

According to the Companies Act, 2013, every company registered in India is required to maintain books of accounts with an audit trail. Failure to comply with this provision can result in several consequences, including:

**Legal Penalties:** Non-compliance with the Companies Act can result in legal penalties, including fines and imprisonment. The extent of the penalty will depend on the severity of the offense and the discretion of the authorities.

**Inability to obtain loans and investments:** Failure to maintain proper books of accounts with an audit trail can make it difficult for a company to obtain loans or investments from financial institutions or investors. Lenders and investors often require access to a company's financial records to assess its financial health and make informed decisions about lending or investing.

**Loss of credibility:** A company that does not maintain proper books of accounts with an audit trail may be viewed as untrustworthy and lacking in transparency. This can negatively impact its reputation and make it difficult to attract customers, employees, or business partners.

**Difficulty in complying with tax laws:** Failure to maintain proper books of accounts with an audit trail can make it difficult for a company to comply with tax laws. Accurate financial records are required for filing tax returns and responding to tax audits.

In summary, not maintaining books of accounts with an audit trail as per the Companies Act, 2013 can result in legal penalties, loss of credibility, difficulty in obtaining loans or investments, and compliance issues with tax laws. It is, therefore, important for companies to ensure that they maintain accurate financial records and comply with all relevant laws and regulations.