



N. A. SHAH ASSOCIATES LLP
Chartered Accountants

BULLETIN

ACCOUNTING, AUDITING AND COMPANY LAW –
MARCH, 2025

ACCOUNTING AND AUDITING UPDATE

- **EAC's opinion on accounting for rectification of interest earned on fixed deposits made out of surplus funds erroneously accounted for as income for certain earlier years, under AS framework.**

The Company, a wholly owned Government entity under the Ministry of Textiles, implements various Government schemes. It received grant funds for marketing complexes and mega cluster development, with the condition that interest earned on these funds be transferred to the Corpus Fund. However, interest for certain earlier years was mistakenly treated as income in the Profit and Loss statement. The C&AG identified this issue and directed corrective action.

EAC opined that the interest, mistakenly treated as income in prior years, should be classified as a "prior-period item" in the current reporting period. It should be corrected by debiting it as an expense in the current period's Profit and Loss statement. The nature and amount of the prior-period item must be separately disclosed, as required by accounting standards and the Companies Act, 2013.

For more information, [click here](#)

NFRA UPDATE

- NFRA's Auditor-Audit Committee Interaction Series is designed to strengthen the communication and collaboration between statutory auditors and TCWG (including audit committee) with an aim to address critical areas of audit practice, provide clarity on complex accounting and auditing issues, and promote best practices:

| Series | Key Highlights |
|--|--|
| Series 1 – (Part 2): Audit of Accounting Estimates and Judgments | Emphasizes the assessment and communication of deferred tax items, ensuring compliance with Ind AS 12 and relevant standards of auditing like SA 540, SA 701, and SA 260, ultimately promoting greater financial transparency. For more information, click here |
| Series 2: Audit Strategy and Audit Plan | Explains auditor responsibilities under SA 300, SA 315 and SA 330. This initiative aims to encourage audit quality and strengthen investor protection by proactively addressing questions related to audit strategies, group auditor roles, independence, resource management and regulatory compliance. For more information, Click here |
| Series 3: Audit of Related Parties | Focuses on Related Parties, providing insights into key audit considerations under Ind AS 24, AS 18, and SA 550. This publication highlights the identification, assessment and reporting of related party relationships and transactions. For more information, Click here |

RBI UPDATE

○ Treatment of ROU Asset for regulatory capital purposes (NBFCs and ARCs)

RBI instructions require deducting the book value of intangible assets when calculating Owned Fund / CET 1 capital / Tier 1 capital. Under Ind AS 116 - Leases, leases are recorded as both a liability (lease payments) and a related ROU asset. It has been clarified that NBFCs are not required to deduct ROU assets from Owned Fund/CET 1/Tier 1 capital if the leased asset is tangible. The ROU asset will be risk-weighted at 100%, similar to the historical risk weight applied to owned tangible assets.

For more information, [click here](#)

SEBI UPDATE

○ Corporate Governance Norms for HVDLEs

SEBI has introduced amendments to the LODR Regulations, 2015, effective from 1st April 2025, focusing on governance and reporting for listed entities, including HVDLEs. Key updates include raising the HVDLE threshold to ₹1,000 crores in outstanding listed non-convertible debt securities, new reporting standards for corporate governance, and clearer provisions for related party transactions and board composition. The amendments also address compliance timelines, independent director roles, and enhanced transparency, particularly for entities undergoing insolvency resolution and those listed on SME Exchanges.

For more information, [click here](#)

○ Extension of Effective Date for Industry Standards for review of RPT

Effective date extended from 1st April 2025 to 1st July 2025 in respect of Industry Standards on 'Minimum information to be provided for review of the audit committee and shareholders for approval of a RPT'

For more information, [click here](#)

○ Revision in BRSR core and ESG disclosures and introduce disclosure on green credits

SEBI has revised various provisions regarding ESG disclosures for value chain, provide an option to undertake 'assessment' or 'assurance' for BRSR Core and ESG disclosures for value chain, and introduce disclosure on green credits.

