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In brief

Section 23(1) of the Companies (Amendment) Act, 2017 operational from 5th March 2021 (Notification dated 5th March 2021)

Section 21 pertaining to CSR of the Companies (Amendment) Act, 2019 operational from 22nd January 2021 (Notification dated 22nd January 2021)

**The Companies (Amendment) Act, 2017**

The Central Government (CG) has appointed 5th March 2021 as the date on which provisions of Section 23(1) of the Companies (Amendment) Act, 2017 comes into force. This Section corresponds to Section 92 (Annual Return) of the Companies Act, 2013. With this notification, companies will not be required to give the following details in its Annual Return –

- ◆ Its indebtedness.
- ◆ In respect of shares held by or on behalf of Foreign Institutional Investors -their name, addresses, countries of incorporation, registration \and percentage of shareholding held by them

The CG may also prescribe abridged form of Annual Return for OPC, small company and such other class or classes of companies as may be prescribed.

[Read more](#)

The Companies (Amendment) Act, 2019

The CG has appointed 22nd January 2021 as the date on which the Section 21 of the Companies (Amendment) Act, 2019 came into force. This Section corresponds to Section 135 (Corporate Social Responsibility (CSR)) of the Companies Act, 2013.

For Synopsis of The Companies (Amendment) Bill, 2019 [Read more](#)

For commencement notification [Read more](#)

In brief

20 provisions of the Companies (Amendment) Act, 2020 operational (Notification dated 22nd January 2021, 11th February 2021, 18th March 2021 and 24th March 2021)

The Companies (Amendment) Act, 2020

The CG has appointed 22nd January 2021 as the date on which the following provisions of the Companies (Amendment) Act, 2020 came into force-

Sections of the Amendment Act	Corresponding Sections of the Companies Act, 2013	Nomenclature
2	2(52)	Definition of listed company
11	62(1)(a)(i)	Further Issue of Share Capital
18(c)	89	Declaration in respect of beneficial interest in any share
22(ii)	117(3)(g)	Resolutions and agreements to be filed
25	129A (new)	Periodical financial results
27	135 @	CSR
53	379	Application of Act to foreign companies
55	393A(new)	Exemptions under this chapter
58	410	Constitution of Appellate Tribunal
59	418A(new)	Benches of Appellate Tribunal
60	435(1)	Establishment of Special Courts
62	446B	Lesser penalties for one person companies or small companies
64	452(2)	Punishment for wrongful withholding of property
65	454(3)	Adjudication of Penalties

@certain clauses amended

For commencement notification [Read more](#)

The CG has appointed 11th February 2021 as the date on which the following provisions of the Companies (Amendment) Act, 2020 came into force-

Sections of the Amendment Act	Corresponding Sections/Chapter of the Companies Act, 2013	Nomenclature
52	Chapter XXIA (new)	Producer Companies
66	465	Repeal of Certain Enactments and Savings

For commencement notification [Read more](#)

The CG has appointed 18th March 2021 as the date on which the following provisions of the Companies (Amendment) Act, 2020 came into force-

Sections of the Amendment Act	Corresponding Sections/Chapter of the Companies Act, 2013	Nomenclature
32	149(9)	Company to have Board of Directors
40	197(3)	Overall Maximum Managerial Remuneration and Managerial Remuneration in Case of Absence or Inadequacy of Profits

For commencement notification [Read more](#)

The CG has appointed 24th March 2021 as the date on which the following provisions of the Companies (Amendment) Act, 2020 came into force-

Sections of the Amendment Act	Corresponding Sections/Chapter of the Companies Act, 2013	Nomenclature
23	124 (7)	Unpaid Dividend Account
45	247(3)	Valuation by Registered Valuers

For commencement notification [Read more](#)

For Synopsis of The Companies (Amendment) Bill, 2020 [Read more](#)

[Return](#)

In brief

CSR Rules amended to provide greater transparency and flexibility to the corporates (Notification dated 22nd January 2021)

Rules pertaining to OPC amended (Notification dated 1st February 2021)

The Companies Act, 2013

Rules and Amendment Rules

Companies (CSR Policy) Amendment Rules, 2021

The MCA has notified certain provisions of the Companies (Amendment) Act 2019 and 2020 pertaining to CSR with effect from 22nd January 2021. MCA has also issued amendments to the Companies (CSR Policy) Rules, 2014. Salient features are given below-

- ◆ **Definitions**

Certain definitions revised or new definitions have been introduced e.g., CSR, CSR Policy, administrative overheads, ongoing projects etc.

