the holding company;</p>	(38) "subsidiary company" or "subsidiary" means a subsidiary company as defined in section 3;	A comprehensive definition of “ subsidiary company ” or “ subsidiary ” has been added.

S. No.	Companies Act, 2017 Section	Companies Ordinance, 1984 Section	Brief Explanation
	<p>(ii) the composition of a company's board shall be deemed to be controlled by another company if that other company by exercise of power exercisable by it at its discretion can appoint or remove all or a majority of the directors;</p> <p>(iii) the expression "company" includes any body corporate;</p> <p>(iv) "layer" in relation to a holding company means its subsidiary or subsidiaries;</p>		
7	(70) " turnover " means the aggregate value of sale, supply or distribution of goods or on account of services rendered, or both, net of discounts, if any, held by the company during a financial year;		New definition of 'turnover' added.

ANNEXURE C – ACCOUNTS OF COMPANIES

S. No.	Companies Act, 2017 Section	Companies Ordinance, 1984 Section	Brief Explanation
1	220. Books of account, to be kept by company.- (1) Every company shall prepare and keep at its registered office books of account and other relevant books and papers and financial statements for every financial year which give a true and fair view of the state of the affairs of the company, including that of its branch office or offices, if any:	230. Books of account to be kept by company. - (1) Every company shall keep at its registered office proper books of account with respect to—	For emphasis branch office also mentioned separately in (1). The section more or less is same as the previous section 230 with just rephrasing of clauses for more clarity.
		(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;	
		(b) all sales and purchases of goods by the company;	
		(c) all assets of the company;	
		(d) all liabilities of the company; and	
	Provided that in the case of a company engaged in production, processing, manufacturing or mining activities, such particulars relating to utilisation of material or labour or the other inputs or items of cost as may be specified shall also be maintained:	(e) in the case of a company engaged in production, processing, manufacturing or mining activities, such particulars relating to utilisation of material or labour or the other inputs or items of cost as may be prescribed, if such class of companies is required by the Commission by a general or special order to include such particulars in the books of accounts:	
	Provided further that all or any of the books of account aforesaid and other relevant papers may be kept at such other place in Pakistan as the board may	Provided that all or any of the books of account aforesaid may be kept at such other place in Pakistan as the directors may decide, and when the directors so	

S. No.	Companies Act, 2017 Section	Companies Ordinance, 1984 Section	Brief Explanation
	decide and where such a decision is taken, the company shall, within seven days thereof, file with the registrar a notice in writing giving the full address of that other place.	decide, the company shall, within seven days of the decision, file with the registrar a notice in writing giving the full address of the other place.	
	(2) Where a company has a branch office in Pakistan or outside Pakistan, it shall be deemed to have complied with the provisions of sub-section (1), if proper books of account relating to the transactions effected at the branch office are kept at that office and proper summarized returns are sent periodically by the branch office to the company at its registered office or the other place referred to in sub-section (1).	(2) Where a company has a branch office, whether in or outside Pakistan, the company shall be deemed to have complied with the provisions of sub-section (1) if proper books of account relating to the transactions effected at the branch office are kept at the branch office and proper summarised returns, made up to date at intervals of not more than three months are sent by the branch office to the company at its registered office or the other place referred to in sub-section (1).	
		(3) For the purposes of sub-section (1) and (2), proper books of account shall not be deemed to be kept with respect to the matters specified therein if there are not kept such books as are necessary to give a true and fair view of the state of affairs of the company or the branch office, as the case may be, and to explain its transactions.	
	(3) The books of account and other books and papers maintained by the company within Pakistan shall be open for inspection at the registered office of the company or at such other place in	(4) The books of account and other books and papers of every company shall be open to inspection by the directors during business hours.	Further clarification added that copies of information maintained outside Pakistan shall also be available for inspection.

S. No.	Companies Act, 2017 Section	Companies Ordinance, 1984 Section	Brief Explanation
	Pakistan by any director during business hours, and in the case of financial information, if any, maintained outside the country, copies of such financial information shall be maintained and produced for inspection by any director.		
	(4) Where an inspection is made under sub-section (3), the officers and other employees of the company shall give to the director making such inspection all assistance in connection with the inspection which the company may reasonably be expected to give.	(5) The directors shall from time to time determine whether and to what extent and at what time and places and under what conditions or regulations the accounts and books or papers of the company or any of them shall be open to the inspection of members, not being directors, and no member, not being a director, shall have any right of inspecting any account and books or papers of the company except as conferred by the Ordinance or authorised by the directors or by the company in general meeting.	The option of members other than director inspecting the books and papers of the company under certain conditions has been removed.
	(5) The books of account of every company relating to a period of not less than ten financial years immediately preceding a financial year, or where the company had been in existence for a period less than ten years, in respect of all the preceding years together with the vouchers relevant to any entry in such books of account shall be kept in good order.	(6) The books of account of every company relating to a period of not less than ten years immediately preceding the current year shall be preserved in good order:	Further clarification added that books of accounts along with supporting vouchers to be retained up to 10 years.

S. No.	Companies Act, 2017 Section	Companies Ordinance, 1984 Section	Brief Explanation
		Provided that, in the case of a company incorporated less than ten years before the current year, the books of account for the entire period preceding the current year shall be so preserved.	
	(6) If a company fails to comply with any of the requirements of this section, every director, including chief executive and chief financial officer, of the company who has by his act or omission been the cause of such default shall,—	(7) If a company fails to comply with any of the requirements of this section, every director, including chief executive and chief accountant, of the company who has knowingly by his act or omission been the cause of such default shall,—	Chief Accountant replaced with the term Chief Financial Officer to align with terminology used in new Ordinance.
	(a) in respect of a listed company, be punishable with imprisonment for a term which may extend to two year and with fine which shall not be less than five hundred thousand rupees nor more than five million rupees, and with a further fine which may extend to ten thousand rupees for every day after the first during which the default continues; and	(a) in respect of a listed company, be punishable with imprisonment for a term which may extend to one year and with fine which shall not be less than 1[twenty] thousand rupees nor more than 2[fifty] thousand rupees, and with a further fine which may extend to 3[five] thousand rupees for every day after the first during which the default continues; and	Penalty enhanced for listed company from Rs.20,000/- to Rs.500,000/- to a maximum of Rs.1 million from Rs.50,000/-. Imprisonment provision increased from up to one year up to to two years.
	(b) in respect of any other company, be punishable with imprisonment for a term which may extend to one year and with fine which may extend to one hundred thousand rupees.	(b) in respect of any other company, be punishable with imprisonment for a term which may extend to six months and with fine which may extend to 4[ten thousand] rupees.	In case of other company penalty enhanced to imprisonment from 6 months to now 1 year and fine from Rs.10,000/- to Rs.100,000/-.
		Explanation.-: The term “chief accountant” shall include the chief accountant or any other person, by	

S. No.	Companies Act, 2017 Section	Companies Ordinance, 1984 Section	Brief Explanation
		whatever name called, who is charged with the responsibility of maintenance of books of account of the company.	
	(7) The provisions of this section except those of sub-section (5), shall apply <i>mutatis mutandis</i> to the books of account which a liquidator is required to maintain and keep.	(8) The provisions of this section except those of sub-section (6), shall apply <i>mutatis mutandis</i> to the books of account which a liquidator is required to maintain and keep.	
2	221. Inspection of books of account by the Commission.- (1) The books of account and books and papers of every company shall be open to inspection by any officer authorised by the Commission in this behalf if, for reasons to be recorded in writing, the Commission considers it necessary so to do.	231. Inspection of books of account by registrar, etc.- (1) The books of account and books and papers of every company shall be open to inspection by the registrar or by any officer authorised by the Commission in this behalf if, for reasons to be recorded in writing, the registrar or the Commission considers it necessary so to do.	An amendment has been made by removing the direct authority of the registrar for inspection.
	(2) It shall be the duty of every director, officer or other employee of the company to produce to the person making inspection under sub-section (1) all such books of account and books and papers of the company in his custody or under his control, and to furnish him with any such statement, information or explanation relating to the affairs of the company, as the said person may require of him within such time and at such place as he may specify.	(2) It shall be the duty of every director, officer or other employee of the company to produce to the person making inspection under sub-section (1) all such books of account and books and papers of the company in his custody or under his control, and to furnish him with any such statement, information or explanation relating to the affairs of the company, as the said person may require of him within such time and at such place as he may specify.	

S. No.	Companies Act, 2017 Section	Companies Ordinance, 1984 Section	Brief Explanation
	(3) It shall also be the duty of every director, officer or other employee of the company to give to the person making inspection under this section all assistance and facilitation in connection with the inspection which the company may be reasonably expected to give.	(3) It shall also be the duty of every director, officer or other employee of the company to give to the person making inspection under this section all assistance in connection with the inspection which the company may be reasonably expected to give.	
	(4) The officer making the inspection under this section may, during the course of inspection,-	4) The person making the inspection under this section may, during the course of inspection,—	
	(a) make or cause to be made copies of books of account and other books and papers, or	(a) make or cause to be made copies of books of account and other books and papers, or	
	(b) place or cause to be placed by marks of identification thereon in token of the inspection having been made;	(b) place or cause to be placed by marks of identification thereon in token of the inspection having been made.	
	(c) take possession of such documents and retain them for thirty days if there are reasonable grounds for believing that they are evidence of the commission of an offence.		The inspecting officer has been empowered to take possession of documents and retain for thirty days.
	(5) Where an inspection of the books of account and books and papers of the company has been conducted under this section, by an officer authorised by the	(5) Where an inspection of the books of account and books and papers of the company has been made under this section by an officer authorised by the	

S. No.	Companies Act, 2017 Section	Companies Ordinance, 1984 Section	Brief Explanation
	Commission, such officer shall make a report to the Commission.	Commission, such officer shall make a report to the Commission.	
	(6) Any officer authorised to make an inspection under this section shall have all the powers that the Commission has under this Act in relation to the making of inquiries.	(6) Any officer authorised to make an inspection under this section shall have all the powers that the registrar has under this Ordinance in relation to the making of inquiries.	Direct powers of the registrar removed.
3	222. Default in compliance with provisions of section 221.- (1) If default is made in complying with the provisions of section 221, every person who is in default shall be punishable with imprisonment for a term which may extend to one hundred and eighty days and with fine which may extend to one hundred thousand rupees.	232. Default in compliance with provisions of section 231.- (1) If default is made in complying with the provisions of section 231, every person who is in default shall be punishable with imprisonment for a term which may extend to one year and with fine which shall not be less than ten thousand rupees.	Penalty revised with imprisonment term reduced to 6 months from 1 year and fine increased from Rs.10,000/- to Rs.100,000/-.
	(2) Where a director or any other officer of a company has been convicted of an offence under this section, he shall, on and from the date on which he is so convicted, be deemed to have vacated his office as such and, on such vacation of office, shall be disqualified for holding such office in any company, for a period of three years.	(2) Where a director or any other officer of a company has been convicted of an offence under this section, he shall, on and from the date on which he is so convicted, be deemed to have vacated his office as such and, on such vacation of office, shall be disqualified for holding such office in any company, for a period of five years.	Disqualification period reduced from 5 to 3 years.
4	223. Financial Statements.- (1) The board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such statements since	233. Annual accounts and balance-sheet.- (1) The directors of every company shall at some date not later than eighteen months after the incorporation of the company and subsequently once at least	The provision has been aligned with the new definition of “financial statement” introduced.

