



ACCOUNTING AND COMPANY LAW

N. A. SHAH BULLETIN

September 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 the ICAI has opined that

- Though 'exceptional item' is not defined specifically under Ind AS, based on reading of Ind AS 1 and Ind AS Schedule III, committee is of the view that exceptional items are those items which meet the test of 'materiality' (size and nature) and the test of 'incidence' and that all material items are not exceptional items. Whether any item is material or not and accordingly whether or not it requires separate disclosure, is a matter of judgement and the same should be decided by the Company in its own facts and circumstances. In the matter under consideration, feedstock subsidy approved during the year pertaining to earlier periods cannot be accounted as 'exceptional item' in the Statement of Profit and Loss since it does not pass 'incidence test' (i.e. receipt of such subsidy is not one-time incidence or non-recurring in nature).
- In accordance with Ind AS 20, this subsidy may be presented as a part of the Statement of Profit and Loss either separately or under the general head of 'Other income' considering the materiality of the item.

For more information, [click here](#)

1.2 ED issued by ICAI:

ED	Overview
ED on Guidance Note on Accrual Basis of Accounting	It provides additional guidance in respect to accounting on accrual basis with examples and also provides guidance for transition from cash basis to accrual basis of accounting. Pursuant to the issuance of this new GN, the old GN issued in 1988 will be withdrawn. For more information, click here

2 Company law updates

2.1 The Companies (Amendment) Bill, 2020 has been passed by the upper house of parliament which further amended the Companies Act 2013. Separate alert circulated in this regards during the month is re-attached along-with this bulletin.

For more information, [click here](#)

2.2 Following relaxations are given by MCA considering the large scale disruption caused by COVID-19:

- Time to hold AGM for FY 19-20 without requiring the companies to file applications for seeking such extension in Form GNL-1 has been extended from 30th September 2020 to 31st December 2020. For more information, [click here](#) and [click here](#)
- MCA has extended following timelines from 30th September 2020 to 31st December 2020:
 - The Companies Fresh Start Scheme
 - LLP Settlement Scheme 2020
 - Filing of DIR-3 KYC for above mentioned schemes

- Special measures adopted to enable and support Limited Liability Partnerships constituted under Limited Liability Partnership Act, 2008 in view of COVID19 outbreak to reduce their compliance burden and other risks
- Allow companies to conduct EGMs through VC or OAVM or transact items through postal ballot in accordance with framework.
- Scheme which was announced to provide relaxation in filing forms related to creation or modification of charges under the Companies Act, 2013.
- Creation of deposit repayment reserve of 20% u/s 73 (2) (c) of the Companies Act 2013 and to invest or deposit 15% of amount of debentures u/r 18 of Companies (Share capital and Debentures) rules 2014.
- Registration of details of independent directors in the ID Data Bank

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

- Further, due date for submission of cost audit report to the Board of Directors for FY 19-20 has been extended from 30th September 2020 to 30th November 2020. Consequently, due date for e-form CRA-4 is also extended which is to be filed within 30 days from the date of receipt of the cost audit report by the Company.

For more information, [click here](#)

2.3 MCA has issued the Companies (Acceptance of Deposits) Amendment Rules, 2020, wherein the following changes have been made:

- There is specific exclusion in deposit rules for start-up companies which states that it can receive an amount of Rs. 25 lakhs or more in a single tranche by way of a convertible note convertible into equity shares or repayable within a period not exceeding five years from the date of issue. Repayable period has now been relaxed to ten years for the purpose of this provision.
- Maximum limit for acceptance of deposits from members is not applicable to start-up private companies for five years from the date of its incorporation. This relaxation of five years has now been increased to ten years.

For more information, [click here](#)

3 Other updates

3.1 Ministry of Commerce & Industry amended FTP 2015-20 which notifies that MEIS benefit shall not be available effective from 1st January 2021 onwards. However, it can be claimed upto Rs. 2 crores per IEC holder for the period from 1st September 2020 to 31st December 2020 subject to certain conditions prescribed in notification.

For more information, [click here](#)

Glossary:

EAC	Expert Advisory Committee
ICAI	Institute of Chartered Accountants of India
ED	Exposure Draft
GN	Guidance Note
MCA	Ministry of Corporate Affairs
AGM	Annual General Meeting
LLP	Limited Liability Partnership
EGM	Extraordinary General Meeting
VC	Video Conferencing
OAVM	Other Audio Visual Means
FTP	Foreign Trade Policy
MEIS	Merchandise Exports from India Scheme
IEC	Importer Exporter Code

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