- ◆ **CSR Implementation**

Every entity who intends to undertake any CSR activity should register itself with the CG by filing the form CSR-1 electronically with the Registrar of Companies (RoC) with effect from 1st April 2021.

- ◆ **CSR Committee**

The CSR Committee should formulate and recommend to the Board, an annual action plan in pursuance of its CSR policy.

- ◆ **CSR Expenditure**

The Board should ensure that the administrative overheads should not exceed 5% of total CSR expenditure of the company for the financial year (FY). Any surplus arising out of the CSR activities should not form part of the business profit of a company and should be ploughed back into the same project or should be transferred to the Unspent CSR Account and spent in pursuance of CSR policy and annual action plan of the company or transfer such surplus amount to a Fund specified in Schedule VII, within a period of 6 months of the expiry of the FY.

[Read more](#)

For C N K publication CSR- An Overview [Read more](#)

Companies (Incorporation) Second Amendment Rules, 2021

The MCA has amended Companies (Incorporation) Amendment Rules, 2014. Rule pertaining to One Person Company (OPC) has been amended. **They will come into force on 1st April 2021.** The amendments are-

- ◆ Any person who is an Indian citizen and whether resident in India or otherwise (*earlier resident in India*) will be eligible to incorporate an OPC. 'Resident in India' means a person who has stayed in India for a period of not less than 120 days (*earlier 182 days*) during the immediately preceding FY.
- ◆ Conversion of OPC into a Public company or a Private Company
 - The OPC can alter its memorandum and articles by passing a resolution as per the Act to give effect to the conversion and to make necessary changes incidental

In brief

Aadhar authentication facility for GSTIN Registration introduced (Notification dated 5th March 2021)

Definition of Small Company amended (Notification dated 1st February 2021)

thereto.

- OPC can be converted into a Private or Public Company, other than a company registered under section 8 of the Act, after increasing the minimum number of members and directors to 2 or 7 members and 2 or 3 directors, as the case may be, and maintaining the minimum paid-up capital as per the requirements of the Act for such class of company and by making due compliance of Section 18 of the Act for conversion.
 - The company is required to file an application in e-Form No.INC-6 for its conversion into Private or Public Company, other than under section 8 of the Act, along with fees as provided in the Companies (Registration offices and fees) Rules, 2014 by attaching documents, namely:- (a) Altered MOA and AOA; (b) copy of resolution; (c) the list of proposed members and its directors along with consent; (d) list of creditors; and (e) the latest audited balance sheet and profit and loss account.
 - On being satisfied that the requirements stated herein have been complied with, the Registrar will approve the form and issue the Certificate.
- ♦ **Conversion of private company into One Person Company**
- Any private company other than a company registered under section 8 of the Act (*earlier private company having paid up share capital of Rs. 50 lakhs or less and average annual turnover during the relevant period is Rs. 2 crores rupees or less*) may convert itself into OPC company by passing a special resolution in the general meeting.

[Read more](#)

Companies (Incorporation) 3rd Amendment Rules, 2021

The MCA has amended the Companies (Incorporation) Rules, 2014 by introducing Aadhar authentication facility for GSTIN Registration in Form INC-35 AGILE-PRO

[Read more](#)

Companies (Specification of Definitions Details) Amendment Rules, 2021

The MCA has amended Companies (Specification of Definition Details) Rules, 2014 Definition of Small Companies has been amended. Small Company means a company, other than a public company,

- ♦ paid-up share capital of which does not exceed Rs. 2 crores (*earlier Rs. 50 lakh*) or such higher amount as may be prescribed which shall not be more than Rs. 10 crores; and
- ♦ turnover of which as per profit and loss account for the immediately preceding FY does not exceed Rs. 20 crores (*earlier Rs. 2 crores*) or such higher amount as may be prescribed which shall not be more than Rs. 100 crores.