S. No.	Companies Act, 2017 Section	Companies Ordinance, 1984 Section	Brief Explanation
	the incorporation of the company and in any other case since the preceding financial statements, made up to the date of close of financial year adopted by the company.	in every calendar year lay before the company in annual general meeting a balance-sheet and profit and loss account or in the case of a company not trading for profit an income and expenditure account for the period, in the case of the first account for the period since the incorporation of the company and in any other case since the preceding account, made up to a date not earlier than the date of the meeting by more than *[four] months:	In case of first statements the time limit 18 months from incorporation changed to 16 months.
	(2) The financial statements must be laid within a period of one hundred and twenty days following the close of financial year of a company:		A separate sub-section has been added clarifying the time limit for laying the first annual financial statements in the AGM.
	Provided that, in the case of a listed company the Commission, and in any other case the Registrar, may, for any special reason, extend the period for a term not exceeding thirty days.	Provided that, in the case of a listed company the Commission, and in any other case the registrar, may, for any special reason, extend the period for a term not exceeding **[one] months.	
	(3) Subject to the provision of sub-section (2), the first financial statement must be laid at some date not later than sixteen months after the date of incorporation of the company and subsequently once at least in every calendar year.		In case of first financial year the maximum period for laying of financial statements in the AGM has been reduced from 18 month to 16 months.
	(4) The period to which the statements aforesaid relate, not being the first, shall not exceed one year except where special permission of the registrar has been obtained.	(2) The period to which the accounts aforesaid relate shall not exceed twelve months except where special permission has been granted in that behalf by the registrar.	The requirement of obtaining permission in case of first year financial statements relaxed.

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	(5) The financial statement shall be audited by the auditor of the company, in the manner hereinafter provided, and the auditor's report shall be attached thereto.	(3) The balance-sheet and the profit and loss account or income and expenditure account shall be audited by the auditor of the company, in the manner hereinafter provided, and the auditor's report shall be attached thereto.	
	Provided that nothing in this sub-section shall apply to a private company having the paid up capital not exceeding one million rupees or such higher amount of paid up capital as may be notified by the Commission.		Provision for exemption from audit to companies having the paid up capital not exceeding one million rupees added. A future notification can enhance such monetary amount. Previously audit of financial statements was mandatory for all companies.
	(6) Every company shall send in the form and manner specified audited financial statements together with the auditors' report, directors' report and in the case of a listed company the chairman's review report to every member of the company and every person who is entitled to receive notice of general meeting, either by post or electronically at least twenty-one days before the date of meeting at which it is to be laid before the members of the company, and shall keep a copy at the registered office of the company for the inspection of the members.	(4) Every company shall *[in the form and manner specified by the Commission] send a copy of such balance-sheet and profit and loss account or income and expenditure account so audited together with a copy of the auditor's report and the director's report to **[] every member of the company at least twenty-one days before the meeting at which it is to be laid before the members of the company, and shall keep a copy at the registered office of the company for the inspection of the members of the company during a period of at least twenty-one days before that meeting.	The companies can now send audited financial statements and other information electronically as well.
	(7) A listed company shall, simultaneously with the dispatch of the financial statements together with the	(5) A listed company shall, simultaneously with the dispatch of the balance sheet and profit and loss account together with the	The provision for sending the financial statements and other

S. No.	Companies Act, 2017 Section	Companies Ordinance, 1984 Section	Brief Explanation
	reports referred to in sub-section (6), send by post three copies and electronically a copy of such financial statements together with said reports to each of the Commission, registrar and the Securities Exchange and shall also post on the company's website:	reports referred to in sub-section (4), send five copies each of such balance-sheet and profit and loss account and other documents to the Commission, the stock exchange and the registrar.	information electronically has been added. Further now only 3 copies instead of 5 to be dispatched. Posting on website also brought in the body of the law.
	Provided that the reports shall be made available on the website of the Company for a time period as may be specified.		
	(8) The provisions of sub-section (6) of section 220 shall apply to any person who is a party to the default in complying with any of the provisions of this section.	(6) The provisions of sub-section (7) of section 230 shall apply to any person who is a party to the default in complying with any of the provisions of this section.	
	(9) This section shall not apply to a single member company except to the extent as provided in sub-section (5).		Single member companies exempted from all requirements relating to financial statements stated in the section.
5	225. Contents of Financial Statements. - (1) The financial statements shall give a true and fair view of the state of affairs of the company, comply with the financial reporting standards notified by the Commission and shall be prepared in accordance with the requirements contained in the Third Schedule for different class or classes of companies:	234. Contents of balance-sheet.- (1) Every balance-sheet of a company shall give a true and fair view of the state of affairs of the company as at the end of its financial year, and every profit and loss account or income and expenditure account of a company shall give a true and fair view of the profit and loss of the company for the financial year so, however, that every item of expenditure fairly chargeable against the year's income shall be brought into account and, in case where any item of expenditure which may	Classification of classes of companies now specified in the Third Schedule. The term 'financial reporting standards' introduced. The third schedule provides the specific standards.

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		in fairness be distributed over several years has been incurred in any one financial year, the whole amount of such item shall be stated, with the addition of the reasons why only a portion of such expenditure is charged against the income of the financial year.	
	Provided that for the purpose of preparation of financial statements and relating accounting treatment of associated companies shall be in accordance with financial reporting standards or such other standards as may be notified by the Commission:		The law clarifies that for accounting definition in financial reporting standards to be followed for 'associated companies'
		(2) The balance-sheet and profit and loss account or the income and expenditure account shall,—	
		(i) in the case of a listed company, 1[and a private and non-listed public company which is subsidiary of a listed company] comply with the requirements of the Fourth Schedule so far as applicable thereto; and	Reference to the fourth schedule now in third schedule.
			Reference to the fifth schedule now in third schedule.

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		(ii) in the case of any other company, comply with the requirements of the Fifth Schedule so far as applicable thereto:	
	Provided further that, except to the extent, otherwise notified in the official Gazette by the Commission, this sub-section shall not apply to an insurance or banking company or to any other class of companies for which the requirements of financial statements are specified in the law regulating such class of companies.	Provided further that, except to the extent, otherwise notified in the official Gazette by the Commission, this sub-section shall not apply to an insurance or banking company or to any other class of companies for which the requirements of financial statements are specified in the law regulating such class of companies.	
		(3) Subject to the provisions of this Ordinance 1[...]— (i) such International Accounting Standards and other standards shall be followed in regard to the accounts and preparation of the balance-sheet and profit and loss account as are notified for the purpose in the official Gazette by the Commission; and	Details of standards to follow provided in the third schedule.
		2[(ii) in the case of a listed company, — (a) a statement of changes in equity and cash flow statement shall form part of the balance-sheet and profit and loss account; and]	
		3[(b)] accounting policies shall be stated and, where there is any change in such policies, the auditor shall report whether he agrees with the change.	The requirement to provide opinion by the auditor in the auditor report on change of accounting policy now removed.

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		Explanation. - "International Accounting Standards" shall be understood in the terms in which it is understood in the accounting circles.	
	(2) The Commission may, of its own motion or upon application by a company, modify, in relation to that company, the requirements of the relevant Schedule for the purpose of adapting it to the circumstances of a company.	(4) The Federal Government may, of its own motion or upon application by a company, modify, in relation to that company, the requirements of the Fourth Schedule or the Fifth Schedule for the purpose of adapting them to the circumstances of the company.	The power of amending the Schedules is now given to the Commission previously it was of the Federal Government.
	(3) The Commission shall have power from time to time to grant exemption to any company or any class of companies if it is in the public interest so to do, from compliance with all or any of the requirements of the relevant Schedule.	(5) The Federal Government shall have power from time to time to grant exemption to any company or any class of companies if it is in the public interest so to do, from compliance with all or any of the requirements of the Fourth Schedule or the Fifth Schedule.	The power of providing exemption now specifically given to the Commission previously it was for the Federal Government.
	(4) Notwithstanding anything in this Act any company that intends to make unreserved compliance of IFRS issued by the IASB shall be permitted to do so.		New provision introduced which allows a company to make unreserved compliance of IFRS for financial statements
	Explanation the expression "IFRS" means international Financial Reporting Standards and the expression "IASB" means International Accounting Standards Board-		

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	(5) The provisions of sub-section (6) of section 220 shall apply to any person who is a party to the default in complying with any of the provisions of this section.	(6) The provisions of sub-section (7) of section 230 shall apply to any person who is a party to the default in complying with any of the provisions of this section.	
6	226. Duty to prepare directors' report and statement of compliance.- (1) The board must prepare a directors' report for each financial year of the company:		New provision related to directors' report has been added. This is applicable to all listed companies and private company having paid up capital of more than Rs.3 million.
	Provided that nothing in this sub-section shall apply to a private company having the paid up capital not exceeding three million rupees.		Requirement to prepare directors report now not mandatory for private company having the paid up capital not exceeding three million rupees.
	(2) The Commission may by general or special order, direct such class or classes of companies to prepare a statement of compliance.		
	(3) The board of a holding company, required to prepare consolidated financial statements under section 228, shall in its report to the members as provided in section 227 include information on matters specified in sub-section (2) of section 227 with respect to the consolidated financial statements.		

