**Applicability of Cash Flow Statement**

Unlike Companies Act, 1956, the Companies Act, 2013 includes Cash Flow Statements in the very definition of Financial Statements. As per Section 2 (40) of the Companies Act, 2013, “Financial Statement” in relation to a company, includes –

1. a balance sheet as at the end of the financial year;
2. a profit and loss account, or in the case of a company carrying on any activity not for profit, an income and expenditure account for the financial year;
3. cash flow statement for the financial year;
4. a statement of changes in equity, if applicable; and
5. any explanatory note annexed to, or forming part of, any document referred to in sub-clause (i) to sub-clause (iv)

However the proviso to Section 2 (40) states: “Provided that the financial statement, with respect to One Person Company, small company and dormant company, may not include the cash flow statement”

**Analysis of Proviso to Section 2 (40)**

**Dormant Company**

i.e. a Company which:

> has not been carrying on any business or has not made any significant accounting transaction or has not filed financial statements and annual returns during the last 2 financial years

> has been formed and registered under this Act for a future project or to hold an asset or intellectual property and has no significant accounting transaction

**One Person Company**

i.e. a Company which has only one person as a member.

**Small Company**

i.e. a Company which:

> is not a public company,

> has **paid up share capital** not exceeding **INR 50 lacs** **and**

> has a **turnover** in not exceeding **INR 2 Crores** in the preceding Financial Year

Cash Flow Statements Shall Be Prepared Mandatorily as a Part Of Financial Statements By All Companies, Except The Three Mentioned Below

You can get in touch with us for all your queries and concerns in relation to above at [info@dcstax.in](http://www.dcstax.in) or visit us at [www.dcstax.in](http://www.dcstax.in)



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