[Read more](#)

In brief

Certain classes of companies not to be considered as listed companies notified (Notification dated 19th February 2021)

Classes of companies with whom the Scheme of merger or amalgamation can be entered amended (Notification dated 1st February 2021)

Companies (Specification of Definitions Details) 2nd Amendment Rules, 2021

The MCA has amended Companies (Specification of Definition Details) Rules, 2014. A new **Rule 2A-Companies not to be considered as listed companies** has been inserted. As per this Rule, the following classes of companies will not be considered as listed companies-

- ◆ Public companies which have not listed their equity shares on a recognized stock exchange but have listed their –
 - non-convertible debt securities (NCDS) issued on private placement basis in terms of SEBI (Issue and Listing of Debt Securities) Regulations, 2008; or
 - non-convertible redeemable preference shares issued on private placement basis in terms of SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013; or
 - both the above categories.
- ◆ Private companies which have listed their NCDS on private placement basis on a recognized stock exchange in terms of SEBI (Issue and Listing of Debt Securities) Regulations, 2008;
- ◆ Public companies which have not listed their equity shares on a recognized stock exchange but whose equity shares are listed on a stock exchange in a jurisdiction as specified in Section 23(3) of the Act.

These Rules will be **effective from 1st April 2021**.

[Read more](#)

Companies (Compromises, Arrangements and Amalgamations) Amendment Rules, 2021

The MCA has amended the Companies (Compromises, Arrangements and Amalgamations) Amendment Rules, 2021. A **new sub-rule** has been inserted after *Rule 25-Merger or Amalgamation of certain companies* which states that -

A scheme of merger or amalgamation under Section 233 of the Act may be entered into between any of the following class of companies-

- ◆ 2 or more start-up companies; or
- ◆ 1 or more start-up company with 1 or more small company.

Explanation - *For the purposes of this sub-rule, “start-up company” means a Private Company incorporated under the Companies Act, 2013 or Companies Act, 1956 and recognised as such in accordance with notification number G.S.R. 127 (E), dated 19th February 2019 issued by the Department for Promotion of Industry and Internal Trade*

[Read more](#)

In brief

Minimum offer period for Rights Issue reduced to 7 days

(Notification dated 11th February 2021)

OPC and Small Companies to file Annual Return from FY 2020-21

(Notification dated 5th March 2021)

Companies to compulsorily use accounting software with feature of recording audit trail which cannot be disabled from 1st April 2022 among other matter

(Notification dated 24th March 2021 and 1st April 2021)

Companies (Share Capital and Debentures) Amendment Rules, 2021

The MCA has amended the Companies (Share Capital and Debentures) Rules, 2014. A new Rule 12A has been inserted. As per the amendment, the minimum offer period for Right Issue is 7 days. This is effective from 1st April 2021.

[Read more](#)

Companies (Management and Administration) Amendment Rules, 2021

The MCA has amended the Companies (Management and Administration) Rules, 2014. *Inter alia*, as per the amendment, every company is required to file its Annual Return in Form no- MGT-7 except OPC and Small Company. OPC and small company should file Annual Return from the FY 2020-21 onwards in Form No-MGT-7A.

[Read more](#)

Companies (Accounts) Amendment Rules, 2021 and 2nd Amendment Rules, 2021

The MCA has amended the Companies (Accounts) Rules, 2014. Amendments include the following-

♦ Rule 3-Manner of books of account to be kept in electronic mode

From the FY on or after 1st April 2022, every company which uses accounting software for maintaining its books of account, is required to use only such accounting software which has a feature of recording audit trail of each and every transaction, creating an edit log of each change made in books of account along with the date when such changes were made and ensuring that the audit trail cannot be disabled.

♦ Rule 8-Matters to be included in Board's Report

The Board Report should contain the following additional information's-

- the details of application made or any proceeding pending under the Insolvency and Bankruptcy Code, 2016 during the year along with their status as at the end of the FY.
- the details of difference between amount of the valuation done at the time of one time settlement and the valuation done while taking loan from the Banks or Financial Institutions along with the reasons thereof

This Rule will come into effect from 1st April 2021.

