



N.A.SHAH ASSOCIATES LLP  
Chartered Accountants

# BULLETIN

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ACCOUNTING, AUDITING AND COMPANY LAW –  
APRIL, 2022

## ACCOUNTING AND AUDITING UPDATE

- ♦ EAC of the ICAI has opined that borrowing cost incurred by the parent company on acquisition of shares of subsidiary company in a secondary transaction cannot be capitalised either in the separate financial statements or in the consolidated financial statements of the parent company.
- ♦ Since funds paid by the parent company is for acquisition of shares from market it cannot be considered to have been utilized for the acquisition / construction / development of qualifying assets by the subsidiary company. Accordingly, the borrowing costs incurred on loan taken for acquiring investment in subsidiary company cannot be capitalized even in the consolidated financial statements.

For more information, [click here](#)

## IMPLEMENTATION GUIDE ON REPORTING UNDER RULE 11(E) AND RULE 11(F) OF THE COMPANIES (AUDIT AND AUDITORS) RULES, 2014

- ♦ The MCA vide notification dated 24<sup>th</sup> March 2021 issued the Companies (Audit and Auditors) Amendment Rules, 2021 amending Rule 11 by adding new Rule 11(e) which deals with reporting on lending or receiving funds via pass through entities marked for ultimate beneficiary and new Rule 11(f) which deals with reporting on the payment/declaration of dividend.
- ♦ ICAI has issued an implementation guide on these new reporting requirements with the aim to provide guidance to auditors to discharge their duties in an efficient and effective manner.
- ♦ The Implementation Guide contains detailed guidance on various aspects of reporting under Rule 11(e) and 11(f) like analysis of Rules, management's responsibilities in respect of disclosures in financial statements under Schedule III to the Companies Act, 2013, various audit procedures to be performed, reporting requirements, illustrative formats of confirmation letters, illustrative formats of management representations.
- ♦ In addition, it discusses various scenarios for better understanding of practical situations faced by auditors while reporting under these rules.

For more information, [click here](#)

## EXPOSURE DRAFT ON AS 108 "SEGMENT REPORTING"

- ♦ Accounting Standard Board of ICAI has issued ED on AS 108 "Segment reporting" for comments.

For more information, [click here](#)

## COMPANY LAW UPDATES

- ♦ MCA vide notification dated 27<sup>th</sup> April 2022 has issued the companies (Registration of Charges) Amendment Rules, 2022. This amendment has exempted the charge created or modified by a banking company for loan received from RBI from the requirement of filing particulars of the charge together with a copy of the instrument, if any, creating or modifying the charge.

For more information, [click here](#)

- ♦ MCA vide notification dated 8<sup>th</sup> April 2022 has issued the companies (Incorporation) Amendment Rules, 2022, wherein the proviso has been included in rule 12 which state that "in case of a Company being incorporated as a Nidhi, the declaration by the central government shall be obtained by the Nidhi before commencing the business and a declaration in this behalf shall be submitted at the stage of incorporation by the company".

For more information, [click here](#)

- ♦ MCA vide notification dated 19<sup>th</sup> April 2022 has issued the Nidhi (Amendment) Rules, 2022 wherein amendment has been made in existing rules.

For more information, [click here](#)

## AMENDMENT ISSUED TO INDIAN ACCOUNTING STANDARDS

MCA vide notification dated 23<sup>rd</sup> March 2022 issued the Companies (Indian Accounting Standards) Amendment Rules, 2022. These rules notify certain amendments to Ind AS. These amendments are effective from 1<sup>st</sup> April 2022.

An overview of major amendments are given below:

### ♦ **IND AS 37 - Provisions, Contingent Liabilities and Contingent Assets**

Amendments have clarified the types of costs a company can include as the 'costs of fulfilling a contract' while assessing whether a contract is onerous as under:

- (a) The incremental costs of fulfilling that contract—for example, direct labour and materials; and
- (b) An allocation of other costs that relate directly to fulfilling contracts—for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract among others.

### ♦ **IND AS 116 – Property, Plant and Equipment (PPE)**

The amendments have clarified that excess of net sale proceeds of items produced over the cost of testing, if any, would not be recognised in the statement of profit or loss, but deducted from the directly attributable costs considered as part of cost of an item of PPE. (Note: This is a carve out from IAS 16, Property, Plant and Equipment, which requires proceeds from selling items before the related item of PPE is available for use to be recognised in the statement of profit and loss.)

Annual improvements to Ind AS (2021):

### ♦ **IND AS 101, First-time Adoption of Indian Accounting Standards**

As per the amendment, if a subsidiary adopts Ind AS later than its parent and applies Ind AS 101 then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to Ind AS. A similar election is available to an associate or joint venture that uses the exemption in paragraph D16(a).


## ♦ Ind AS 109, Financial Instruments

This amendment clarifies that for the purpose of performing the '10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including the fees paid or received by either the borrower or lender on the other's behalf.

For more information, [click here](#)

### Glossary:

EAC	Expert Advisory Committee
ICAI	Institute of Chartered Accountants of India
AS	Accounting Standard
Ind AS	Indian Accounting Standards
MCA	Ministry of Corporate Affairs
IAS	International Accounting Standards



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