



ACCOUNTING AND COMPANY LAW

N. A. SHAH BULLETIN

December 2020

N. A. SHAH ASSOCIATES LLP
Chartered Accountants

M. A. PARIKH & CO. IS NOW A PART OF N. A. SHAH

1 Accounting and auditing updates

1.1 EAC of ICAI has issued opinion in respect of classification of spares as 'inventory' or 'property, plant and equipment' under Ind AS.

- EAC has opined that the company should evaluate the nature of the spares, the purpose for which it is held and its useful life.
- Based on above evaluation, if these spares are not for day-to-day servicing or repairs and maintenance and if they meet the definition of Property, Plant and Equipment as per Ind AS 16, then it should be classified as 'Property, Plant and Equipment'. Further, the company should also evaluate whether in the facts and circumstances of the company, it is appropriate to aggregate these spares which are not individually significant (considering the aggregate value in relation to the overall related assets for which these are to be used) and apply the recognition criteria to the aggregate value.

For more information, [click here](#)

1.2 IASB has issued ED on IFRS 16 "Leases" for initial measurement of right-to-use assets and liability arising in a sale and leaseback transaction for seller/lessee and its subsequent measurement with illustrative examples.

For more information, [click here](#)

1.3 The Digital Accounting Assurance Board (DAAB) of the ICAI has issued ED on Forensic Accounting and Investigation Standards (FAIS)

Exposure draft (ED)	Objectives
FAIS No. 250 – Communication with Stakeholders	<p>(a) Establish the need to conduct communication in a process driven manner using a pre-established communication protocol</p> <p>(b) Define the nature and content of communication required to achieve objectives and to document this wherever necessary</p> <p>(c) Provide clarity on and distinguish between essential and significant matters which should be communicated</p> <p>For more information, click here</p>

Exposure draft (ED)	Objectives
FAIS No. 360 – Reporting Results	<ul style="list-style-type: none"> (a) Ensure a formal report is issued at the conclusion of an assignment, as agreed in the terms of engagement (b) Reported results of the assignment are derived from a reliable and relevant evidence discovery process (c) Report fulfils, to the extent possible, the engagement mandate as per the agreed scope (d) Report conveys all the relevant facts and evidences, with applicable assumptions and limitations, to prevent any misinterpretation or extrapolation of the findings <p>For more information, click here</p>
FAIS No. 370 – Testifying before a Competent Authority	<p>To set the requirements to be followed by the Testifying Professional when required to provide information and evidence to Competent Authorities pursuant to legal proceedings concerning the engagement.</p> <p>For more information, click here</p>
FAIS No. 510 – Applying Data Analysis	<ul style="list-style-type: none"> (a) Enhance the confidence of Stakeholders on the facts, observations and findings included in the reports issued by the Professional (b) Enable identification of red flags for further investigation (c) Enhance consistency across forensic engagements with the use of similar processes, approach and methodology <p>For more information, click here</p>
FAIS No. 520 – Evidence Discovery in Digital Domain	<p>Establish the essential practices to be followed by the Professional in e-discovery, as part of the work procedures required to perform effective Forensic Accounting and Investigation assignments</p> <p>For more information, click here</p>
FAIS No. 530 – Loans and Borrowings	<p>To identify and report:</p> <ul style="list-style-type: none"> (a) any shortcomings by the loan sanctioning authorities in proper due diligence prior to loan approval (b) any defaults by the borrower of loan agreement terms and covenants (c) true utilization of the borrowed funds, as per the stipulated terms and conditions <p>For more information, click here</p>
FAIS No. 540 – Related and Connected Parties	<p>To ensure that the Professional and other stakeholders have clarity on the:</p> <ul style="list-style-type: none"> (a) requirements related to the proper identification and evaluation of risks emanating from the relationships or connections involving RPs and CPs

Exposure draft (ED)	Objectives
	<p>(b) certain unique aspects of RPTs and CPTs that need to be evaluated by the Professional to establish their legitimacy</p> <p>(c) additional work procedures which need to be conducted with respect to RPs or CPs and arrangements or transactions thereof</p> <p>For more information, click here</p>

- 1.4 The Accounting Standards Board of ICAI has issued ED of Amendments to Ind AS 117 “Insurance Contracts” corresponding to amendments in IFRS 17 “Insurance Contracts” to remain converged with the IFRS Standards. Various amendments are proposed in scope, recognition, measurements, etc.

For more information, [click here](#)

2 Company law updates

- 2.1 MCA has extended the applicability of Companies (Auditor’s Report) Order, 2020 by one more year i.e. it will be applicable from financial year 2021-2022 onwards.

For more information, [click here](#)

- 2.2 In the view of large scale disruption caused by Covid-19 pandemic, the MCA has extended the date of submission of cost audit report for the financial year 2019-2020 under Form CRA-4 from 30th November 2020 to 31st December 2020.

For more information, [click here](#)

- 2.3 MCA has provided further relaxation in registration for inclusion of the name of Independent Directors in the Independent Directors Data Bank upto 1st December 2021 and exemption criteria for online proficiency self-assessment test has been relaxed i.e. if an individual has served as a director or KMP as on date of inclusion of his/her name in the databank for period of three years (earlier it was ten years) then he/she is not required to pass the said test. Further, passing criteria of said test is reduced from 60% to 50%.