Amendment Rules, 2021 [Read more](#)

2nd Amendment Rules, 2021 [Read more](#)

In brief

Scope of reporting by Auditors in Audit Report widened

(Notification dated 24th March 2021 and 1st April 2021)

CSR funds spent for awareness and public outreach on COVID-19 Vaccination programme is an eligible CSR activity (General Circular No. 1 dated 13th January 2021)

Companies permitted to hold virtual AGM on or before 31st December 2021 (General Circular No. 2 dated 13th January 2021)

Companies (Audit and Auditors) Amendment Rules, 2021 and 2nd Amendment Rules, 2021

The MCA has amended the Companies (Audit and Auditors) Rules, 2014. As per the amendment in Clause 11, following has to be included in the Auditors Report-

- ◆ Representation from the management that no funds have been-
 - Advanced or loaned or invested by the company to or in any other intermediaries to directly or indirectly lend or invest or provide any guarantee, security or the like on behalf of the company(ultimate beneficiary).
 - Received by the company from any funding parties (ultimate beneficiary)to directly/indirectly to lend or invest or provide any guarantee, security or the like on behalf of the funding party.
- ◆ Based on such audit procedures considered by the auditor, nothing has come to their notice that has caused them to believe that the representations mentioned above contains any material misstatement.
- ◆ Whether the dividend declared or paid during the year by the company is in compliance with Section 123 of the Companies Act, 2013.

Amendment Rules, 2021 [Read more](#)

- ◆ Whether the company in respect of FYs commencing on or after 1st April 2022 has used such accounting software for maintaining its books of account which has a feature of recording audit trail (edit log) facility and the same has been operated throughout the year for all transactions recorded in the software and the audit trail feature has not been tampered with and the audit trail has been preserved by the company as per the statutory requirements for record retention.

Reporting of deposit of demonetised bank notes have been discontinued.

This Rule will come into effect from 1st April 2021.

2nd Amendment Rules, 2021 [Read more](#)

Circulars

Clarification on spending CSR funds for awareness and public outreach on COVID-19 Vaccination programme

The MCA has clarified that spending of CSR funds for carrying out awareness campaigns/programmes or public outreach campaigns on COVID-19 Vaccination programme is an eligible CSR activity under Schedule VII of the Act

[Read more](#)

Clarification on holding of Annual General Meeting (AGM)through video conferencing (VC) or other audio-visual means (OAVM)

The MCA has allowed companies whose AGMs were due to be held in the year 2020 or

In brief

Scheme for Condonation of Delay for Companies Restored during December 2020 introduced (General Circular No. 3 dated 15th January 2021)

The Company Law Committee Report, *inter alia*, proposes further decriminalisation of certain “compoundable offences”, consequential amendments and certain other changes in the LLP Act, 2008 to facilitate and promote ease of doing business and ease of living (Report dated 4th January 2021)

which will become due in the year 2021 to conduct their AGM through VC or OAVM on or before 31st December 2021. It has been clarified that this Circular should not be interpreted as conferring any extension of the time for holding AGMs by the companies under the Act and the companies which have not adhered to the relevant timelines will remain subject to legal action under the Act.

[Read more](#)

Scheme for condonation of delay for companies restored on Register of Companies between 1st December 2020 and 31st December 2020 under Section 252 of the Companies Act, 2013

The MCA has introduced the above Scheme which came into effect from 1st February 2021. This Scheme will be applicable in respect of companies in respect of whom the appeal filed under Section 252 (Appeal to National Company Law Tribunal (NCLT)) of the Act with respective NCLT Bench for the restoration of the name of the Company was disposed of between 1st to 31st December 2020 with an order for restoration of the company. Last date of for filing any overdue e-forms by such companies under the scheme was 31st March 2021.

The scheme is applicable for filing of all e-forms except for the following forms:

- ◆ E-Form SH-7 (where any increase in authorised share capital is involved)
- ◆ CHG-1, CHG-4, CHG-8 and CHG-9 (Charge Related Documents)

[Read more](#)

Reports

Report of The Company Law Committee on Decriminalization of The Limited Liability Partnership Act, 2008

The report proposes amendments in certain provisions with respect to decriminalization which will further incentivize the compliance by entrepreneurs or promote congenial business climate. In addition, it also addresses the need for certain other amendments so as to further improve ease of living for the corporates and other stakeholders of the Country.