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	(4) The directors in their report shall give greater emphasis to the matters that are significant to the undertakings included in the consolidation.		
	(5) Any contravention or default in complying with requirements of this section shall be an offence liable to a penalty of level 1 on the standard scale.		
7	227. Contents of directors' report and statement of compliance.- (1) The directors shall make out and attach to the financial statements a report with respect to the state of the company's affairs and a fair review of its business, the amount (if any), that the directors recommend should be paid by way of dividend and the amount (if any), they propose to carry to the Reserve Fund, General Reserve or Reserve Account.	236. Director's report.- (1) The directors shall make out and attach to every balance-sheet a report with respect to the state of the company's affairs, the amount, if any, which they recommend should be paid by way of dividend and the amount, if any, which they propose to carry to the Reserve Fund, General Reserve or Reserve Account shown specifically in the balance-sheet or to a Reserve Fund, General Reserve or Reserve Account to be shown specifically in a subsequent balance-sheet.	The directors' report shall now not only include state of the company's affairs but also give a fair review of its business.
	(2) In the case of a public company or a private company which is a subsidiary of a public company, the directors report, in addition to the matters specified in sub-section (1) must state,-	(2) In the case of a public company or a private company which is a subsidiary of a public company, the directors report shall, in addition to the matters specified in sub-section (1),-	The matter to be covered in the report by the public company and its subsidiaries has been prescribed in detail.
	(a) the names of the persons who, at any time during the financial year, were directors of the company;	(a) disclose any material changes and commitments affecting the financial position of the company	

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		which have occurred between the end of the financial year of the company to which the balance-sheet relates and the date of the report;	
	(b) the principal activities and the development and performance of the company's business during the financial year;	(b) so far as is material for the appreciation of the state of the company's affairs by its members, deal with any changes that have occurred during the financial year concerning the nature of the business of the company or of its subsidiaries, or in the classes of business in which the company has interest, whether as a member of another company or otherwise, unless the Commission exempts any company from making such disclosure on the ground that such disclosures would be prejudicial to the business of the company;	
	(c) a description of the principal risks and uncertainties facing the company;		
	(d) any changes that have occurred during the financial year concerning the nature of the business of the company or of its subsidiaries, or any other company in which the company has interest ;		
	(e) the information and explanation in regard to any contents of modification in the auditor's report;	(c) contain the fullest information and explanation in regard to any reservation, observation, qualification or adverse remarks contained in the auditor's report	

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	(f) information about the pattern of holding of the shares in the form specified;	(d) circulate with it information about the pattern of holding of the shares in the form prescribed;	
	(g) the name and country of origin of the holding company, if such company is a foreign company;	(e) state the name and country of incorporation of its holding company, if any, where such holding company is established outside Pakistan [; and]	
	(h) the earning per share;	¹ [(f) state the earning per share	
	(i) the reasons for loss if incurred during the year and future prospects of profit, if any;	(g) give reasons for incurring loss and a reasonable indication of future prospects of profit, if any; and	
	(j) information about defaults in payment of any debts and reasons thereof;	(h) contain information about defaults in payment of debts, if any, and reasons thereof.]	
	(k) comments in respect of adequacy internal financial controls;		Important change to be incorporated in the directors' report.
	(l) any material changes and commitments affecting the financial position of the company which have occurred between the end of the financial year of the company to which the financial statement relates and the date of the report; and		
	(m) any other information as may be specified.		Enabling provision added to require further information.
	(3) In the case of a listed company the business review must, to the extent necessary for an understanding of the		New sub-section added requiring a listed company to also provide information in the directors' report which will have an impact

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	development, performance or position of the company's business, include—		on the future performance and the environment. Some of these already applicable through the code of corporate governance and SRO requirements.
	(a) the main trends and factors likely to affect the future development, performance and position of the company's business;		
	(b) the impact of the company's business on the environment;		
	(c) the activities undertaken by the company with regard to corporate social responsibility during the year;		
	(d) directors' responsibility in respect of adequacy of internal financial controls as may be specified.		
	(4) The board shall make out and attach to the financial statement such statement of compliance as may be specified.		New requirement to have a statement of compliance. The contents not yet prescribed.
	(5) The directors' report and statement of compliance must be approved by the board and signed by the chief executive and a director of the company.	(3) The report referred to in sub-section (1) shall be signed by the chairman of the directors or the chief executive of the company on behalf of the directors if authorised in that behalf by the directors and, when not so authorised, shall be	The amendment explicitly states the requirement of approval of the directors' report by the Board of Directors.

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		signed by the chief executive and such number of directors as are required to sign the balance-sheet and profit and loss account under section 241	Further such report is to be signed by the chief executive and a director of the company. Previously it was either of Chairman or the CEO. However, there is no provision in this section addressing the issue of signing of the report in place of CEO due to his non-availability in Pakistan as in the case of financial statements where the relevant section allows it to be signed by at least two directors instead of the CEO.
	(6) Whoever contravenes any of the provisions of this section shall,-	(4) If a company fails to comply with any of the requirements of this section, every director, including the chief executive, of the company who has knowingly by this act or omission been the cause of any default by the company in complying with the requirements of this section shall,-	
	(a) in respect of a listed company, be punishable with imprisonment for a term which may extend to two years and with fine may extend to five hundred thousand rupees and with a further fine which may extend to ten thousand rupees for every day after the first during which the default continues; and	(a) in respect of a listed company, be punishable with imprisonment for a term which may extend to one year and with fine which shall not be less than ¹ [twenty] thousand rupees nor more than ² [fifty] thousand rupees, and with a further fine which may extend to ³ [five] thousand	Penalty has been enhanced.

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		rupees for every day after the first during which the default continues; and	
	(b) in respect of any other company, be punishable with imprisonment for a term which may extend to one year and with fine which may extend to one hundred thousand rupees.	(b) in respect of any other company, be punishable with imprisonment for a term which may extend to six months and with fine which may extend to ⁴ [ten] thousand rupees.	
		⁵ [(5) The directors of a holding company required to prepare consolidated financial statements under section 237 shall make out and attach to consolidated financial statements, a report with respect to the state of group's affairs and all provisions of sub-section (2), (3) and (4) shall apply to such report as if for the word "company" appearing in these sub-sections the word "holding company" were substituted.]	
8	228. Consolidated financial statements. - (1) There shall be attached to the financial statements of a holding company having a subsidiary or subsidiaries, at the end of the financial year at which the holding company's financial statements are made out, consolidated financial statements of the group presented as those of a single enterprise and such consolidated financial statements shall comply with the disclosure requirement of the	6[237. Consolidated financial statements. - (1) There shall be attached to the financial statements of a holding company having a subsidiary or subsidiaries, at the end of the financial year at which the holding company's financial statements are made out, consolidated financial statements of the group presented as those of a single enterprise and such consolidated financial statements shall comply with the disclosure requirement of the Fourth	Consolidated financial statements to be prepared according to the disclosure requirements of that class of company as classified and specified in the 3 rd Schedule.

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	relevant Schedule and financial reporting standards notified by the Commission:	Schedule and an International Accounting Standards notified under sub-section (3) of section 234.	
	Provided that nothing in this sub-section shall apply to a private company and its subsidiary, where none of the holding and subsidiary company has the paid up capital not exceeding one million rupees.		Exemption granted to companies where neither the holding company nor the subsidiary company has the paid up capital not exceeding one million rupees.
	(2) Where the financial year of a subsidiary precedes the day on which the holding company's financial year ends by more than ninety days, such subsidiary shall make an interim closing, on the day on which the holding company's financial year ends, and prepare financial statements for consolidation purposes.	(2) Where the financial year of a subsidiary precedes the day on which the holding company's financial year ends by more than three months, such subsidiary shall make an interim closing, on the day on which the holding company's financial year ends, and prepare financial statements for consolidation purposes.	
	(3) Every auditor of a holding company appointed under section 246 shall also report, in the specified form, on consolidated financial statements and exercise all such rights and duties as are vested in him under sections 248 and 249 respectively.	(3) Every auditor of a holding company appointed under section 252 shall also report on consolidated financial statements and exercise all such powers and duties as are vested in him under section 255.	
		(4) All interim financial statements of a subsidiary as required under sub-section (3) shall be reviewed by the auditors of that subsidiary appointed under section 252 who shall report on such financial statements in the prescribed form.	The mandatory requirement for interim financial statements prepared for the purpose of consolidation to be reviewed by the auditors deleted.

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	(4) There shall be disclosed in the consolidated financial statements any note or saving contained in such accounts to call attention to a matter which, apart from the note or saving, would properly have been referred to in such a qualification, in so far the matter which is the subject of the qualification or note is not covered by the holding company's own accounts and is material from the point of view of its members.	(5) There shall be disclosed in the consolidated financial statements -	The consolidated financial statements shall refer to a note referred to in the qualification of any subsidiary if material or important even if not covered in the holding company's accounts.
		(a) any qualifications contained in the auditors' reports on the accounts of subsidiaries for the financial year ending with or during the financial year of the holding company; and	
		(b) any note or saving contained in such accounts to call attention to a matter which, apart from the note or saving, would properly have been referred to in such a qualification, in so far the matter which is the subject of the qualification or note is not covered by the holding company's own accounts and is material from the point of view of its members	
	(5) Every consolidated financial statements shall be signed by the same persons by whom the individual financial statements of the holding	(6) Every consolidated financial statements shall be signed by the same persons by whom the individual balance sheet and the profit and loss account or income and expenditure account of the	

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	company are required to be signed, under section 232.	holding company are required to be signed, under section 241.	
	(6) All provisions of sections 223, 233, 234, 235 and 236 shall apply to a holding company required to prepare consolidated financial statements under this section as if for the word “company” appearing in these sections, the words “holding company” were substituted.	(7) All provisions of sections 233, 242, 243, 244 and 245 shall apply to a holding company required to prepare consolidated financial statements under this section as if for the word “company” appearing in these sections, the words “holding company” were substituted.	
	(7) The Commission may, on an application of a holding company, direct that the provisions of this section shall not apply only to such extent as may be specified in the direction.	(8) The Commission may, on an application or with the consent of the directors of a holding company, direct that in relation to any subsidiary, the provisions of this section shall not apply only to such extent as may be specified in the direction.	
		(9) If a holding company fails to comply with any requirement of this section, every officer of the holding company shall be punishable with fine which may extend to fifty thousand rupees in respect of each offense unless he shows that he took all reasonable steps for securing compliance by the holding company of such requirements and that the non-compliance or default on his part was not willful and intentional.]	
	(8) Any contravention or default in complying with requirements of this		

