



ACCOUNTING AND COMPANY LAW

# N. A. SHAH BULLETIN

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## 1 Accounting and auditing updates

- 1.1 EAC of the ICAI has opined that the 'late payment surcharge' levied by the power generation companies on the electricity board / distribution companies for delay in payment is a compensation for time value of money and is in nature of finance income. In the extant case, power generation company is not a NBFC and hence, late payment surcharge should be disclosed under other income as per requirement of Schedule III Division II and as per para 20(b) of Ind AS 107 – 'Financial Instruments: Disclosures'.

For more information, [click here](#)

- 1.2 EDs issued by ICAI:

ED	Overview
ED on Guidance Note on Accounting for Share-based Payments	ED covers accounting and reporting principles for share-based payment plans including ESOPs, ESPPs, stock appreciation rights and share-based payment arrangement with non-employees in case of non-Ind AS entities.
ED on Guidance Note on Accounting by E-commerce and Cloud Computing Companies	ED deals with accounting by e-commerce and cloud-computing companies in respect of certain issues relating to revenue and expense recognition like accounting issues relating to advertising partnerships, rebates, points and loyalty programmes, etc.  For more information, <a href="#">click here</a>
ED on Guidance Note on Applicability of AS 25 and Measurement of Income Tax Expense for Interim Financial Results	ED deals with the following issues:  a. Applicability of AS 25 – Interim Financial Reporting to interim financial results, for example, quarterly financial results presented as per SEBI (LODR) Regulations, 2015 and;  b. Measurement of income tax expense for interim financial results.  For more information, <a href="#">click here</a>

- 1.3 ICAI has issued an advisory for companies who undertakes CSR activities through third party / NGO to obtain an 'Independent Practitioner's Report on Utilization of CSR Funds' from the auditor / Chartered Accountant in practice of the third party / NGO. The auditor / Chartered Accountant in practice of third party / NGO should issue report on utilization of CSR funds in accordance with the Guidance Note on Reports or Certificates for Special Purposes issued by ICAI. Further ICAI has also provided a draft format of the report.

For more information, [click here](#)

- 1.4 AASB has issued guidance / key audit considerations for auditors amid COVID-19 in respect of areas such as going concern, physical inventory verification, Auditor's reporting and subsequent events.

For more information, [click here](#) [click here](#) [click here](#) and [click here](#)

## 2 Company law updates

- 2.1 Following relaxations are given by MCA considering the current situation of lockdown:

2.1.1 In case of listed companies, inability to send notice to shareholders via registered post / speed post / courier for right issue of shares opened upto 31<sup>st</sup> July 2020 will not be considered as violation of section 62(2) of the Companies Act, 2013 provided they comply with relaxations given by SEBI vide circular no. SEBI/HO/CFD/DIL2/CIR/P/2020/78 dated 6<sup>th</sup> May 2020.

For more information, [click here](#)

2.1.2 Companies are allowed to hold AGM through video conferencing or other audio visual means subject to fulfillment to certain conditions.

For more information, [click here](#)

- 2.2 NFRA has issued draft procedure for submission of audit files by audit firm / chartered accountant to NFRA.

For more information, [click here](#)

- 2.3 Contribution to Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund) has been added in the list of activities which may be included in the CSR policy of companies. This is effective from 28<sup>th</sup> March 2020.

For more information, [click here](#).

## 3 Other updates

- 3.1 SEBI has issued advisory for disclosure of material impact of COVID-19 pandemic by listed entities on its operations to investors / stakeholders.

For more information, [click here](#)

- 3.2 SEBI has granted / extended certain additional relaxations from certain provisions of the SEBI (LODR) Regulations, 2015 to the listed entities (which includes requirement of sending physical copies of annual report, proxy for general meeting, issue of dividend warrant / cheque, publication of advertisement in newspapers, relaxation from publishing quarterly consolidated financial results to certain categories of listed entities).

For more information, [click here](#)

- 3.3 EPF contribution rates have been reduced from 12% to 10% for the months of May 2020, June 2020 and July 2020. This would not be applicable to Central / State Public Central Enterprises, establishment owned or under the control of Central / State Government and establishments which are eligible for relief under Pradhan Mantri Garib Kalyan Yojna. EPFO has also issued FAQ for the same.

For more information, [click here](#) and [click here](#)

- 3.4 EPFO has clarified that penal damages will not be levied for delay in payment of provident fund contribution and administrative charges during lockdown.

For more information, [click here](#)

- 3.5 Time limit for filing the return of contribution with the ESIC department for the six months ended 31<sup>st</sup> March 2020 has been extended till 11<sup>th</sup> June 2020.

For more information, [click here](#)

- 3.6 ICAI has issued FAQ on 'Companies Fresh Start Scheme, 2020' and revised FAQ on 'LLP Settlement Scheme, 2020'. These schemes were introduced by MCA in March 2020.

For more information, [click here](#) and [click here](#)

**Glossary:**

<b>AASB</b>	Auditing and Assurance Standards Board
<b>AGM</b>	Annual General Meeting
<b>AS</b>	Accounting Standard
<b>CSR</b>	Corporate Social Responsibility
<b>EAC</b>	Expert Advisory Committee
<b>ED</b>	Exposure Draft
<b>EPF</b>	Employees Provident Fund
<b>EPFO</b>	Employees Provident Fund Organisation
<b>ESIC</b>	Employees State Insurance Corporation
<b>ESOP</b>	Employee Stock Ownership Plan
<b>ESPP</b>	Employee Stock Purchase Plan
<b>FAQs</b>	Frequently Asked Questions
<b>ICAI</b>	Institute of Chartered Accountants of India
<b>Ind AS</b>	Indian Accounting Standards
<b>LLP</b>	Limited Liability Partnership
<b>LODR</b>	Listing Obligations and Disclosure Requirements
<b>MCA</b>	Ministry of Corporate Affairs
<b>NBFC</b>	Non-Banking Financial Company
<b>NFRA</b>	National Financial Reporting Authority
<b>NGO</b>	Non-Governmental Organisation
<b>SEBI</b>	Securities and Exchange Board of India

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