N. A. SHAH ASSOCIATES LLP
Chartered Accountants

BULLETIN

ACCOUNTING, AUDITING AND COMPANY LAW – AUGUST 2026

ACCOUNTING AND AUDITING UPDATES

- **Expert Advisory Opinion**

- **Classification of Bank Fixed Deposits held under Lien as Current or Non-Current Assets under Ind AS framework.**

  The EAC has clarified that classification of bank fixed deposits held under lien as current or non-current should be determined based on the substance of the entity's expectation of realisation, rather than on contractual maturity alone. The mere fact that a deposit carries an original maturity of less than twelve months does not, by itself, justify its classification as a current asset if the lien effectively restricts the entity's ability to realise or utilise the deposit within that period.

  The Committee held that where the restrictions arising from the lien indicate that a deposit is not, in substance, expected to be realised within twelve months, it should be classified as a non-current asset, irrespective of its original maturity being under twelve months. However, where the deposit continues to meet the criteria for classification as a current asset despite the lien, it should be presented as a current financial asset, with appropriate disclosure as margin money/security, in accordance with Ind AS 1 and the requirements of Schedule III to the Companies Act, 2013.

- **Accounting treatment of expenditure incurred on repair, recovery and reinstallation of damaged assets during construction phase, under Ind AS framework.**

  The EAC has opined that capitalization of costs incurred for reinstating damaged assets during construction requires case-specific judgement under Ind AS 16, rather than automatic capitalization or automatic expensing. The Committee held that, upon occurrence of the damage, the company should first assess impairment under Ind AS 36 and consider the derecognition of any destroyed component under Ind AS 16. Whether the reinstatement cost qualifies as "directly attributable" under paragraph 16(b) depends on facts and circumstances, and any abnormal amount of wasted material, labour or resources must be expensed rather than capitalized.

  On the treatment of related insurance recovery, the Committee clarified that compensation receivable from third parties is recognized in profit or loss only when it becomes receivable and cannot be netted against the capitalized cost of the asset in advance of that determination.

- **Accounting treatment of restoration obligation on the project under the Service Concession Arrangement, under Ind AS framework.**

  The EAC has opined that a concessionaire's restoration obligation under a service concession arrangement should be recognized progressively over the concession period, rather than upfront in a single year. The Committee held that such obligations fall under Ind AS 37, read with Appendix D to Ind AS 115, and since they arise from the gradual consumption of the underlying assets' service potential, the best estimate of the obligation should increase proportionately each year over the concession period. The resulting provision is to be measured at present value, with the unwinding of the discount recognized as finance cost in accordance with Ind AS 37.

  For more information on all the three EAC opinions, [Click here]

ICAI UPDATES

Tool for Audit Opinion Formation

ICAI's Centre for Audit Quality launched a "Tool for audit opinion formation" designed to assist members in structuring their evaluation of audit findings and arriving at an audit opinion through an approach aligned with the SAs.

To access the tool, Click here and to watch the demo, Click here

Compilation of FAQs on the Code of Ethics, 2026

Ethical Standards Board of ICAI released a compilation of FAQs on the Code of Ethics, 2026, covering fee-related disclosure reporting, NOCLAR and tax services to audit clients under Volume-I of the revised (13^{th} edition) Code, applicable from 1^{st} April, 2026. The compilation is intended to help members navigate practical application questions arising from the revised framework.

For more information, Click here

NFRA UPDATES

NFRA's guidance on technology adoption and governance in statutory audit

NFRA has issued the first publication in its "Staff Series on Technology in Audit," laying down a principles-based framework for statutory auditors on the use of data analytics, automated tools and techniques, Artificial Intelligence (AI), generative AI and agentic AI in audits.

For more information, Click here

Provisional List of Non-Compliant Audit Firms - Form NFRA-2

NFRA published a provisional list of audit firms that have not filed or have filed incomplete Form NFRA-2 for the reporting period 2024-25, with the position updated as on 15^{th} August, 2026.

For more information, Click here

MCA UPDATES

Extension of Companies Compliance Facilitation Scheme, 2026 (CCFS-2026) up to 15^{th} September, 2026

MCA has extended the validity of CCFS-2026, which allows companies to complete pending statutory filings, from its earlier deadline of August 31, 2026, to September 15, 2026.

For more information, Click here

- **FAQs on Registration of Foreign Companies / Subsidiary of Foreign Body Corporate**

  MCA released FAQs on Registration of Foreign Companies / Subsidiary of Foreign Body Corporate covering the FC-1 to FC-4 filing framework, permissible activities, name approval, apostille requirements, RBI / IFSCA approvals and CSR applicability for foreign entities operating in India.