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	section shall be an offence liable to a penalty of level 2 on the standard scale.		
9	229. Financial year of holding company and subsidiary.- (1) The board of a holding company shall ensure that, except where in their opinion there are good reasons against it, its financial year and each of its subsidiaries coincides.	238. Financial year of holding company and subsidiary.- (1) The directors of a holding company shall ensure that, except where in their opinion there are good reasons against it, the financial year of each of its subsidiaries coincides with the company's own financial year.	
	(2) The Commission may, on an application of a holding company or a subsidiary of the holding company, extend the financial year of any such company for the purpose of sub-section (1).	(2) Where it appears to the Commission desirable for a holding company or a holding company's subsidiary to extend its financial year so that the subsidiary's financial year may and with that of the holding company, and for that purpose to postpone the submission of the relevant accounts to a general meeting from one calendar year to the next, the Commission may on the application or with the consent of the directors of the company whose financial year is to be extended direct that, in the case of that company, the submission of accounts to a general meeting, the holding of an annual general meeting are the making of an annual return shall not be required in the earlier of the said calendar years.	
	(3) While granting any extension under sub-section (2), the Commission may grant such other relaxations as may be incidental or ancillary thereto.		

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10	230. Rights of holding company's representatives and members.- (1) A holding company may, by resolution, authorise representatives named in the resolution to inspect the books of account kept by any of its subsidiaries; and the books of account of any such subsidiary shall be open to inspection by those representatives at any time during business hours.	239. Rights of holding company's representatives and members. - (1) A holding company may, by resolution, authorise representatives named in the resolution to inspect the books of account kept by any of its subsidiaries; and the books of account of any such subsidiary shall be open to inspection by those representatives at any time during business hours.	
	(2) The rights conferred by section 256 upon members of a company may be exercised, in respect of any subsidiary, by members of the holding company as if they also were members of the subsidiary.	(2) The rights conferred by section 265 upon members of a company may be exercised, in respect of any subsidiary, by members of the holding company as if they also were members of the subsidiary.	
11	231. Financial Statements of modaraba company to include modaraba accounts.- (1) There must be attached to the financial statements of a modaraba company, the annual accounts and other reports circulated in pursuance of the provisions of section 14 of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), made out,-	240. Balance sheet of modaraba company to include modaraba accounts, etc. - (1) There shall be attached to the balance-sheet of a modaraba company, the annual accounts and other reports circulated in pursuance of the provisions of section 14 of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), made out,-	No change excepting the term financial statements in place of balance sheet.

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	(a) as at the end of the financial year of the modaraba where such financial year coincides with the financial year of the modaraba company; and	(a) as at the end of the financial year of the modaraba where such financial year coincides with the financial year of the modaraba company; and	
	b) as at the end of the financial year of the modaraba last before that of the modaraba company, where the financial year of the modaraba does not coincide with that of the modaraba company.	(b) as at the end of the financial year of the modaraba last before that of the modaraba company, where the financial year of the modaraba does not coincide with that of the modaraba company.	
	(2) The provisions of sub-section (8) of section 228 shall apply to any person who is a party to the default in complying with any of the provisions of this section.	(2) The provisions of sub-section (12) of section 237 shall apply to any person who is a party to the default in complying with any of the provisions of this section.	
12	232. Approval and authentication of Financial Statements. - (1) The financial statements, including consolidated financial statement, if any, must be approved by the board of the company and signed on behalf of the board by the chief executive and at least one director of the company, and in case of a listed company also by the chief financial officer:	241. Authentication of balance-sheet. - (1) Save as provided by sub-section (2), the balance-sheet and profit and loss account or income and expenditure account shall be approved by the directors and shall be signed by the chief executive and at least one director.	In case of listed company Chief Financial Officer also required to sign the financial statements.
	Provided that when the chief executive is for the time being not available in Pakistan, then the financial statements may be signed by at least two directors:	(2) When the chief executive is for the time being not in Pakistan, then the balance-sheet and profit and loss account or income and expenditure account of the	The requirement to also include the reason for non signing by the chief executive has been deleted.

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		company shall be signed by not less than two directors for the time being in Pakistan, but in such a case there shall be subjoined to the balance-sheet and profit and loss account or income and expenditure account a statement signed by such directors explaining the reasons for non-compliance with the provisions of sub-section (1).	
	Provided further that in case of a private company having a paid up capital not exceeding one million rupees, the financial statements shall also be accompanied by an affidavit executed by the chief executive if the accounts are signed by him or by any of the directors if the accounts has been signed by two directors, as the case may be, that the financial statements have been approved by the board.		In case of a private company with paid up capital up to Rs.1 million to be accompanied by an affidavit by the CEO or directors who ever has signed the financial statement.
	(2) The financial statements of a single member company shall be signed by one director.		
	(3) Any contravention or default in complying with requirements of this section shall be an offence liable to a penalty of level 1 on the standard scale.	(3) If a company makes default in complying with the requirement of this section, the company and every officer of the company who is knowingly and wilfully in default shall be liable to a fine not exceeding five thousand rupees.	

S. No.	Companies Act, 2017 Section	Companies Ordinance, 1984 Section	Brief Explanation
13	233. Copy of Financial Statements to be forwarded to the registrar.- (1) Without prejudice to the provisions of sub-section (5) of section 223, after the audited financial statements have been laid before the company at the annual general meeting and duly adopted, a copy of such financial statements together with reports and documents required to be annexed to the same, duly signed in the manner provided by sections 226, 232 and 251, shall be filed by the company with the registrar within thirty days from the date of such meeting in case of a listed company and within fifteen days in case of any other company.	242. Copy of balance-sheet to be forwarded to the registrar. - (1) Without prejudice to the provisions of sub-section (5) of section 233, after the balance-sheet and profit and loss account or the income and expenditure account, as the case may be, have been laid before the company at the annual general meeting, such number of copies thereof along with the reports and documents required to be annexed to the same, not being less than ¹ [three] in the case of a listed company or ² [two] in the case of any other company, as may be prescribed, signed by the chief executive, directors, chairman of directors or the auditors of the company, as the case may be, in the manner provided by sections 236, 241 and 257, shall be filed with the registrar within thirty days from the date of such meeting.	Financial statements (1 set previously was 3 and 2 sets) to be filed with registrar after AGM in case of listed company within 30 days and other company in 15 days. Previously it was 30 days for all.
	(2) If the general meeting before which the financial statement is laid does not adopt the same or defers consideration thereof or is adjourned, a statement of that fact and of the reasons therefor shall be annexed to the said financial statements required to be filed with the Registrar.	(2) If the general meeting before which a balance-sheet is laid does not adopt the balance-sheet and profit and loss account or the income and expenditure account or defers consideration thereof or is adjourned, a statement of that fact and of the reasons therefor shall be annexed to the said documents and also to the copies thereof required to be filed with the registrar.	No change except the word 'balance sheet' has been replaced with 'financial statements'.

S. No.	Companies Act, 2017 Section	Companies Ordinance, 1984 Section	Brief Explanation
	(3) Nothing in this section shall apply to a private company having paid up capital of less than ten million rupees or such amount of paid up capital as may be notified by the Commission.	(3) Nothing in this section shall apply to a private company [having paid up capital of less than 7.5 million rupees.] ³⁶	The threshold / limit of paid capital, for mandatory filing of financial statements with the registrar by a private company, has been increased from Rs. 7.5 million to Rs. 10 million.
	(4) Any contravention or default in complying with requirements of this section shall be an offence liable-	(4) If a company makes default in complying with the requirements of this section, the company and every officer of the company who is knowingly and wilfully in default shall be liable,-	
	(a) in case of a listed company, to a penalty of level 2 on the standard scale; and	(a) if the default relates to a listed company, to a fine which may extend to ten thousand rupees and to a further fine which may extend to two hundred rupees for every day after the first during which the default continues; and	
	(b) in case of any other company, to a penalty of level 1 on the standard scale.	(b) if the default relates to any other company, to a fine which may extend to two thousand rupees and to a further fine which may extend to fifty rupees for every day after the first during which the default continues.	
14	234. Filing of unaudited financial statements. - (1) A private company not being a subsidiary of public company, having the paid up capital not exceeding		Private company with paid up capital up to Rs.1 million to file whether audited or unaudited

S. No.	Companies Act, 2017 Section	Companies Ordinance, 1984 Section	Brief Explanation
	one million rupees or such other amount of paid up capital as may be notified by the Commission, shall file the duly authenticated financial statements, whether audited or not, with the registrar within thirty days from the holding of such meeting.		financial statements within 30 days of such meeting.
	(2) Any contravention or default in complying with requirements of this section shall be an offence liable to a penalty of level 1 on the standard scale.		
15	235. Right of member of company to copies of the Financial Statements and the auditor's report. – Any member of the company is entitled, on request and on payment of such minimum fee as may be fixed by the company to be provided with a copy of any financial statement. The copy must be provided within seven days after the request is received by the company.	243. Right of member of company to copies of the balance-sheet, etc., and the auditor's report. - Save as otherwise provided in this Ordinance, a member of a company shall be entitled to be furnished with copies of the balance-sheet and the profit and loss account or the income and expenditure account, the director's report and the auditor's report on payment of such sum as the company may fix not exceeding the maximum amount prescribed.	On payment member to be provided financial statements within 7 days of request.
	(2) Any contravention or default in complying with requirements of this section shall be an offence liable to a penalty of level 1 on the standard scale.		

