

# BULLETIN

ACCOUNTING, AUDITING AND COMPANY LAW – AUGUST 2025

#### **ACCOUNTING AND AUDITING UPDATES**

## • EAC opinion on recognition of liability towards committed planned expenditure, under Ind AS framework

The company is engaged in mining operations and power generation at a captive power plant. Prior to entering into mining lease agreements, the company is required to obtain various statutory clearances. The typical sequence of these clearances includes Forest clearance stage I & II, Environment clearance, Execution of mining lease agreement, consent to opening of mines and operationalisation of mines.

Following the receipt of Stage I Forest Clearance, the company has provided an undertaking to carry out specified activities necessary for obtaining Stage II Forest Clearance. These activities are to be undertaken only after the execution of the mining lease. Accordingly, no provision had been recognized for commitments made to regulatory authorities as part of obtaining environmental and forest clearances, where such commitments are in the form of undertakings provided after Stage-I Forest Clearance. This accounting treatment has been questioned by the CAG.

Considering the fact that, though the company has provided undertaking to incur expenses for specified activities after stage I clearance, EAC opined that merely making commitments or receiving regulatory clearances does not constitute a present obligation under Ind AS 37 — "Provisions, Contingent Liabilities and Contingent Assets". A provision should be recognised only when a past event gives rise to a legal or constructive obligation. Accordingly, there is no requirement to recognise a provision for commitments made as part of the undertaking, as the execution of mining lease is pending on reporting date.

For more information, Click here

#### Guidance Note on Financial Statements of Non-Corporate Entities

ICAI has released updated guidance note on financial statements of non-corporate entities. The guidance note prescribes formats of financial statements for non-corporate entities to enable these entities to communicate their financial performance and financial position in standardised formats thereby enhancing their comparability.

For more information, Click here

#### Technical Guide on Accounting for Expenditure on CSR Activities (Revised July 2025 Edition)

ICAI has released third edition of technical guide on accounting for expenditure on CSR Activities. This guide provides comprehensive guidance on recognition, measurement, presentation, and disclosure of CSR spend, in line with the Companies Act, 2013.

#### Checklist of Certificates for Chartered Accountants

ICAI has issued an illustrative checklist for issuance of certificates. This checklist has been prepared based on the Guidance Note on Reports or Certificates for Special Purposes (Revised 2016) ("Guidance Note") as an initiative by the Centre for audit quality of ICAI. The checklist is intended to serve as a practical aid to comply with the requirements of the said Guidance Note.

For more information, Click here

#### FAQs on Management Representation Letter

ICAI has released FAQs on Management Representation Letter. This publication includes responses to common queries on the subject, illustrative templates of representation letter, format for updating management representation letter, format for additional considerations, and SA 580 compliance checklist.

For more information, Click here

#### Widening the Scope of Mandatory Applicability of AQMM & Disclosure of AQMM Levels

Presently AQMM is mandatory for firms auditing the following entities excluding the Firms conducting only branch audit;

- A Listed Entity
- Banks other than Co-Operative banks (Except multi- state Co-operative banks)
- Insurance companies.

The scope of mandatory applicability of AQMM version 2.0 has now been widened and made mandatory in a phased manner as below:

Category of Firms	Effective date
Firms auditing the Holding, Subsidiary, Associate or Joint Ventures of the	April 1, 2026
entities mentioned above.	
Firms proposing to audit large unlisted public companies meeting any of the	April 1, 2026
following criteria as on 31st March of immediately preceding financial year:	
<ul> <li>Paid-up capital ≥ Rs. 500 Cr</li> </ul>	
<ul> <li>Annual turnover ≥ Rs. 1,000 Cr</li> </ul>	
<ul> <li>Aggregate loans/debentures/deposits ≥ Rs. 500 Cr</li> </ul>	
Firms proposing to audit entities that:	April 1, 2027
<ul> <li>Raised funds over Rs. 50 Cr from public/banks/FIs in review period</li> </ul>	
<ul> <li>Are body corporate or trusts covered under public interest entities.</li> </ul>	

Additionally, the list of AQMM v. 2.0 reviewed firms will be hosted level-wise on the ICAI website by the Peer Review Board, and the AQMM v. 2.0 level of the firm will also be mentioned on the Peer Review Certificate issued to them.

#### **COMPANY LAW UPDATES**

#### The Companies (Indian Accounting Standards) Second Amendment Rules, 2025

The MCA has introduced The Companies (Indian Accounting Standards) Second Amendment Rules, 2025. The amendments has aligned Ind AS more closely with IFRS, enhancing global comparability and financial transparency.

