



N.A.SHAH ASSOCIATES LLP
Chartered Accountants

BULLETIN

ACCOUNTING, AUDITING AND COMPANY LAW –
MARCH, 2023

ACCOUNTING AND AUDITING UPDATES

- ♦ EAC of ICAI has issued opinion on whether an upfront payment made towards way leave charges as a part of laying city gas distribution network should be classified as 'right to use of assets' under Ind AS 116 or 'intangible assets' under Ind AS 38.

At inception of a contract, an entity shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a specified period of time in exchange for consideration. Taking into consideration - existence of identified asset, supplier not having substantive right to substitute the asset and the customer having right to control the use and obtain substantially all of the economic benefits from the use of identified asset, the Committee opined that the existing arrangement contains lease and the prepayments made towards way leave charge should be accounted for as per the requirements of Ind AS 116. As the arrangement contains lease, the question of applying Ind AS 38 does not arise.

For more details, [click here](#)

- ♦ Amendments issued to Indian Accounting Standards

MCA vide notification dated 31st March 2023 has issued the Companies (Indian Accounting Standards) Amendment Rules, 2023. These rules notify certain amendments to Ind AS. These amendments are effective from 1st April 2023.

An overview of major amendments are given below:

Ind AS	Major amendments
1 – Preparation of Financial Statements	The Companies should now disclose "Material Accounting Policies" rather than "Significant Accounting Policies". Accounting policy information, together with other information, is material when it can reasonably be expected to influence decisions of primary users of general-purpose financial statements.
8- Accounting Policies, Changes in Accounting Estimates and Errors	Definition of 'change in account estimate' has been replaced by revised definition of 'accounting estimate'. As per revised definition, accounting estimates are monetary amounts in the financial statements that are subject to measurement uncertainty. A company develops an accounting estimate to achieve the objective set out by an accounting policy. Accounting estimates include:

	a) Selection of a measurement technique (estimation or valuation technique) b) Selecting the inputs to be used when applying the chosen measurement technique.
12- Income Tax	Narrowed the scope of the Initial Recognition Exemption (IRE) (with regard to leases and decommissioning obligations). Now IRE does not apply to transactions that give rise to equal and offsetting temporary differences. Accordingly, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on transactions such as initial recognition of a lease and a decommissioning provision.

For more details, [click here](#)

♦ Implementation Guide to SA 580, Written Representations

The ICAI has released an Implementation Guide to provide practical guidance on implementation of the principles laid down in SA 580, "Written Representations". The guide contains responses on key issues of SA 580 along with illustrative representation letter, illustrative format for additional considerations like unaudited interim financial information, justification for changes in accounting principles, the work of specialist used by the entity etc.

For more details, [click here](#)

♦ Exposure Draft of Guidance Note on Transfer of Capital Reserve

The ICAI has released an Exposure Draft of Guidance Note outlining the principles for transferring capital reserves to free reserves, as well as the timing of such transfers. This Guidance Note deals only with transfer of capital reserve to free reserve/ retained earnings. It does not deal with whether the amount so transferred can be utilised for payment of dividend, issue of bonus shares or any other purpose. The utilisation for dividend, issue of bonus shares or any other purpose is a legal matter and will continue to be dealt with as per the applicable requirements of the Companies Act, 2013 (as amended) and other applicable laws, if any.

For more details, [click here](#)

- ◆ Implementation Guide on Reporting under Rule 11(g) of Companies (Audit and Auditors) Rules, 2014:

Effective from 1st April 2023, the Companies are required to use only such accounting software which has audit trail feature. AASB of ICAI has brought out "Implementation Guide on Reporting under Rule 11(g) of the Companies (Audit and Auditors) Rules, 2014" which will enable the auditors to comply with the reporting requirement in respect of audit trail maintained by the Companies.

For more details, [click here](#)

- ◆ Guidance Note on Audit of Banks (2023)

AASB of ICAI has released Guidance Note on Audit of Banks (2023). The Guidance Note is divided into two Sections i.e., Section A - Statutory Central Audit and Section B - Bank Branch Audit. The Guidance Note also contains various appendices like illustrative formats of engagement letter, auditor's report both in case of nationalized banks and banking companies, management representation letter, the text of master directions, master circulars and other relevant circulars issued by the RBI.

For more details, [click here](#)

Other Updates

- ◆ Operational Guidance - Amendment to Securities and Exchange Board of India (Buy-back of Securities) Regulations, 2018("Buy-back Regulations")

SEBI has notified Securities and Exchange Board of India (Buy-Back of Securities) (Amendment) Regulations, 2023 on 7th February 2023. As per these regulations, the buy-back through stock exchanges shall be subject to the restrictions on placement of bids, price and volume, as specified by SEBI.

For more details [click here](#)

♦ Circular on Non-Compliance with Ind AS policies on Revenue

In order to ensure adherence to high-quality Ind AS Reporting Framework, the NFRA on 29th March 2023 has issued a circular highlighting certain instances of Companies not complying with Ind AS on accounting policies for recognition as well as measurement of revenue from contracts with customers (covered by Ind AS 115) and measurement of trade receivables (covered by Ind AS 109) which requires the urgent attention of the Company Management/Audit Committees and the Statutory Auditors.

For more details [click here](#)

Glossary:

AASB	Auditing and Assurance Standards Board
ICAI	Institute of Chartered Accountants of India
SA	Standards on Auditing
SEBI	Securities and Exchange Board of India
EAC	Expert Advisory Committee
RBI	Reserve Bank of India
NFRA	National Financial Reporting Authority

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