S. No.	Companies Act, 2017 Section	Companies Ordinance, 1984 Section	Brief Explanation
16	236. Penalty for improper issue, circulation or publication of Financial Statements.- If any copy of financial statements is issued, circulated or published without there being annexed or attached thereto, as the case may be, a copy each of (i) any component of financial statements, reports, or statements referred therein, (ii) the auditors' report, (iii) review reports on the statement of compliance, (iv) the directors' report and (v) the statements of compliance, the company, and every officer of the company who is in default shall be liable to a penalty of level 1 on the standard scale.	244. Penalty for improper issue, circulation or publication of balance sheet or profit and loss account. - If any copy of a balance-sheet is issued, circulated or published without there being annexed or attached thereto, as the case may be, a copy each of (i) the profit and loss account or income and expenditure account, (ii) any accounts, reports, notes or statements referred therein, (iii) the auditor's report, and (iv) the directors report, the company, and every officer of the company who is knowingly and willfully in default shall be punishable with fine which may extend to five thousand rupees.	
17	237. Quarterly financial statements of listed companies. - (1) Every listed company shall prepare the quarterly financial information within the period of,-	245. 1[Quarterly] accounts of listed companies.- (1) Every listed company shall—	
	(a) thirty days of the close of first and third quarters of its year of accounts; and	(a) within 2[one month] of the close of 3[first, second and third quarter] of its year of account, prepare and transmit to the members and the stock exchange in which the shares of the company are listed a profit and loss account for, and balance-sheet as at the end of that 4[quarter], whether audited or otherwise; and	

S. No.	Companies Act, 2017 Section	Companies Ordinance, 1984 Section	Brief Explanation
	Provided that the cumulative figures for the half year, presented in the second quarter accounts shall be subjected to a limited scope review by the statutory auditors of the company in such manner and according to such terms and conditions as may be determined by the Institute of Chartered Accountants of Pakistan and approved by the Commission:		In line with the Code of Corporate Governance half yearly requirement of review has been added.
	Provided further that the Commission may, upon an application by the company, extend the period of filing in case of accounts of first quarter for a period not exceeding thirty days, if the company was allowed extension in terms of sections 223.		Extension of 30 days for filing in case of first quarter where 30 days extension provided for laying of financial statements in the AGM.
	(2) The quarterly financial statements shall be posted on the company's website for the information of its members and also be transmitted electronically to the Commission, securities exchange and with the registrar within the period specified under sub-section (1):		Financial statements to be posted on website.
	Provided that a copy of the quarterly financial statements shall be dispatched in physical form if so requested by any member without any fee.		

S. No.	Companies Act, 2017 Section	Companies Ordinance, 1984 Section	Brief Explanation
	Provided further that the Commission may specify the time period for which the quarterly financial statements shall be made available on the website of the company.		
	(3) The provisions of section 232 shall apply to the quarterly financial statements.	(2) The provisions of sub-sections (1) and (2) of section 241 shall apply to the half-yearly accounts.	
	(4) If a company fails to comply with any of the requirements of this section, every director, including chief executive and chief financial officer of the company who has by his act or omission been the cause of such default shall be liable to a penalty of level 2 on the standard scale.	6[(3) If a company fails to comply with any of the requirements of this section, every director, including chief executive and chief accountant of the company who has knowingly by his act or omission been the cause of such default shall be liable to a fine of not exceeding one hundred thousand rupees and to a further fine of one thousand rupees for every day during which the default continues.]	
18	238. Power of Commission to require submission of additional statements of accounts and reports.-	246. Power of Commission to require submission of additional statements of accounts and reports.-	
	(1) Notwithstanding anything contained in any other provision of this Act the Commission may, by general or special order, require companies generally, or any class of companies or any particular company, to prepare and send to the members, the Commission, the registrar,	(1) [Notwithstanding anything contained in any other provision of this Ordinance the]37 Commission may, by general or special order, require companies generally, or any class of companies or any particular company, to prepare and send to the members, the registrar, any authority, a	

S. No.	Companies Act, 2017 Section	Companies Ordinance, 1984 Section	Brief Explanation
	the securities exchange and any other person such periodical statements of accounts, information or other reports, in such form and manner and within such time, as may be specified in the order.	stock exchange and any other person such periodical statements of accounts, information or other reports, [audited by an auditor,] ³⁸ in such form and manner and within such time, as may be specified in the order.	
	(2) Any contravention or default in complying with requirements of this section shall be an offence liable to a penalty of level 3 on the standard scale.	2) In the event of a default in complying with the order of the Commission issued under sub-section (1), the company, and every officer of the company who knowingly and willfully authorises or permits the default, shall be liable to a fine not [exceeding one million rupees and to a further fine] which may extend to [ten] thousand rupees for every day during which the default continues.	

ANNEXURE D - AUDIT

S. No	Companies Act, 2017 Section	Companies Ordinance, 1984 Section	Brief Explanation
1	246. Appointment, removal and fee of auditors.- (1) The first auditor or auditors of a company shall be appointed by the board within ninety days of the date of incorporation of the company; and the auditor or auditors so appointed shall retire on the conclusion of the first annual general meeting.	252. Appointment and remuneration of auditors.- (1) Every company shall at each annual general meeting appoint an auditor or auditors to hold office from the conclusion of that meeting until the conclusion of the next annual general meeting: ¹ [Provided that an auditor or auditors appointed in a general meeting may be removed before conclusion of the next annual general meeting through a special resolution.] (2) Appointment of a partnership by the firm name to be the auditors of a company shall be deemed to be the appointment of all the persons who are partners in the firm at the time of appointment.	Section 253 of the Companies Ordinance, 1984 has been merged in section 246 of the Companies Act. The time period for appointment of first auditors has been extended from 60 days to 3 months to facilitate the companies.
			Sub-section (2) has been shifted to sub-section (2) of section 250.
	(2) Subject to the provisions of sub-section (3), the subsequent auditor or auditors shall be appointed by the company in the annual general meeting on the recommendation of the board. After obtaining consent of the proposed auditors, a notice shall be given to the members with the notice of general		The process has been clearly defined for appointment of subsequent auditors: <ul style="list-style-type: none">• Board to recommend subsequent auditors.

S. No	Companies Act, 2017 Section	Companies Ordinance, 1984 Section	Brief Explanation
	meeting. The auditor or auditors so appointed shall retire on the conclusion of the next annual general meeting.		<ul style="list-style-type: none"> • Consent to be obtained from proposed auditors. • Notice to be given to members of AGM. • Auditors to be appointed in the AGM.
		(3) The first auditor or auditors of a company shall be appointed by the directors within sixty days of the date of incorporation of the company; and the auditor or auditors so appointed shall hold office until the conclusion of the first annual general meeting:	
		<p>Provided that-</p> <p>(a) the company in a general meeting may remove any such auditor or auditors and appoint in his or their place any other person or persons who have been nominated for appointment by any member of the company and of whose nomination notice has been given to the members of the company not less than fourteen days before the date of the meeting; and</p>	
		(b) if the directors fail to exercise their powers under this sub-section, the company in general meeting may appoint the first auditor or auditors:	

S. No	Companies Act, 2017 Section	Companies Ordinance, 1984 Section	Brief Explanation
		² [Provided further that the auditors appointed in an annual general meeting shall not be removed during their tenure except through special resolution].	
	(3) A member or members having not less than ten percent shareholding of the company shall also be entitled to propose any auditor or auditors for appointment whose consent has been obtained by him and a notice in this regard has been given to the company not less than seven days before the date of the annual general meeting. The company shall forthwith send a copy of such notice to the retiring auditor and shall also be posted on its website.		<p>Besides the Board recommending the auditors a member having at least 10% shareholding can also propose appointment of auditor.</p> <ul style="list-style-type: none"> • Such notice has to be given at least 7 days before the AGM previous requirement was 14 days. • The Company will send the notice to retiring auditors. • The Company will post such notice on its website.
	(4) Where an auditor, other than the retiring auditor is proposed to be appointed, the retiring auditor shall have a right to make a representation in writing to the company at least two days before the date of general meeting. Such representation shall be read out at the meeting before taking up the agenda for appointment of the auditor:		<ul style="list-style-type: none"> • Retiring Auditor has a right to make written representation to the Company. • At least 2 days before the AGM. • Such representation will be read out at the AGM before taking up the agenda of appointment of auditor. It is mandatory for the auditor or his representative to attend the AGM.

S. No	Companies Act, 2017 Section	Companies Ordinance, 1984 Section	Brief Explanation
			The previous requirement of circulation of such representation to the members has been done away.
	Provided that where such representation is made, it shall be mandatory for the auditor or a person authorized by him in writing to attend the general meeting in person.		
	5) The auditor or auditors appointed by the board or the members in an annual general meeting may be removed through a special resolution.		Removal of auditors by special resolution no change in this.
		(4) The directors may fill any casual vacancy in the office of an auditor, but, while any such vacancy continues, the surviving or continuing auditor or auditors, if any, may act.	
	(6) Any casual vacancy of an auditor shall be filled by the board within thirty days from the date thereof. Any auditor appointed to fill in any casual vacancy shall hold office until the conclusion of the next annual general meeting:	5) Any auditor appointed to fill in any casual vacancy shall hold office until the conclusion of the next annual general meeting.	Time frame to fill Casual Vacancy within 30 days has been prescribed.
	Provided that where the auditors are removed during their tenure, the board shall appoint the auditors with prior approval of the Commission.		

S. No	Companies Act, 2017 Section	Companies Ordinance, 1984 Section	Brief Explanation
	(7) If the company, fails to appoint-	(6) Where the first auditors are not appointed under clause (b) of the proviso to sub-section (3) within one hundred and twenty days of the date of incorporation of the company, or where at an annual general meeting no auditors are appointed, or where auditors appointed are unwilling to act as auditors of the company, or where a casual vacancy in the office of an auditor is not filled within thirty days after the occurrence of the vacancy, ¹ [or auditors are removed by the company, the Commission] may appoint a person to fill the vacancy.	
	(a) the first auditors within a period of ninety days of the date of incorporation of the company;		Time frame for appointment of first auditors by the company reduced from 4 months / 120 days to 3 months.
	(b) auditors at an annual general meeting;		
	(c) an auditor in the office to fill up a casual vacancy within thirty days after the occurrence of the vacancy; and		Time frame of 30 days prescribed to fill the casual vacancy.
	(d) if the auditors appointed are unwilling to act as auditors of the company;		
	the Commission may, of its own motion or on an application made to it by the company or any of its members direct to make good the default within such time as may be specified in the order. In case the company fails to report compliance within the period so specified, the Commission shall appoint auditors of the company who shall hold	(7) The company shall, within one week of the Commission's power under sub-section (6) becoming exercisable, give notice of that fact to the Commission.	In case of removal, the auditor shall only be appointed with the approval of the Commission. In the event of default the Commission shall appoint the auditor.

