

**GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS**

**RAJYA SABHA
UNSTARRED QUESTION NO 860
ANSWERED ON Tuesday, December 3, 2024**

FINANCIAL ACCOUNTABILITY AND GOVERNANCE STANDARDS FOR HIGH-GROWTH START-UPS

860. Shri Dhairyashil Mohan Patil:

Will the Minister of CORPORATE AFFAIRS be pleased to state:

- (a) the specific measures implemented to ensure financial accountability and transparency among high-growth start-ups and unicorns, particularly those with significant market influence;
- (b) the mechanisms in place to monitor compliance with financial reporting standards for large start-ups and the actions taken in cases of non-compliance;
- (c) the manner in which the Ministry is addressing concerns related to the financial risks posed by highly valued start-ups with substantial debt obligations; and
- (d) the steps being taken to enhance corporate governance in the start-up sector, ensuring protection of interests of stakeholder?

ANSWER

Minister of State in the Ministry of Corporate Affairs; Minister of State in the Ministry of Road Transport and Highways.

(Shri Harsh Malhotra)

(a) to (d): The provisions of the Companies Act, 2013 and the Limited Liability Partnership Act (LLP), 2008 and the rules made thereunder contain adequate provisions to ensure financial accountability and transparency in the management of companies and LLPs including start-up companies and start-up LLPs. These provisions, inter alia, require maintenance of books of accounts and statutory registers at the registered offices. The provisions also require preparation of financial statements in accordance with applicable financial reporting/accounting standards and filing them with the Registrar after due approvals. Non-compliance of relevant provisions attracts penal action.

Some of the important aspects of the Companies Act, 2013 for safeguarding the interests of all stakeholders include-

- (i) accountability for management of companies through appointment of key managerial personnel, requirement for approvals by Board of directors and shareholders in accordance with the applicable provisions;
- (ii) requirement for audit of financial statements by an independent chartered accountant;

(iii) requirement to make disclosures (in the form of notices, resolutions, postal ballots etc), from time to time, to the shareholders for information and approval by the shareholders.

(iv) requirement to make adequate disclosures through Board's report including with regard to risk management, state of company's affairs, material changes affecting company's financial position and other crucial parameters.

(v) requirements to file various documents, copies of resolutions, financial statements, returns etc. with the Registrar from time to time.
