N. A. SHAH ASSOCIATES LLP
Chartered Accountants

BULLETIN

ACCOUNTING, AUDITING AND COMPANY LAW – MAY 2026

ACCOUNTING AND AUDITING UPDATES

- **Expert Advisory Opinion**

  - **Capitalisation of major inspection costs on expiry of useful life of main asset**

    The EAC opined that Ind AS 16, *Property, Plant and Equipment*, does not preclude the capitalisation of expenditure solely because the originally estimated useful life of the underlying asset has expired. Expenditure incurred on major inspections, replacements, or overhauls may be capitalised where it satisfies the asset recognition criteria, including the expectation of future economic benefits. Such costs should be depreciated separately if their useful lives differ from the useful life of the main asset.

  - **Classification of government grant based on the 'nature' of grant instead of 'nomenclature'**

    The EAC opined that the classification of a government grant under Ind AS 20 should be determined based on its underlying substance and nature rather than its nomenclature or the basis used for quantifying the grant. Accordingly, the fact that a grant is described as a 'capital subsidy' or computed as a percentage of capital investment is not determinative of its classification. Since eligibility for the grant is substantially contingent upon the fulfilment of ongoing operational performance and employment-related conditions, the grant should be classified as a grant related to income and recognised in accordance with the requirements of Ind AS 20.

  - **Accounting treatment for payments made towards 'road connectivity' to Exhibition centre**

    EAC opined that costs directly attributable to bringing an asset to the location and condition necessary for its intended operation qualify for capitalisation under Ind AS 16. Since the ECC Centre was capable of operating without the dedicated external road connectivity, the related expenditure did not meet the criteria for capitalisation. Accordingly, despite enhancing accessibility and potential future economic benefits such expenditure should be recognised in the Statement of Profit and Loss when incurred.

  For more information, Click here

MCA UPDATE

- **Amendment to CSR rules**

  MCA has amended the CSR rules permitting the companies to meet their CSR obligations by investing up to 10% of their annual CSR expenditure in zero coupon zero principal instruments issued by eligible Not-for-Profit Organizations as defined in the said rules. The Companies opting the said route are exempted from reporting on impact assessments in relation to this expenditure.

  For more information*, Click here*

- MCA clarified that in the case of a company limited by guarantee (without share capital), stakeholders should use Form SH-4 for transfer of membership interest.

  For more information, Click here

SEBI UPDATE

- **Master Circular on Surveillance of Securities Market**

  SEBI has revised the Master Circular on Surveillance of Securities Market to incorporate the 'framework for financial disincentives on surveillance lapses by Market Infrastructure Institutions', extend automated PAN-level trading restrictions to immediate relatives of designated persons during trading window closures and permit subscription to non-convertible securities during such closure periods, thereby strengthening market surveillance and insider trading compliance. The circular is applicable to all listed entities, intermediaries registered with SEBI, stock exchanges, etc.

  For more information, Click here

- **Advisory on Emerging Advanced AI Tools for Vulnerability Detection**

  SEBI has issued an advisory on emerging AI-based vulnerability detection tools, warning regulated entities about the cybersecurity risks arising from advanced AI systems capable of identifying and potentially facilitating exploitation of system vulnerabilities. The advisory establishes the 'cyber-suraksha.ai' task force and recommends enhanced cybersecurity measures, including timely patching, vulnerability assessments, strengthened API security, continuous monitoring, and rigorous third-party risk management to improve cyber resilience across the securities market ecosystem. The advisory is applicable to merchant bankers, portfolio managers, RTAs, stock brokers, etc.

  For more information, Click here.

ICAI UPDATE

- **Revised Code of Ethics**

  ICAI has revised the Code of Ethics which is applicable with effect from 1st April 2026. The three most noteworthy amendments are:

  - Relaxation and modernization of advertisement guidelines.
  - Introduction of sustainability assurance, ethics and independence standards
  - Expansion of permissible management consultancy and emerging advisory services

  For more information Click here, *Click here* and *Click here*

- **Exposure draft on SSA 5000**

  SRSB of ICAI has issued the Exposure Draft of SSA 5000, *"General Requirements for Sustainability Assurance Engagements"*, which is open for public comments till 19th June 2026.

  For more information, *Click here*

RBI UPDATE

- RBI has introduced a conditional exemption from registration for NBFCs with asset size below ₹1,000 crore that neither avail public funds nor have a customer interface, thereby rationalising regulation for low-risk entities.

  For more information *Click here*

OTHER REGULATORY UPDATE

- The Central Government has notified the rules under the Labour Codes on 8th May 2026. The notified rules provide the operational framework for implementation of the Labour Codes and set out detailed provisions relating to compliance, registration, working conditions, social security and industrial relations.

  For more information *Click here*, *Click here*, *Click here* and *Click here*

OTHER UPDATE

- IASB has issued IFRS 20, *Regulatory Assets and Regulatory Liabilities*, prescribing accounting requirements for entities subject to defined rate-regulated activities. The Standard aims to improve transparency regarding the impact of rate regulation on an entity's financial performance, financial position and future cash flows.

  For more information, Click here

- The IASB has issued an Exposure Draft proposing a limited amendment to the IFRS for SMEs Accounting Standard to provide a consolidation exemption for certain intermediate parent entities. Comments are invited until 9th September 2026.

  For more information, Click here

- The IAASB has issued an Exposure Draft proposing revisions to ISRE 2410, *Review of Interim Financial Information*, to align the standard with developments in the audit and assurance landscape. Comments on the Exposure Draft are invited until 3rd September 2026.

  For more information, Click here

Glossary:

API	Application Programming Interface
CSR rules	The Companies (Corporate Social Responsibility Policy) Amendment Rules, 2026
EAC	Expert Advisory Committee
ECC	Exhibition-cum-Convention-Centre
IAASB	International Auditing and Assurance Standards Board
IASB	International Accounting Standards Board
ICAI	Institute of Chartered Accountants of India
IFRS	International Financial Reporting Standards
Ind AS	Indian Accounting Standards
ISRE	International Standards on Review Engagements
MCA	Ministry of Corporate Affairs
NBFC	Non-Banking Financial Companies
PAN	Permanent Account Number
RBI	Reserve Bank of India
RTA	Registrar to an Issue and Share Transfer Agents
SEBI	Securities and Exchange Board of India
SME	Small and Medium-sized Entities
SRSB	Sustainability Reporting Standards Board
SSA	Standard on Sustainability Assurance

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B 21-25, Paragon Centre, Pandurang

B 21-25, Paragon Centre,
Pandurang Budhkar Marg, Mumbai – 400013
Tel: 91-022-4073 3000, Fax: 91-022-4073 3090
E-mail Id: info@nashah.com