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

- 2.4 MCA has inserted Rule 9A in the Companies (Incorporation) Rules, 2014 w.e.f. 26th January 2021 to extend the time period (i.e. more than 20days) of the name reserved under Rule 9 upon payment of additional fees. The details are given below:

Extension beyond 20 days	Total days for name reservation after extension	Additional fees to be paid over and above Rs. 1000/-	When to apply
Case 1(a) : 20 days	40 days (20+20)	Rs. 1,000/-	Before the expiry of 20 days from date of approval

Extension beyond 20 days	Total days for name reservation after extension	Additional fees to be paid over and above Rs. 1000/-	When to apply
Case 1(b) : 40 days	60 days (20+20+20)	Rs. 2,000/-	Before the expiry of 40 days from date of approval
Case 2: 40 days (apply directly for 40 days extension before expiry of 20 days)	60 days (20+40)	Rs. 3,000/-	Before the expiry of 20 days from date of approval

For more information, [click here](#)

- 2.5 MCA has further extended the time period for conduction Board meeting through Video Conference/ Other Audio-Visual means for approving financial statements, Board's report, Prospectus and other restricted agenda items from 31st December 2020 to 30th June 2021.

For more information, [click here](#)

- 2.6 MCA has notified following sections of the Companies (Amendment) Act, 2020 w.e.f 21st December 2020 towards relaxation/omission of penalties/imprisonment specified under the Companies Act, 2013:

Section of the Companies (Amendment) Act, 2020	Corresponding section of the Companies Act, 2013	Section title
3	8	Formation of companies with Charitable objects
6 to 10	26 40 48 56 59	Matters to be stated in prospectus Securities to be dealt with in stock exchanges Variation of shareholders' rights Transfer and Transmission of securities Rectification of register of members
12 to 17	64 66 68 71 86 88	Notice to be given to Registrar for alteration of share capital; Reduction of share capital; Power of company to purchase its own securities; Debentures Punishment for contravention Register of members, etc.
Clause (a) and (b) of section 18	89 379	Declaration in respect of beneficial interest in any share Application of Act to foreign companies
19 to 22	90 92 105	Investigation of beneficial ownership of shares Annual return proxies
Clause (i) of section 22	117	Resolutions and agreement to be filed with Registrar

Section of the Companies (Amendment) Act, 2020	Corresponding section of the Companies Act, 2013	Section title
24	128	Books of account to be kept by the company
26	129A	Periodical financial results (for unlisted companies)
28 to 31	137 140 143 147	Copy of financial statement to be filed with Registrar Removal, Resignation of auditor and giving of special notice Powers and duties of auditors and auditing standards Punishment for contravention (of any provisions of section 139 to 146)
33 to 39	165 167 172 178 184 187 188	Number of directorships, Vacation of office of director, Punishment (for contravention of provision of chapter XI, Nomination and Remuneration Committee and Stakeholders Relationship Committee, Disclosure of interest by director, Investment of company to be held in its own name Related party transactions
41 to 44	204 232 242 243	Secretarial audit for bigger companies; Merger and amalgamation of companies; Powers of Tribunal; Consequence of termination or modification of certain agreements
46 to 51	284 302 342 347 348 356	Provision relating to promoters, directors, etc., to cooperate with Company Liquidator; Dissolution of company by Tribunal; Prosecution of Delinquent officers and members of company; Disposal of books and papers of company; Information as to pending liquidations; Power of Tribunal to declare dissolution of company void
54	392	Punishment for contravention by companies incorporated outside India
57	405	Power of the Central Government to direct companies to furnish information or statistics.
61	441	Compounding of certain offences
63	450	Punishment where no specific penalty or punishment is provided.

For more information, [click here](#)

- 2.7 MCA has amended Form SH-7 (Notice to Registrar of any alteration of share capital) under the Companies (Share Capital and Debentures) Rules 2014. The new form includes provision for cancellation of unissued share of one class and increase in share of another class, new form also captures the order of tribunal (if applicable) and date of receipt of such order.

For more information, [click here](#)

- 2.8 MCA has inserted new Rule 26A in the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 towards purchase of minority shareholding held in demat form.

For more information, [click here](#)

3 Other updates

- 3.1 CBDT has given extension for updating UDINs for Tax audit reports and other income tax forms uploaded between 27th April 2020 to 26th November 2020 on e-filing portal latest by 15th February 2021 for treating said reports/forms as valid.

For more information, [click here](#)

For FAQ, [click here](#)

- 3.2 ICAI has given one-time condonation scheme to regularize the non-generation of UDIN for the documents signed between 1st February 2019 to 31st December 2020 latest by 31st January 2021. Further, UDIN generated has to be communicated to Management or TCWG for disseminating it to the stakeholders from their end.

For more information, [click here](#)

- 3.3 ICAI has issued advisory to mandatorily follow the ICAI Valuation Standards 2018 for members undertaking valuation engagements under the Companies Act 2013. However, in case of valuation engagements under other statutes like Income Tax, SEBI, FEMA, etc. it is recommendatory to follow the said standards.

For more information, [click here](#)

Glossary:

CBDT	Central Board of Direct Taxes
CPs	Connected Parties
CPTs	Connected Party Transactions
EAC	Expert Advisory Committee
ED	Exposure draft
FAQ	Frequently Asked Questions
FEMA	The Foreign Exchange Management Act, 1999
GST	Goods and Services Tax
IASB	International Accounting Standards Board
ICAI	Institute of Chartered Accountants of India
IFRS	International Financial Reporting Standard
Ind AS	Indian Accounting Standards
MCA	Ministry of Corporate Affairs
PAN	Permanent Account Number
RP	Related Parties
RPTs	Related Party Transactions
SEBI	Securities and Exchange Board of India

TCWG	Those Charged With Governance
UDIN	Unique Document Identification Number

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