



N. A. SHAH ASSOCIATES LLP
Chartered Accountants

BULLETIN

ACCOUNTING, AUDITING AND COMPANY LAW –
JANUARY, 2025

- **EAC's opinion on classification and presentation of accrued wages and salaries to employees under trade payables or provisions**

The Company had accrued obligations towards employee dues as per wage agreement and the closing amount payable was classified under 'Trade Payables' in Balance Sheet. However, as per C&AG such accrued wages and salaries of employees should be presented under 'Provisions (Current)' instead of 'Trade Payables'.

The EAC opines that, in accordance with Ind AS 19, employee benefits expected to be paid in exchange for the employees' service rendered during a period are required to be provided for as 'liability' or 'accrued expense', rather than as 'provision' as per Ind AS 37. Further, EAC has stated that as per the Guidance note on Division II – Ind AS Schedule III to the Companies Act, 2013, such amounts cannot be classified under 'Trade Payables' or 'Provisions'.

Accordingly, as per EAC, the Company should present accrued wages and salaries of employees under the head 'other current liabilities' in the Balance Sheet.

For more information, [click here](#)

- **Guidance on non-compliances observed by the Quality Review Board during their reviews**

AASB of ICAI has issued 'Guidance on Non-Compliances Observed by the Quality Review Board during their quality reviews (Volume 3)' which provides compilation of some common non-compliances regarding standards of quality control, standards on auditing, audit reports and internal financial controls.

For more information, [click here](#)

NFRA UPDATE

○ Auditor- Audit Committee Interaction Series - I

NFRA has identified the need for enhanced communication between auditors and TCWG (including audit committee) to ensure compliance with the Companies Act, 2013 and the relevant auditing standards- SA 260 and SA 265. To address this NFRA has come up with Auditor- Audit Committee Interaction Series.

First in this series focuses on aspects pertaining to Audit of Expected Credit Losses (ECL) for financial assets and other items as required by Ind AS 109, Financial Instruments. The series covers guidance on the ECL approach and illustrative potential questions that auditor may expect from Audit Committee / Board of Directors.

For more information, [click here](#)

OTHER UPDATES

○ Foreign Contribution (Regulation) Amendment Rules, 2024 (FCRA Rules 2024)

The Ministry of Home Affairs, through the FCRA rules 2024, introduced following amendments which are effective from 1st January 2025:

- i. Carry forward of administrative expenses
- ii. Updates in Form FC-4
- iii. Details of Chartered Accountant issuing compliance certificate

The amendments aim to strengthen the regulation of foreign contributions to ensure transparency and proper utilization of funds.

For more information, [click here](#)


○ Amendments to FEMA regulations pertaining to deposits and foreign currency account by a person resident in India

In order to promote cross border transactions in INR and local / national currencies, few amendments have been introduced to FEMA regulations such as settlement of capital and current account transactions, bonafide transactions between both PROI, uses of balances in repatriable INR accounts for foreign investment and settlement of trade transaction by Indian exporter.

For more information, [click here](#)

Glossary

AASB	Auditing and Assurance Standards Board
EAC	Expert Advisory Committee
ECL	Expected Credit Loss
ICAI	Institute of Chartered Accountants of India
NFRA	National Financial Reporting Authority
FEMA	Foreign Exchange Management Act
INR	Indian Rupee
PROI	Person Resident outside India



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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