  For more information, [Click here]

- **Companies (Indian Accounting Standards) Amendment Rules, 2026**

  MCA, vide notification dated 12th August 2026, has notified the Companies (Indian Accounting Standards) Amendment Rules, 2026, issued under Sections 133 and 469 of the Companies Act, 2013, incorporating several amendments aligned with recent IASB amendments to IFRS. These amendments are effective for annual reporting periods beginning on or after 1st April 2026. The key amendments are as follows:

Ind AS	Key changes
101 - First-time Adoption	• Hedge accounting on transition: Revised paragraphs B5-B6 prevent recognition of hedge accounting in the opening Ind AS balance sheet unless the hedging relationship meets Ind AS 109 criteria, with limited relief for net positions already designated as hedged items under previous GAAP
109 - Financials Instruments	• New transition/application guidance for classification & measurement of financial instruments (generally retrospective, no restatement of priors) • Guidance addressing derecognition/settlement of financial assets and liabilities settled via electronic payment systems • Scope and hedge-accounting rules for nature-dependent (renewable) electricity contracts exposed to variability from uncontrollable natural conditions
107 - Financial Instruments: Disclosures	• Introduced new paras 20B–20D requiring fair value and gain/loss disclosures for specified investments • Added disclosures for nature-dependent electricity contracts (cash flows, onerous contract assessment, profit and loss effect)
110 - Consolidated Financial Statements	• Revised para B74 clarifies the guidance for assessing whether another party is acting as a "de facto agent when evaluating control
7 - Statement of Cash Flows	• Updated paragraph 37 and deleted certain equity-method references, consistent with the equity method not being available for separate financial statements under Ind AS 27

  For more information, [Click here]

RBI UPDATES

- **Reserve Bank of India (Non-Banking Financial Companies - Responsible Business Conduct) Third Amendment Directions, 2026**

RBI has introduced stricter norms for NBFCs on loan recovery and engagement of recovery agents, focusing on borrower protection and transparency. NBFCs must maintain proper recovery policies, monitor agents and ensure their training/certification. The framework will be effective from January 1, 2027.

For more information, Click here

- **Reserve Bank of India (Non-Banking Financial Companies – Concentration Risk Management) Fourth Amendment Directions, 2026**

The RBI has issued the Fourth Amendment Directions, 2026 to revise the large exposure framework applicable to Infrastructure Debt Fund–Non-Banking Financial Companies (IDF-NBFCs) forming part of the Upper Layer. The amendment introduces a new Paragraph 39A under Chapter IV of the RBI (NBFC – Concentration Risk Management) Directions, 2025, thereby extending the large exposure limits applicable to NBFC-IFCs to IDF-NBFCs that are subject to Upper Layer regulations.

The revised framework is to be read with the provisions relating to the identification of IDF-NBFCs in the Upper Layer under the RBI (NBFC – Undertaking of Financial Services) Directions, 2025 and the relevant provisions of the RBI (Commercial Banks – Undertaking of Financial Services) Directions, 2025. The amendment has been issued under the powers conferred by the RBI Act, 1934 and comes into force with immediate effect, strengthening the concentration risk framework applicable to IDF-NBFCs in the Upper Layer.

For more information, Click here

Other UPDATES

- **Ministry of Labour and Employment Notifies Wage Ceilings for Bonus Eligibility and Calculation**

The Central Government, exercising powers under Section 26 of the Code on Wages, 2019, has prescribed the wage ceilings for eligibility and calculation of bonus. Employees drawing wages of up to Rs. 21,000 per month shall be eligible for bonus as specified under the Code. Further, where an eligible employee’s wage exceeds Rs. 7,000 per month, the bonus shall be calculated on Rs. 7,000 per month or the minimum wage fixed by the Central Government, whichever is higher. Both notifications are deemed to have come into force from November 21, 2025.

For more information, Click here and here

Glossary:

AI	Artificial Intelligence
BG	Bank Guarantee
C&AG	Comptroller and Auditor General
CAQC	Centre for Audit Quality
CCFS - 2026	Companies Compliance Facilitation Scheme - 2026
CSR	Corporate Social Responsibility
EAC	Expert Advisory Committee
GAAP	Generally Accepted Accounting Principles
IAASB	International Auditing and Assurance Standards Board
IASB	International Accounting Standards Board
IDF-NBFC	Infrastructure Debt Fund–Non-Banking Financial Company
IFRS	International Financial Reporting Standards
IFSCA	International Financial Services Centres Authority
ISA	International Standard on Auditing
LC	Letter of Credit
MCA	Ministry of Corporate Affairs
NBFC	Non-Banking Financial Company
NFRA	National Financial Reporting Authority
NOCLAR	Non-Compliance with Laws and Regulations
RBI	Reserve Bank of India
SA	Standards on Auditing
SME	Small and Medium-Sized Enterprise

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