For more information, [click here](#)

○ **Faster Rights Issue**

SEBI has introduced a streamlined framework for rights issues, aiming to complete the process within twenty-three working days from board approval. It is being specified that Rights issue shall be kept open for subscription for a minimum period of seven days and for a maximum period of thirty days. Indicative timeline chart has been specified for conducting activities during rights issue process.

For more information, [click here](#)

○ **Modification in definition of UPSI**

SEBI has amended definition of UPSI in SEBI (Prohibition of Insider Trading) Regulations, expanding it to include events like non-normal course of business contracts, KMP changes (excluding certain cases of superannuation, end of term, or resignation of Statutory/Secretarial Auditors), and new sub-clauses covering fund-raising decisions, forensic audits, corporate restructuring, legal issues, and more. The effective date for these amendments is 10th June 2025.

For more information, [click here](#)

○ **Digital public infrastructure for reducing unclaimed assets**

SEBI has proposed to harness with DigiLocker as a digital public infrastructure for reducing unclaimed assets in the Indian securities market to enable investors to digitally store and access their demat and mutual fund holdings by simplifying asset transmission and reducing unclaimed assets. This initiative is effective from 1st April 2025.

For more information, [click here](#)

MINISTRY OF MSME UPDATE

- Increase in limit of turnover and investment in plant & machinery/equipment for MSME classification w.e.f. 1st April 2025

| Particulars | Turnover (₹ in crores) | | Investment in plant & machinery / equipment (₹ in crores) | |
|---------------|------------------------|---------|---|---------|
| | Existing | Revised | Existing | Revised |
| Micro | 5 | 10 | 1 | 2.5 |
| Small | 50 | 100 | 10 | 25 |
| Medium | 250 | 500 | 50 | 125 |

For more information, [click here](#)

TAX AUDIT UPDATE

○ Amendments / Deletion / Addition in Form 3CD


CBDT in their notification made following changes in form 3CD which is effective from 1st April 2025:

| Clause | Description |
|--------------|--|
| 12 | Inclusion of Section 44BBC regarding computation of profits for non-resident cruise ship operators. |
| 19 | Reporting of deductions under Sections 32AC, 32AD, 35AC, and 35CCB are removed. |
| 21(a) | Inclusion of: Expenditure incurred to settle proceedings initiated in relation to contravention under such law as notified by the Central Government in the Official Gazette in this behalf. |
| 22 | Additional disclosure requirement regarding payments to MSME. |
| 26 | Some clarificatory changes have been made. |
| 28 | Deletion of reporting requirement under Section 56(2)(viia). |
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| 31 | New dropdown fields introduced for specifying the nature of loans or deposits taken/accepted and repayment of loan or deposit. |
| 36B | Reporting under Section 2(22)(f) regarding any amount received for buyback of shares. |

For more information, [click here](#)

Glossary

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| ARC | Asset Reconstruction Company |
| AS | Accounting Standard |
| BRSR | Business Responsibility and Sustainability Reporting |
| C&AG | The Comptroller and Auditor General of India |
| CBDT | Central Board of Direct Taxes |
| CET | Common Equity Tier |
| EAC | Expert Advisory Committee |
| ESG | Environmental, Social and Governance |
| HVDLE | High Value Debt Listed Entities |
| Ind AS | Indian Accounting Standard |
| KMP | Key Managerial Personnel |
| LODR | Listing Obligation and Disclosure Requirement |
| MSME | Micro, Small and Medium Enterprises |
| NBFC | Non-Banking Financial Company |
| NFRA | National Financial Reporting Authority |
| RBI | Reserve Bank of India |
| ROU | Right Of Use |
| RPT | Related Party Transactions |
| SA | Standards on Auditing |
| SEBI | Securities and Exchange Board of India |
| SME | Small and Medium Enterprises |
| TCWG | Those Charged With Governance |
| UPSI | Unpublished Price Sensitive Information |



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