



N. A. SHAH ASSOCIATES LLP  
Chartered Accountants

# BULLETIN

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ACCOUNTING, AUDITING AND COMPANY LAW –  
SEPTEMBER, 2024

## ACCOUNTING AND AUDITING UPDATES

- ♦ EAC Opinion on accounting treatment of Shareholder's loan provided to Joint Venture company under Ind AS Framework.

A Government of India Undertaking (the Company) provided an unsecured term loan to its joint venture (JV) for a bio-refinery project in August 2020. The loan, amounting to ₹443.50 crore, is repayable at the end of 11 to 15 years and carries an interest rate 0.85% above the rate applicable to a term loan from Punjab National Bank. Interest will not accrue until the Commercial Operation Date (COD), which has not yet been declared as of May 15, 2023, with only 85% project completion.

### Accounting Treatment given by the Company:

- The loan is classified as a financial asset under Ind AS 109, recognized initially at fair value, which deviates from the transaction price due to the interest holiday during the construction phase.
- Fair value was determined to be ₹400.54 crore, resulting in a ₹42.96 crore difference from the transaction value. This fair value is recorded as a financial asset, while the difference is noted under "Investment in joint venture."
- Interest amounting to ₹39.34 crore has been calculated up to March 31, 2023, based on the fair value of the loan, and is recorded as a financial asset in the balance sheet.
- This interest income is recognized as other non-operating income.

The Comptroller and Auditor General of India (C&AG) opined that the Company is required to make provision towards recognition of non-realizable interest income up to COD, for which the Company seeks an opinion of the Expert Advisory Committee (EAC) of the ICAI.

EAC concluded that the accounting treatment complies with Ind AS. The interest accrued will be received when actual payout starts from the joint venture and hence, the question of making any provision does not arise. The expert advisory committee has not considered / opined on the other matters like fair value, expected credit loss, related party disclosures, or consolidated financial statements, deferred tax, etc.

For more information, [Click here](#)

## MCA Updates

- ♦ Companies (Compromises, Arrangements and Amalgamations) Amendment Rules, 2024 (effective from 17th September, 2024) to include a new sub-rule (5) in rule 25A for a foreign holding company's merger with its wholly-owned Indian subsidiary.

The Amendment facilitates the amalgamation of foreign holding companies into Indian wholly owned subsidiaries by streamlining the approval process through the Central Government, bypassing the lengthy Tribunal process. This fast-track route is designed to expedite mergers, reduce Tribunal workload, and lower overall costs.

Additionally, both the Indian subsidiary and the foreign company must obtain prior approval from the RBI, which has granted deemed approval for compliant cross-border mergers under existing regulations.

For more information, [Click here](#)

- ◆ Insertion of Para 102A in Indian Accounting standard (Ind AS)116 for Sale and leaseback transactions:

The amendments require a seller- lessee to subsequently measure lease liabilities arising from a leaseback in such a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. This amendment is resulting in the presentation of lease asset / liability adjusting to fair value by arriving the present value of obligations matched to over all lease payment and a part of the same is charged against profit or loss or amortised costs by treating as of interest nature embedded in lease.

For more information and illustrative example, [Click here](#)

- ◆ Ind AS104 for applicable for consolidation purpose till IRDAI notifies the Ind AS 117

Vide notification dated 28<sup>th</sup> September, 2024, MCA has notified that insurance companies may provide its financial statements as per Ind AS104 for the purpose of consolidated financial statements by its parent or investor or venturer till IRDAI notifies the Ind AS 117.

For more information, [Click here](#)

- ◆ MCA allows virtual AGMs and EGMs until September 2025

MCA has decided to allow companies whose AGMs and EGMs are due in the year 2024 or 2025, to conduct their AGMs and EGMs through VC or OAVM on or before 30th September 2025. However, it shall not be construed as conferring any extension of statutory time for holding of AGMs by the companies under the Companies Act, 2013.

For more information, [Click here](#)

- ◆ Due date for filing Form CSR-2 for FY 2023-24 is 31<sup>st</sup> December, 2024 as compare to 31<sup>st</sup> March for previous year.

For more information, [Click here](#)

## Glossary:

<b>EAC</b>	Expert Advisory Committee
<b>EOA</b>	Expert Advisory Opinion
<b>JV</b>	Joint Venture
<b>Ind AS</b>	The Indian Accounting Standards
<b>MCA</b>	Ministry of Corporate Affairs
<b>ICAI</b>	Institute of Chartered Accountants of India
<b>IRDAI</b>	Insurance Regulatory and Development Authority of India
<b>AGM</b>	Annual General meeting
<b>EGM</b>	Extraordinary General meeting
<b>OAVM</b>	Other Audio Visual Means
<b>CSR</b>	Corporate Social Responsibility

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B 21-25, Paragon Centre, Pandurang  
Budhkar Marg,  
Mumbai – 400013

Tel: 91-022-4073 3000

Fax: 91-022-4073 3090



E-mail Id: [info@nashah.com](mailto:info@nashah.com)