S. No	Companies Act, 2017 Section	Companies Ordinance, 1984 Section	Brief Explanation
	office till conclusion of the next annual general meeting:		
	(8) The remuneration of the auditors of a company shall be fixed-	(8) The remuneration of the auditors of a company shall be fixed,—	As such no change in the requirements relating to 'Remuneration of Auditor'. However, the option to fix the fee in such manner as the general meeting may determine has been deleted.
	(a) by the company in the general meeting;	(a) in the case of an auditor appointed by the directors or by the Commission, as the case may be; an	
	(b) by the board or by the Commission, if the auditors are appointed by the board or the Commission, as the case may be.	(b) in all other cases, by the company in general meeting or in such manner as the general meeting may determine.	
	(9) Every company shall, within fourteen days from the date of any appointment of an auditor, send to the registrar intimation thereof, together with the consent in writing of the auditor concerned.		Company to intimate registrar of appointment of auditor along with written consent from auditor within 14 days of appointment.
2	247. Qualification and disqualification of auditors.- (1) A person shall not be qualified for appointment as an auditor,-	254. Qualification and disqualification of auditors. - ¹ [(1) A person shall not be qualified for appointment as an auditor,-	
	(a) in the case of a public company or a private company which is subsidiary of a public company or a private company having paid up capital of three million rupees or more unless such person is a chartered accountant having valid	(i) in the case of a public company or a private company which is subsidiary of a public company unless he is a Chartered Accountant within the meaning of the Chartered Accountants Ordinance, 1961 (X of 1961); and	Audit of public company and private company which is a subsidiary of a public company and private company with paid up capital of 3 million or more to be conducted by Chartered Accountants.

S. No	Companies Act, 2017 Section	Companies Ordinance, 1984 Section	Brief Explanation
	certificate of practice from the Institute of Chartered Accountants of Pakistan or a firm of chartered accountants; and		
	(b) in the case of a company other than specified in clause (a) unless such person, is a chartered accountant or cost and management accountant having valid certificate of practice from the respective institute or a firm of chartered accountants or cost and management accountants, having such criteria as may be specified:	(ii) in the case of a private company having paid up capital of three million rupees or more unless he is a Chartered Accountant within the meaning of the Chartered Accountants Ordinance, 1961 (X of 1961).]	Audit of private company having paid up capital of 3 million or less can be conducted by either a Chartered Accountant or Cost Management Accountant. Previously it was not defined anyone could conduct audit of private companies having paid up capital below 3 million.
	Provided that for the purpose of clause (a) and (b), a firm whereof majority of practicing partners are qualified for appointment shall be appointed by its firm name to be auditors of the company.		Where auditor will be appointed by the firm name. Majority of the partners of such firm should hold a valid practice license. Previously this was for all the partners.
	(2) Where a partnership firm is appointed as auditor of a company, only the partners who meet the qualification requirements as provided in sub-section (1) shall be authorized to act and sign on behalf of the firm.	(2) A firm whereof all the partners practicing in Pakistan are Chartered Accountants may be appointed by its firm name as auditors of a company referred to in sub-section (1) and may act in its firm name.	In case of a partnership firm only partners holding practicing license can sign on behalf of the firm.
	(3) None of the following persons shall be appointed as auditor of a company, namely,—	(3) None of the following persons shall be appointed as auditor of a company, namely:—	

S. No	Companies Act, 2017 Section	Companies Ordinance, 1984 Section	Brief Explanation
	(a) a person who is, or at any time during the preceding three years was, a director, other officer or employee of the company;	(a) a person who is, or at any time during the preceding three years was, a director, other officer or employee of the company;	
	(b) a person who is a partner of, or in the employment of, a director, officer or employee of the company;	(b) a person who is a partner of, or in the employment of, a director, officer or employee of the company;	
	(c) the spouse of a director of the company;	(c) the spouse of a director of the company;	
	(d) a person who is indebted to the company other than in the ordinary course of business of such entities;	(d) a person who is indebted to the company;	Clarification added that will disqualify only if indebted other than ordinary course of the business. However the term ordinary course of business not defined.
	(e) a person who has given a guarantee or provided any security in connection with the indebtedness of any third person to the company other than in the ordinary course of business of such entities;		Further grounds for disqualification have been introduced.
	(f) a person or a firm who, whether directly or indirectly, has business relationship with the company other than in the ordinary course of business of such entities;		
	(g) a person who has been convicted by a court		

S. No	Companies Act, 2017 Section	Companies Ordinance, 1984 Section	Brief Explanation
	of an offence involving fraud and a period of ten years has not elapsed from the date of such conviction;		
	(h) a body corporate;	(e) a body corporate;	
	(i) a person who is not eligible to act as auditor under the code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and the Institute of Cost and Management Accountants of Pakistan; and		Compliance to the Code of Ethics further emphasized which is in line with the new Auditor reporting model.
	(j) a person or his spouse or minor children, or in case of a firm, all partners of such firm who hold any shares of an audit client or any of its associated companies:	2[(f) a person or his spouse or minor children, or in case of a firm, all partners of such firm who holds any shares of an audit client or any of its associated companies:	
	Provided that if such a person holds shares prior to his appointment as auditor, whether as an individual or a partner in a firm the fact shall be disclosed on his appointment as auditor and such person shall disinvest such shares within ninety days of such appointment.	Provided that if such a person holds shares prior to his appointment as auditor, whether as an individual or a partner in a firm the fact shall be disclosed on his appointment as auditor and such person shall disinvest such shares within ninety days of such appointment.]	
	Explanation.- Reference in this section to an “officer” or “employee” shall be construed as not including reference to an auditor.	Explanation.- Reference in this section to an “officer” or “employee” shall be construed as not including reference to an auditor.	
	(4) For the purposes of clause (d) of sub-section (3) a person who owes-	[(3A) For the purposes of clause (d) of sub-section (3) a person who owes-	

S. No	Companies Act, 2017 Section	Companies Ordinance, 1984 Section	Brief Explanation
	(a) a sum of money not exceeding one million rupees to a credit card issuer; or	(a) a sum of money not exceeding five hundred thousand rupees to a credit card issuer; or	The amount on credit card has been enhanced from Rs.500,000 to Rs.1 million.
	shall not be deemed to be indebted to the company.	shall not be deemed to be indebted to the company.] ⁴³	
	(5) A person shall also not be qualified for appointment as auditor of a company if he is, by virtue of the provisions of sub-section (3), disqualified for appointment as auditor of any other company which is that company's subsidiary or holding company or a subsidiary of that holding company.	(4) A person shall also not be qualified for appointment as auditor of a company if he is, by virtue of the provisions of sub-section (3), disqualified for appointment as auditor of any other company which is that company's subsidiary or holding company or a subsidiary of that holding company.	
	(6) If, after his appointment, an auditor becomes subject to any of the disqualifications specified in this section, he shall be deemed to have vacated his office as auditor with effect from the date on which he becomes so disqualified.	(5) If, after his appointment, an auditor becomes subject to any of the disqualifications specified in this section, he shall be deemed to have vacated his office as auditor with effect from the date on which he becomes so disqualified.	
	(7) A person who, not being qualified to be an auditor of a company, or being or having become subject to any disqualification to act as such, acts as auditor of a company shall be liable to a penalty of level 2 on the standard scale.	(6) A person who, not being qualified to be an auditor of a company, or being or having become subject to any disqualification to act as such, acts as auditor of a company shall be liable to fine which may extend to twenty five thousand rupees.	Now penalty has been enhanced to level 2 from Rs.25,000/-.
	(8) The appointment as auditor of a company of an unqualified person, or of a person who is subject to any disqualifications to act as	(7) The appointment as auditor of a company of an unqualified person, or of a person who is subject to any	

S. No	Companies Act, 2017 Section	Companies Ordinance, 1984 Section	Brief Explanation
	such, shall be void, and, where such an appointment is made by a company, the Commission may appoint a qualified person in place of the auditor appointed by the company.	disqualifications to act as such, shall be void, and, where such an appointment is made by a company, the Commission may appoint a qualified person in place of the auditor appointed by the company.	
	RIGHTS AND DUTIES OF AUDITOR		
3	248. Auditors' right to information.- (1) An auditor of a company has a right,—	255. Powers and duties of auditors. - (1) Every auditor of a company shall have a right of access at all times to the books, papers, accounts and vouchers of the company, whether kept at the registered office of the company or elsewhere, and shall be entitled to require from the company and the directors and other officers of the company such information and explanation as he thinks necessary for the performance of the duties of the auditors.	Rights of auditors have been covered in this section previously these were being referred to as powers and were included in the same section as duties of auditors.
	(a) of access at all times to the company's books, accounts and vouchers (in whatever form they are held); and		
	(b) of access to such copies of, an extracts from, the books and accounts of the branch as have been transmitted to the principal office of the company;	(2) In the case of a company having a branch office outside Pakistan, it shall be sufficient if the auditor is allowed access to such copies of, and extracts from, the books and papers of the branch as have been	

S. No	Companies Act, 2017 Section	Companies Ordinance, 1984 Section	Brief Explanation
		transmitted to the principal office of the company in Pakistan.	
	(c) to require any of the following persons to provide him with such information or explanations as he thinks necessary for the performance of his duties as auditor,-		Additional rights have been given to the auditors to obtain information from employees of the company as well as from the subsidiary companies and its employees.
	(i) any director, officer or employee of the company;		
	(ii) any person holding or accountable for any of the company's books, accounts or vouchers;		
	(iii) any subsidiary undertaking of the company;		
	(iv) any officer, employee or auditor of any such subsidiary undertaking of the company or any person holding or accountable for any books, accounts or vouchers of any such subsidiary undertaking of the company.		
	(2) If any officer of a company refuses or fails, without lawful justification, the onus		Provision relating to false or incorrect information to the auditor

S. No	Companies Act, 2017 Section	Companies Ordinance, 1984 Section	Brief Explanation
	whereof shall lie on him, to allow any auditor access to any books and papers in his custody or power, or to give any such information possessed by him as and when required, or otherwise hinders, obstructs or delays an auditor in the performance of his duties or the exercise of his powers or fails to give notice of any general meeting to the auditor or provides false or incorrect information, he shall be liable to penalty as provided under section 252.		also specifically included for attraction of penalty.
4	249. Duties of auditor.- (1) A company's auditor shall conduct the audit and prepare his report in compliance with the requirements of International Standards on Auditing as adopted by the Institute of Chartered Accountants of Pakistan.		Audit report now to be according to the International Standards for Auditing.
	(2) A company's auditor must carry out such examination to enable him to form an opinion as to,—		
	(a) whether adequate accounting records have been kept by the company and returns adequate for their audit have been received from branches not visited by him; and		
	(b) whether the company's financial statements are in agreement with the accounting records and returns.		

