



ACCOUNTING AND COMPANY LAW

# N. A. SHAH BULLETIN

October 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 on the accounting treatment as per Ind AS 116 for expenditure incurred for rejuvenation of a petrochemical (caprolactam) plant

- All major expenditure incurred including cost of replacing various assets of the caprolactam plant should be capitalized, provided it is probable that the future economic benefits will flow to the Company and the cost of the asset to the Company can be measured reliably. Further, carrying amount of those assets that are being replaced should be derecognized.
- Costs relating to labour and power & fuel incurred in connection of rejuvenation of caprolactam plant can be capitalized only if these are directly attributable to bringing the various asset(s) / plant to the location and condition necessary for it to be capable of operating in the manner intended by management. Thus, any power and fuel consumed for checking the serviceability of existing plant and equipment should not be capitalized as such expenditure is not required for bringing the plant to an operating condition.
- In respect of amounts capitalized as per Ind AS 116, depreciation should be provided for over the useful life of the asset / plant.

For more information, [click here](#)

### 1.2 ICAI has issued 5<sup>th</sup> edition of 'Indian Accounting Standards: An Overview (Revised 2020)' which cover all amendments to Ind AS notified by the MCA vide notification dated 24<sup>th</sup> July 2020, as Companies (Indian Accounting Standards) Amendment Rules, 2020, comprising critical amendments to Ind AS which are applicable for the accounting year beginning on or after 1<sup>st</sup> April 2020.

For more information, [click here](#)

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

Exposure draft (ED)	Objectives
FAIS No.210 - Engagement Objectives	Understand the broad objectives of the FAI engagement, discuss and agree with the stakeholders the main purpose and expected with outcome of the engagement  For more information, <a href="#">click here</a>
FAIS No.240 - Engaging with Agencies	(a) define protocols (including legal aspects) to be followed while undertaking engagements involving agencies (b) clarify roles and responsibilities of professionals when interacting with agencies (c) take into account special considerations when called upon by the agencies to assist as an expert (d) outline the manner in which the professional can provide evidence to agencies in relation to the engagements  For more information, <a href="#">click here</a>

Exposure draft (ED)	Objectives
FAIS No.310 – Planning the Assignment	<ul style="list-style-type: none"> <li>(a) ensure planning process is in line with overall scope of work and terms of engagement and applicable regulations</li> <li>(b) consider risk factors, limitations or restrictions and steps required to mitigate them</li> <li>(c) determine appropriate work methodology to be deployed</li> <li>(d) identify diverse sources for collection of evidences</li> <li>(e) determine data and information owners, in particular, identifying critical information</li> <li>(f) evaluate the resources, skills and timeline</li> </ul> <p>For more information, <a href="#">click here</a></p>
FAIS No.320 – Evidence and Documentation	<p>Ensure that the professional collects appropriate, reliable and sufficient evidence and adequate documentation is prepared and maintained</p> <p>For more information, <a href="#">click here</a></p>
FAIS No.330 – Conducting Work Procedures	<p>Ensure that work procedures performed by the professional should be effective and efficient are in line with quality standards</p> <p>For more information, <a href="#">click here</a></p>
FAIS No.340 – Conducting Interviews	<p>Collect or elicit information and gather evidence to help in achieving the engagement objectives</p> <p>For more information, <a href="#">click here</a></p>
FAIS No.350 – Review and Supervision	<ul style="list-style-type: none"> <li>(a) work procedures are performed effectively and efficiently line with terms of engagement and applicable regulations</li> <li>(b) process of gathering evidences, etc., are comprehensive and reliable to help achieve objective of the assignment</li> <li>(c) progress of assignment is monitored as per plan</li> <li>(d) procedures undertaken, evidence collected &amp; documentation gathered is evaluated to ensure their relevance and adequacy to derive necessary conclusions</li> </ul> <p>For more information, <a href="#">click here</a></p>

## **2 Company law updates**

- 2.1 MCA has given relaxation for compliance under Section 149 of the Companies Act, 2013 wherein non-compliance of minimum residency in India for a period of at least 182 days in a year, by at least one director in every company, shall not be treated as non-compliance for financial year 2020-21 under this Act.

For more information, [click here](#)

- 2.2 MCA has amended the Companies (Prospectus and Allotment of Securities) Amendment Rules, 2014 by inserting the third proviso to rule 14, wherein it is notified that in case of offer or invitation of any securities made to qualified institutional buyers through private placement, it shall be sufficient if the company passes a prior special resolution only once in a year for all the allotments to such buyers during the year instead of earlier requirement of passing special resolution for each allotment.

For more information, [click here](#)

## **3 Other updates**

- 3.1 Submission date regarding documentation for export obligation against all advance authorizations which is expiring / has expired between 1<sup>st</sup> February 2020 and 31<sup>st</sup> October 2020 has now been extended to 31<sup>st</sup> December 2020 by Ministry of Commerce & Industry due to COVID-19.

For more information, [click here](#)

- 3.2 Ministry of Law and Justice has introduced 'the Code on Social Security, 2020' which is notified on 28<sup>th</sup> September 2020. This code /Act is to amend and consolidate the laws relating to social security with the goal to extend social security to all employees and workers either in the organised or unorganised or any other sectors and for matters connected therewith or incidental thereto.

For more information, [click here](#)



**Glossary:**

<b>EAC</b>	Expert Advisory Committee
<b>ICAI</b>	Institute of Chartered Accountants of India
<b>ED</b>	Exposure Draft
<b>FAIS</b>	Forensic Accounting and Investigation Standard
<b>MCA</b>	Ministry of Corporate Affairs
<b>LLP</b>	Limited Liability Partnership
<b>FTP</b>	Foreign Trade Policy

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