



N.A.SHAH ASSOCIATES LLP
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BULLETIN

ACCOUNTING, AUDITING AND COMPANY LAW –
AUGUST, 2024

♦ EAC Opinion on accounting for subsidy receivable under Ind AS framework.

During FY 2020-21, State Electricity Regulation Commission (SERC) has determined Tariff subsidy amounting to Rs. 14,661.53 Crores pertaining to FY 2008-09 to FY 2019-20 and UDAY Subsidy amounting to Rs. 6,278.47 Crores pertaining to FY 2016-17 to FY 2019-20, aggregating to Rs. 20,940 Crores which would be paid to Power Distribution Companies (PDCs) in next 10 years and PDCs should comply with the conditions after receipt of fund / amount from State Government.

PDCs have recognised subsidy receivable by crediting general reserve / retained earnings, which will be subsequently transferred to profit and loss on receipt basis. The matter was referred to the expert advisory committee to give its views on the appropriateness of the said accounting treatment under Ind AS 20 (i.e. Accounting for Government Grants and Disclosure of Government Assistance).

Views expressed by the committee:

According to Ind AS 20, government grants (including non-monetary grants at fair value) are only recognized when there is reasonable assurance that the entity will meet the conditions attached and that the grants will be received. Once these conditions are satisfied, grants should be recognized in profit or loss systematically over the periods in which the related costs are incurred.

In the given case, the matter relates to compensation for subsidised tariff regulated by SERC and is not in relation to any specific expense incurred by PDCs.

During the years prior to FY 2020-21, the subsidy was not recognised on the basis of lack of reasonable certainty. Post the notification by SERC, the PDCs would have to evaluate whether it has complied with the conditions specified in the notification and accordingly decide whether it can recognise the subsidy or not. In case it has complied with the conditions, it would have to recognise the same by crediting the statement of profit and loss and in case the conditions are not complied, the amount received would be carried forward as a liability.

Considering the views expressed by the committee and the accounting treatment given by the company, consequences / disclosures (including re-statement) under Ind AS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) would have to be complied with by the PDCs.

For more information, [Click here](#)

- ♦ Ind AS 117 “Insurance Contract” is notified and will be effective from 1st April 2024. It will replace existing Ind AS 104 “Insurance Contracts”. It establishes principles for recognising, measuring, presenting and disclosing insurance contracts. Consequential changes are made in other Ind AS to align with the changes introduced by Ind AS 117.

For more information, [Click here](#)

- ♦ The ICAI has approved Audit Quality Maturity Model (AQMM) version 2.0. AQMM is mandatory for the firms auditing a listed entity, Banks (other than co-operative bank) and insurance companies effective from 1st April 2025, however, peer reviewed firm can adopt AQMM voluntary earlier than April 1, 2025.

For more information, [Click here](#)

RBI UPDATES

- ♦ To harmonize the regulations applicable to HFCs and NBFCs, the RBI has issued certain revised regulations applicable to HFCs and NBFC. The revised regulations shall be applicable with effect from January 01, 2025.

For more information, [Click here](#)

SEBI UPDATES

- ♦ SEBI has allowed Category I and Category II AIFs to borrow for the purpose of meeting temporary shortfall in drawdown amount with certain conditions.

Additionally, maximum extension of tenure of LVF is set for 5 years subject to the necessary approval. Existing LVF schemes that have not disclosed definite period of extension in their tenure / whose period of extension in tenure is beyond the permissible five years, shall align the period of extension in tenure within three months from the date of this circular, i.e., on or before November 18, 2024.


For more information, [Click here](#)

- ♦ To strengthen the cybersecurity measures and ensure cyber resilience, SEBI has introduced Cybersecurity and Cyber Resilience Framework (CSCRF) for Sebi Regulated Entities (REs). The key objective of CSCRF is to address evolving cyber threats, to align with the industry standards, to encourage efficient audits, and to ensure compliance. This framework shall supersede existing SEBI cybersecurity circulars/ guidelines/ advisories/ letters.

For more information, [Click here](#)

Glossary:

AQMM	Audit Quality Maturity model
EAC	Expert Advisory Committee
Ind AS	Indian Accounting Standards
MCA	Ministry of Corporate Affairs
NBFC	Non-Banking Financial Company
HFC	Housing Finance Company
RBI	Reserve Bank of India
LVF	Large Value Fund for Accredited Investor
AIF	Alternative Investment Fund



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