S. No	Companies Act, 2017 Section	Companies Ordinance, 1984 Section	Brief Explanation
	(3) The auditor shall make out a report to the members of the company on the accounts and books of accounts of the company and on every financial statements and on every other document forming part of such statements including notes, statements or schedules appended thereto, which are to be laid before the company in general meeting and the report shall state,—	(3) The auditor shall make a report to the members of the company on the accounts and books of accounts of the company and on every balance-sheet and profit and loss account or income and expenditure account and on every other document forming part of the balance-sheet and profit and loss account or income and expenditure account, including notes, statements or schedules appended thereto, which are laid before the company in general meeting during his tenure of office, and the report shall state—	Sub-sections (3) to (6) of section 255 containing the duties of auditors shifted to this section.
	(a) whether or not they have obtained all the information and explanations which to the best of their knowledge and belief were necessary for the purposes of the audit and if not, the details thereof and the effect of such information on the financial statements;	(a) whether or not they have obtained all the information and explanations which to the best of their knowledge and belief were necessary for the purposes of the audit;	
	(b) whether or not in their opinion proper books of accounts as required by this Act have been kept by the company;	(b) whether or not in their opinion proper books of accounts as required by this Ordinance have been kept by the company;	
	(c) whether or not in their opinion the statement of financial position and profit and loss account and other comprehensive income or the income and expenditure account and the cash flows have been drawn	(c) whether or not in their opinion the balance-sheet and profit and loss account or in the income and expenditure account have been drawn up in conformity with this	Terminology aligned with International Financial Reporting Standards : <ul style="list-style-type: none"> Statement of Financial Position in place of Balance Sheet

S. No	Companies Act, 2017 Section	Companies Ordinance, 1984 Section	Brief Explanation
	up in conformity with the requirements of accounting and reporting standards as notified under this Act and are in agreement with the books of accounts and returns;	Ordinance and are in agreement with the books of accounts;	<ul style="list-style-type: none"> Profit and loss account and other comprehensive income in place of Profit & loss account
	(d) whether or not in their opinion and to the best of their information and according to the explanations given to them, the said accounts give the information required by this Act in the manner so required and give a true and fair view-	(d) whether or not in their opinion and to the best of their information and according to the explanations given to them, the said accounts give the information required by this Ordinance in the manner so required and give a true and fair view—	
	(iii) in the case of statement of cash flows, of the generation and utilisation of the cash and cash equivalents of the company for its financial year;	(iii) in the case of the statement of changes in financial position or sources and application of funds of a listed company, of the changes in the financial position or the sources and application of funds for its financial year;	
	(e) whether or not in their opinion-	(e) whether or not in their opinion-	
	(i) investments made, expenditure incurred and guarantees extended, during the year, were for the purpose of company's business; and	(i) the expenditure incurred during the year was for the purpose of the company's business; and	'Investments made' and 'Guarantees extended' are additions on which opinion has to be given.
		(ii) the business conducted, investments made and expenditure incurred during the year were in accordance with the objects of the company ; and	Requirement deleted.
	(ii) zakat deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980), was deducted by the company and	(f) whether or not in their opinion zakat deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980), was	

S. No	Companies Act, 2017 Section	Companies Ordinance, 1984 Section	Brief Explanation
	deposited in the Central Zakat Fund established under section 7 of that Ordinance.	deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.	
	Explanation.- Where the auditor's report contains a reference to any other report, statement or remarks which they have made on the financial statements examined by them, such statement or remarks shall be annexed to the auditor's report and shall be deemed to be a part of the auditor's report.	Explanation.- Where the auditor's report contains a reference to any other report, statement or remarks which they have made on the balance-sheet and profit and loss account or income and expenditure account examined by them, such statement or remarks shall be annexed to the auditor's report and shall be deemed to be a part of the auditor's report.	
	(4) Where any of the matters referred to in sub-section (2) or (3) is answered in the negative or with a qualification, the report shall state the reason for such answer along with the factual position to the best of the auditor's information.	(4) Where any of the matters referred to in sub-section (3) is answered in the negative or with a qualification, the report shall state the reason for such answer along with the factual position to the best of the auditor's information.	
	(5) The Commission may, by general or special order, direct that, in the case of all companies generally or such class or description of companies as may be specified in the order, the auditor's report shall also include a statement of such additional matters as may be so specified.	(5) The Commission may, by general or special order, direct that, in the case of all companies generally or such class or description of companies as may be specified in the order, the auditor's report shall also include a statement of such additional matters as may be so specified.	
	(6) The auditor shall express unmodified or modified opinion in his report in compliance with the requirements of International Standards on Auditing as adopted by the		Auditor report to be in accordance with International Standards on Auditing.

S. No	Companies Act, 2017 Section	Companies Ordinance, 1984 Section	Brief Explanation
	Institute of Chartered Accountants of Pakistan.		
	(7) The Commission may by general or special order, direct, that the statement of compliance as contained in sub-section (4) of section 227 of this Act, shall be reviewed by the auditor who shall issue a review report to the members on the format specified by the Commission.		Review report to be issued on the Statement of Compliance Section 227 (4). The contents of statement of compliance not yet prescribed. Draft review report on statement of compliance has been issued by the Commission for comments as part of 'Draft Auditor's (Reporting Obligations) Regulations, 2017'.
	(8) The auditor of a company shall be entitled to attend any general meeting of the company, and to receive all notices of, and any communications relating to, any general meeting which any member of the company is entitled to receive, and to be heard at any general meeting which he attends on any part of the business which concerns him as auditor:	(6) The auditor of a company shall be entitled to attend any general meeting of the company, and to receive all notices of, and any communications relating to, any general meeting which any member of the company is entitled to receive, and to be heard at any general meeting which he attends on any part of the business which concerns him as auditor:	
	Provided that, in the case of a listed company, the auditor or a person authorised by him in writing shall be present in the general meeting in which the financial statements and the auditor's report are to be considered.	Provided that, in the case of a listed company, the auditor or a person authorised by him in writing shall be present in the general meeting in which the balance-sheet and profit and loss account and the auditor's report are to be considered.	
		(7) If any officer of a company refuses or fails, without lawful justification, the onus whereof shall lie on him, to allow any auditor access to any books and papers in	

S. No	Companies Act, 2017 Section	Companies Ordinance, 1984 Section	Brief Explanation
		his custody or power, or to give any such information possessed by him as and when required, or otherwise hinders, obstructs or delays an auditor in the performance of his duties or the exercise of his powers or fails to give notice of any general meeting to the auditor, he shall be liable to fine which may extend to five thousand rupees and in the case of a continuing offence to a further fine which may extend to one hundred rupees for every day after the first during which the default, refusal or contravention continues.	
		(8) The provisions of this section shall apply <i>mutatis mutandis</i> to the auditor appointed for audit of the books of account of a liquidator.	Sub section (8) now covered in the provisions relating to winding up.
5	250. Audit of cost accounts.- (1) Where any company or class of companies is required under first proviso of sub-section (1) of section 220 to include in its books of account the particulars referred to therein, the Commission may direct that an audit of cost accounts of the company shall be conducted in such manner and with such stipulations as may be specified in the order by an auditor who is a chartered accountant within the meaning of the Chartered Accountants Ordinance, 1961 (X of 1961), or a cost and management accountant within the meaning of the Cost and Management Accountants Act, 1966 (XIV of 1966); and	258. Audit of cost accounts. - Where any company or class of companies is required under clause (e) of sub-section (1) of section 230 to include in its books of account the particulars referred to therein, the Federal Government may direct that an audit of cost accounts of the company shall be conducted in such manner and with such stipulations as may be specified in the order by an auditor who is a chartered accountant within the meaning of the Chartered Accountants Ordinance, 1961 (X of 1961), or a cost and management accountant within the meaning of the Cost and Management Accountants Act, 1966	

S. No	Companies Act, 2017 Section	Companies Ordinance, 1984 Section	Brief Explanation
	such auditor shall have the same powers, duties and liabilities as an auditor of a company and such other powers, duties and liabilities as may be specified.	(XIV of 1966); and such auditor shall have the same powers, duties and liabilities as an auditor of a company and such other powers, duties and liabilities as may be prescribed.	
	(2) The audit of cost accounts of the company under sub-section (1) shall be directed by the Commission subject to the recommendation of the regulatory authority supervising the business of relevant sector or any entity of the sector.		This is an interesting change now the audit of cost accounts shall not be mandatory but should be subject to recommendation of the regulatory authority of the relevant sector.
6	251. Signature of auditor's report.- (1) The auditor's report must state the name of the auditor, engagement partner, be signed, dated and indicate the place at which it is signed.	257. Signature on audit report, etc.- (1) Only the person appointed as auditor of the company, or where a firm is so appointed in pursuance of sub-section (2) of section 254, only a partner in the firm practising in Pakistan, shall sign the auditor's report or sign or authenticate any other documents of the company required by law to be signed or authenticated by the auditor.	The audit report to be signed in the name of the firm disclosing the name of the engagement partner in line with the requirements of ATR 19 of ICAP.
	(2) Where the auditor is an individual, the report must be signed by him.	(2) The report of auditors shall be dated and indicate the place at which it is signed.	
	(3) Where the auditor is a firm, the report must be signed by the partnership firm with the name of the engagement partner.		The provision need to be clarified. It is not clear whether the report is to be signed in firms name with engagement partner identified or signed in the engagement partner's name.

