

BULLETIN

ACCOUNTING, AUDITING AND COMPANY LAW – SEPTEMBER, 2023

ACCOUNTING AND AUDITING UPDATES

- EAC has given an opinion on recognition of interest income on mobilisation advance given under project contracts as per the requirements of Ind AS -16 "Property, Plant and Equipment":
 - Mobilisation advance is an optional financing arrangement between the Company and the contractors, which is incidental in connection with the execution of the project. This advance gives rise to interest income but it cannot be considered as an activity necessary to bring the project/asset to the location and condition necessary for it to be capable of operating in the manner intended by management. PPE could be developed even in the absence of such financing arrangement.
 - Ind AS 23, 'Borrowing Costs' mandates to add the borrowing costs net of income, if any. However, if there is no borrowing cost element in the project cost of the Company, any adjustment of interest on mobilisation advance sourced from internal reserve will reduce the natural project cost.
 - Accordingly, the interest earned on mobilisation advance funded from internal cash reserve not be adjusted against project costs and rather should be recognised as interest income in the Statement of Profit and Loss.

For more information, click here

Technical Guide on Audit of Non-Banking Financial Companies (Revised 2023 edition)

ICAI has issued revised edition of the Technical Guide on the audit of Non-Banking Financial Companies, which addresses various aspects surrounding the audit of NBFCs. These include the introduction and overview of NBFCs, key considerations for auditing such entities, the financial reporting framework, the auditing framework, potential areas of audit concern, the general operations of NBFCs, governance protocols, etc.

For more information, click here

Technical Guide on Reports of Audit under section 12A/10(23C) of the Income-tax Act, 1961

ICAI has released the Technical Guide on Reports of Audit under section 12A/10(23C) of the Income-tax Act,1961 in respect of charitable trusts / institutions. The Technical Guide covers the provisions of section 10(23C), sections 11 and 12, along with its allied rules and audit reports in relation to Charitable Trusts and institutions. The object of this Technical Guide is to guide the auditors in the conduct of audit under sections 12A and 10(23C).

For more information, click here

Amendment to Form 3 and Form 4 under the Limited Liability Partnership Rules, 2009

The MCA has issued the Limited Liability Partnership (Amendment) Rules, 2023 which amends the existing Limited Liability Partnership Rules, 2009. One of the fundamental changes introduced by this amendment is the revision of LLP Form 3 (Information with regard to limited liability partnership agreement and changes, if any) and Form 4 (Notice of appointment, cessation, change in name/ address/ designation of a designated partner or partner and consent to become a partner/ designated partner) which will enhance LLPs' transparency and facilitate greater regulatory compliance.

For more information, click here

 Extension of timelines for holding of AGM and EGM and passing of Ordinary and Special resolutions through VC or OAVM or postal ballot by the companies

MCA has decided to allow companies whose AGMs are due in the year 2023 or 2024, to conduct their AGMs through VC or OAVM or transact items through postal ballot upto 30th September 2024.

For more information, <u>click here</u>

Glossary:

EAC	Expert Advisory Committee
Ind AS	The Indian Accounting Standards
PPE	Property, Plant and Equipment
NBFC	Non-Banking Financial Companies
MCA	Ministry of Corporate Affairs
LLP	Limited Liability Partnership
ICAI	Institute of Chartered Accountants of India
AGM	Annual General Meeting
EGM	Extraordinary General Meeting
VC	Video Conferencing
OAVM	Other Audio-Visual Means

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