Key amendments include:

- Ind AS 1 and 10 Clarification on classification of liabilities into current and non-current subject to covenants, ensuring consistency in presentation and reducing interpretation challenges.
- Ind AS 107 and 7 Introduced new disclosure requirements for supplier finance arrangements to improve transparency of their impact on liabilities and cash flows. Disclosure is required for;
  - Terms and conditions of arrangements
  - Carrying amounts at the beginning and end of the reporting period, payments made to suppliers and range of payment due dates
  - Type and effect of non-cash changes (example: effect of business combinations, exchange differences)
- Ind AS 12 This amendment requires entities to disclose information relevant to global minimum tax rules, thereby enhancing transparency in tax reporting for multinational companies.
- IND AS 115 and 116 Alignment of revenue and lease related references across Ind AS 115 and IND AS 116.
- Ind AS 101 Transitional reliefs under Ind AS 101 have been updated to support companies migrating to Ind AS, easing compliance burdens during the initial adoption phase.

For more information, Click here

#### **RBI UPDATES**

#### Reserve Bank of India (Co-Lending Arrangements) Directions, 2025

RBI has issued the Reserve Bank of India (Co-Lending Arrangements) Directions, 2025 effective from 01<sup>st</sup> January, 2026. These directions aim to streamline Co-Lending Arrangements (CLA) between regulated entities and enhance transparency and operational efficiency.

These directions address the key points mentioned below:

•	Minimum Loan Retention	•	Default Loss Guarantee (DLG)
•	Blended Interest Rate	•	Asset Classification
•	Escrow Account Mandate	•	Audit & Continuity
•	Timeline for Booking Loans	•	Disclosure Norms

Guidelines to regulated entities for enabling digital infrastructure for person with disabilities

RBI has issued a directive to all regulated entities—including banks, NBFCs, financial institutions, credit information companies, and payment system providers, to ensure compliance with the Supreme Court's order dated April 30, 2025. This pertains to the cases Pragya Prasun & Ors. vs Union of India and Amar Jain vs Union of India & Ors. Entities are instructed to undertake appropriate measures to align with the legal requirements outlined in the judgment.

To view the notification, Click here

#### **OTHER UPDATES**

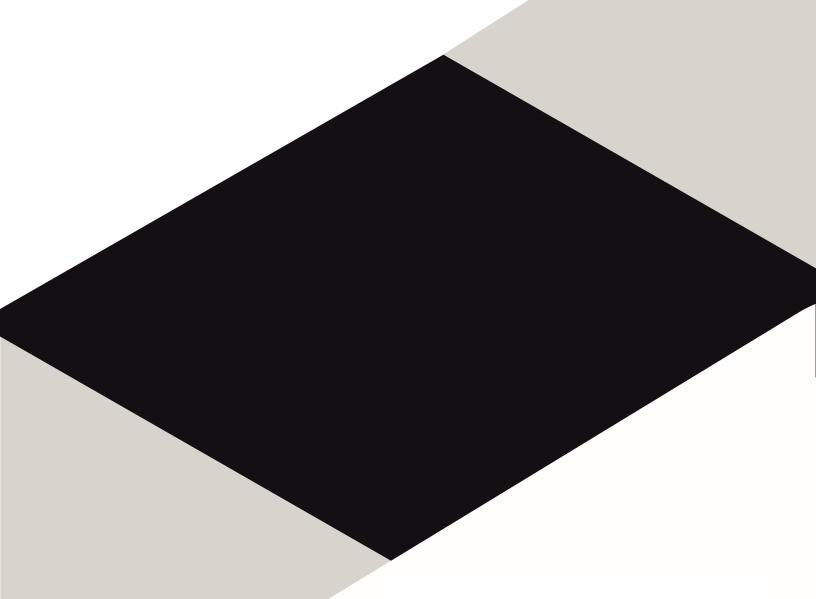
• IEPFA Launches "Saksham Niveshak" – A 100-Day Drive to Facilitate Dividend Claims and KYC Updates

The Investor Education and Protection Fund Authority (IEPFA) has launched a 100-day campaign titled "Saksham Niveshak", running from 28th July to 6th November 2025. This national drive is aimed at empowering shareholders by creating awareness about unclaimed dividends held by companies and guiding them through the process of updating their KYC and nomination details to reclaim their rightful dividend.

### Glossary:

CAG	Comptroller and Auditor General of India
EAC	Expert Advisory Committee
Ind AS	Indian Accounting Standards
ICAI	Institute of Chartered Accountants of India
AQMM	Audit Quality Maturity Model
FI	Financial Institutions
MCA	Ministry of Corporate Affairs
CSR	Corporate Social Responsibility
KYC	Know Your Customer
NBFC	Non-Banking Financial Company
OECD	Organisation for Economic Co-operation and Development
RBI	Reserve Bank of India
CLA	Co-Lending Arrangements
IEPFA	Investor Education and Protection Fund Authority

The contents provided in this newsletter are for information purpose only and are intended, but not promised or guaranteed, to be correct, complete and up-to-date. The firm hereby disclaims any and all liability to any person for any loss or damage caused by errors or omissions, whether such errors or omissions result from negligence, accident or any other cause.



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