S. No	Companies Act, 2017 Section	Companies Ordinance, 1984 Section	Brief Explanation
7	252. Penalty for non-compliance with provisions by companies.- Any contravention or default in complying with sections 246, 247, 248 and 250 shall be an offence liable to a penalty of level 3 on the standard scale.	259. Penalty for non-compliance with provisions by companies.- If default is made by a company in complying with any of the provisions of sections 252 to 254 or 256 to 258, the company and every officer of the company who is knowingly and wilfully a party to the default shall be punishable with fine which may extend to 1[fifty thousand rupees and in the case of continuing default to a further fine which may extend to two thousand rupees for every day after the first during which the default continues].	Significant increase in penalty.
8	253. Penalty for non-compliance with provisions by auditors.- (1) If any auditor's report or review report is made, or any document of the company is signed or authenticated otherwise than in conformity with the requirements of section 131, sections 249 and 251 or is otherwise untrue or fails to bring out material facts about the affairs of the company or matters to which it purports to relate, the auditor concerned and the person, if any, other than the auditor who signs the report or signs or authenticates the document, and in the case of a firm all partners of the firm, shall be liable to a penalty of level 2 on the standard scale.	260. Penalty for non-compliance with provisions by auditors.- (1) If any auditor's report is made, or any document of the company is signed or authenticated otherwise than in conformity with the requirements of section 157, section 255 or section 257 or is otherwise untrue or fails to bring out material facts about the affairs of the company or matters to which it purports to relate, the auditor concerned and the person, if any, other than the auditor who signs the report or signs or authenticates the document, and in the case of a firm all partners of the firm, shall, if the default is wilful, be punishable with fine which may extend to 2[one hundred] thousand rupees.	

ANNEXURE E – THIRD SCHEDULE, CLASSIFICATION OF COMPANIES

S. No.	Classification Criteria of Company	Applicable Accounting Framework	Relevant Schedule of Companies Act
1	Public Interest Company (PIC)		
	Sub-categories of PILSC:		
a)	Listed Company	International Financial Reporting Standards	Fourth schedule
b)	Non-listed Company which is: (i) a public sector company as defined in the Act; or (ii) a public utility or similar company carrying on the business of essential public service; or holding assets in a fiduciary capacity for a broad group of outsiders, such as a bank, insurance company, securities broker/dealer, pension fund, mutual fund or investment banking entity. (iii) having such number of members holding ordinary shares as may be notified; or (iv) holding assets exceeding such value as may be notified.	International Financial Reporting Standards	Fifth schedule
2	Large Sized Company LSC		
	Sub-categories of LSC:		
a)	Non-listed Company with: (i) paid-up capital of Rs. 200 million or more; or (ii) turnover of Rs. 1 billion or more; or (iii) employees more than 750; or	International Financial Reporting Standards	Fifth schedule

S. No.	Classification Criteria of Company		Applicable Accounting Framework	Relevant Schedule of Companies Act
		(iv) such number of members holding ordinary shares as may be notified; or (v) assets exceeding such value as may be notified.		
	b)	Foreign Company with turnover of Rs. 1 billion or more.		
	c)	Non-listed Company licenced / formed under Section 42 / Section 45 of the Act having annual gross revenue (grants/income/subsidies/donations) including other income/revenue of Rs. 200 million and above.	International Financial Reporting Standards and Accounting Standards for NPOs	Fifth schedule
3	Medium Sized Company (MSC)			
	Sub-categories of MSC:			
	a)	Non-listed Public Company with: (i) paid-up capital less than Rs.200 million; (ii) turnover less than Rs1 billion; (iii) Employees more than 250 but less than 750.		
	b)	Private Company with: (i) paid-up capital of greater than Rs. 10 million but not exceeding Rs. 200 million; (ii) turnover greater than Rs. 100 million but not exceeding Rs. 1 billion; (iii) Employees more than 250 but less than 750.	International Financial Reporting Standards for SMEs	Fifth schedule

S. No.	Classification Criteria of Company		Applicable Accounting Framework	Relevant Schedule of Companies Act
	c)	A Foreign Company which has turnover less than Rs. 1 billion.		
	d)	Non-listed Company licenced / formed under Section 42 or 45 of the Ordinance which has annual gross revenue (grants/income/subsidies/donations) including other income or revenue less than Rs.200 million.	IFRS for SMEs and Accounting Standards for NPOs	Fifth schedule
4	Small Sized Company (SSC)			
		A private company having: (i) paid-up capital up to Rs. 10 million; (ii) turnover not exceeding Rs.100 million; (iii) Employees not more than 250.	Revised AFRS for SSEs	Fifth schedule

NOTE

1. The classification of a company shall be based on the previous year's audited financial statements.
2. The classification of a company can be changed where it does not fall under the previous criteria for two consecutive years.
3. The number of employees means the average number of persons employed by a company in that financial year calculated on monthly basis

Comparison of Third schedule of the Companies Act with SRO 929 of 2015 issued under repealed companies Ordinance

S. No	Third Schedule		SRO 929 of 2015		Brief Explanation
1	Public Interest Company		Public Interest Company		
a	Listed Company	IFRS and Fourth schedule			
b	Non-listed Company which is: (i) a public sector company as defined in the Ordinance; or (ii) a public utility or similar company carrying on the business of essential public service; or (iii) holding assets in a fiduciary capacity for a broad group of outsiders, such as a bank, insurance company, securities broker/dealer, pension fund, mutual fund or investment banking entity. (iv) having such number of members holding ordinary	IFRS and Fifth Schedule	A non -listed company which is: a) a public sector company as defined in the Public Sector Corporate Governance Rules 2013 b) a public utility or similar company carrying on the business of essential public service; c) holding assets in a fiduciary capacity for a broad group of outsiders, such as a bank, insurance company, securities broker/dealer, pension fund, mutual fund or investment banking entity.	IFRS	Public Sector Company is now defined in the Companies Act. Previously it was only defined in the Public Sector Corporate Governance Rules, 2013.

S. No	Third Schedule	SRO 929 of 2015		Brief Explanation
	shares as may be notified; or (v) holding assets exceeding such value as may be notified.			
2	Large Sized Company (LSC)			
a	Non-listed Company with: (i) paid-up capital of Rs. 200 million or more; or (ii) turnover of Rs. 1 billion or more; or (iii) employees more than 750; or (iv) such number of members holding ordinary shares as may be notified; or (v) assets exceeding such value as may be notified.	IFRS and Fifth schedule	Large Sized Company A Non-listed Company with: (i) paid-up capital of Rs. 200 million or more; or (ii) turnover of Rs. 1 billion or more;	IFRS Criteria has been broadened for the determination of a large-sized company i.e. clauses added on the number of employees, number of members and assets value.
b	Foreign Company with turnover of Rs. 1 billion or more.	IFRS and Fifth schedule		New classification added.
c	Non-listed Company licenced / formed under Section 42 / Section 45 of the Act having annual	IFRS, Standard for NPOs and Fifth Schedule	Non-listed Company licenced / formed under Section 42 / Section 43 of the Ordinance having : (a) annual gross	IFRS and Standard on NPO Criteria simplified, now classification is based only on the gross revenue.

S. No	Third Schedule		SRO 929 of 2015		Brief Explanation
	revenue (grants/income/subsidies/donations) including other income/revenue of Rs. 200 million and above.		revenue (grants/income/subsidies/donations) including other income/revenue of Rs. 200 million and above. (b) a public utility or similar company carrying on the business of essential public service; or (c) holding assets in a fiduciary capacity for a broad group of outsiders, such as a bank, insurance company, securities broker/dealer, pension fund, mutual fund or investment banking entity (e) in the process of filing its financial statement with SECP or other regulatory organization for the purpose of issuing any class of instruments in a capital market.		

S. No	Third Schedule		SRO 929 of 2015		Brief Explanation
3	Medium Sized Company (MSC)		Medium Sized Company (MSC)		
a)	<p>Non-listed Public Company with:</p> <p>(i) paid-up capital less than Rs.200 million;</p> <p>(ii) turnover less than Rs1 billion;</p> <p>(iii) Employees more than 250 but less than 750.</p>	IFRS for SMEs and Fifth schedule	<p>A non-listed company which is not a:</p> <p>a) Public interest company; or</p> <p>b) Large sized company; or</p> <p>c) Small sized company other than a non-listed public company</p>	<p>IFRS for SMEs as adopted by ICAP</p> <p>A MSC with appropriate disclosure in its financial statements may have the option to adopt: (i) The revaluation model included in IAS 16 'Property, Plant and Equipment' and (ii) The capitalizing of borrowing costs as permitted by IAS 23 'Borrowing</p>	<p>Earlier classified on the basis of exception now separate criteria defined for MSC.</p> <p>Please note that permission to capitalize borrowing cost was an exception allowed by SECP, compared to IFRS for SMEs issued by IASB. However, this exception has not been carried forward in the Third Schedule.</p>
b)	Private Company with:				Employee criteria added.

S. No	Third Schedule	SRO 929 of 2015		Brief Explanation
	(i) paid-up capital of greater than Rs. 10 million but not exceeding Rs. 200 million; (ii) turnover greater than Rs. 100 million but not exceeding Rs. 1 billion; (iii) Employees more than 250 but less than 750.			
c)	A Foreign Company which has turnover less than Rs. 1 billion.			New sub-category of foreign company has been added.
d)	Non-listed Company licenced / formed under Section 42 or 45 of the Act which has annual gross revenue (grants /income /subsidies /donations) including other income or revenue less than Rs. 200 million.	Standard on NPO and Fifth schedule	Small & Medium Sized Company licenced / formed under Section 42 / Section 43 of the Ordinance a company which has annual gross revenue (grants/income /subsidies/donations) including other income or revenue less than Rs. 200 million.	IFRS for SMEs as adopted by ICAP

S. No	Third Schedule		SRO 929 of 2015		Brief Explanation
4	Small Sized Company (SSC)		Small Sized Company (SSC)		
	A private company having: (i) paid-up capital up to Rs. 10 million; (ii) turnover not exceeding Rs.100 million; (iii) Employees not more than 250.	Revised AFRS for SSEs and Fifth schedule	Other than a non-listed public company having: (i) paid-up capital not exceeding Rs. 25 million; and (ii) turnover not exceeding Rs. 100 million	Revised AFRS for SSEs	Criteria of employees added.



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