The main recommendations of the Committee as included in Chapter -1 of the Report are as follows:

- ◆ 12 offences have been recommended to be decriminalized and to be shifted to In-house Adjudication Mechanism.
- ◆ 1 offence has been recommended for omission.

In brief

Limit of yearly remuneration amended (Notification dated 18th March 2021)

Schedule III amended to align it with the recent changes and to make it more meaningful (Dated 24th March 2021)

In addition to the above, Chapter -2 contains recommendations related to further ease of living and the main recommendations relate to:

- ♦ Introduction of new concepts into the LLP Act namely - Small LLP and provision for Issuance of Non-convertible Debentures (NCDs) by LLPs
- ♦ Relaxing provisions relating to payment of additional fee under Section 69

Chapter -3 contains Miscellaneous Provisions related to:

- ♦ Reference to the Companies Act, 1956, proposed to be substituted with the Companies Act, 2013 in the LLP Act.
- ♦ Concomitant and consequential amendments include the introduction of Section 68A for establishing registration offices with specified jurisdiction and Section 77 A for adjudication of penalties under In-house Adjudication Mechanism (IAM).
- ♦ Other amendments inter-alia include Introduction of an enabling provision in the Act to prescribe Accounting Standards for class or classes of LLPs.

[Read more](#)

Notifications

Amendment to Schedule V

The CG has amended Part II of Schedule V of the Act. *Inter alia*, Table A giving limits of yearly remuneration has been substituted.

Where effective capital is (Rs.)	Limit of yearly remuneration payable should not exceed in case of a managerial person (Rs.)	Limit of yearly remuneration payable should not exceed in case of other Director (Rs.)
Negative or less than 5 crores	60 lakhs	12 lakhs
5 crores and above but less than 100 crores	84 lakhs	17 lakhs
100 crores and above but less than 250 crores	120 lakhs	24 lakhs
250 crores and above	120 lakhs plus 0.01% of the effective capital in excess of Rs. 250 crores	24 lakhs plus 0.01% of the effective capital in excess of Rs. 250 crores

[Read more](#)

Amendment to Schedule III

The CG has amended Schedule III of the Companies Act, 2013 which will be **effective from 1st April 2021**. Schedule III contains general instructions for preparation of Balance Sheet and Statement of Profit and Loss of a Company. *Inter alia*, the amendments include the following-

- ◆ The figures appearing in the financial statements have to be rounded off, which was earlier, optional. The criteria for rounding off should be based on “total income” instead of “turnover”.
- ◆ Fixed Asset is renamed as “Property Plant and Equipment & Intangible Assets” which will have the following components - Property Plant and Equipment, Intangible Assets and Capital Work-in-Progress
- ◆ Following must be disclosed-
 - Shareholding of Promoters
 - Current maturities of Long-term borrowings separately
- ◆ The company should provide the details of all the immovable property (other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee) whose title deeds are not held in the name of the company in the given format and where such immovable property is jointly held with others, details are required to be given to the extent of the company’s share.
- ◆ Where the company has not used the borrowings from banks and financial institutions for the specific purpose for which it was taken at the Balance Sheet date, the company should disclose the details of where they have been used.
- ◆ Security Deposit is to be disclosed under “Other Non-Current Assets” or “Other Current Assets” based on the classification.
- ◆ Shareholding of Promoters to be disclosed as per the given format.
- ◆ Trade payables ageing schedule showing amounts due to MSME, others segregated between disputed and others is to be disclosed.
- ◆ Where the company has not used the borrowings from banks and financial institutions for the specific purpose for which it was taken at the Balance Sheet date, the company should disclose the details of where they have been used.
- ◆ Where the Company has borrowings from banks or financial institutions on the basis of security of current assets, it should disclose the following: -
 - whether quarterly returns or statements of current assets filed by the Company with banks or financial institutions are in agreement with the books of accounts.
 - if not, summary of reconciliation and reasons of material discrepancies, if any to be adequately disclosed.
- ◆ Following Ratios to be disclosed:
 - (a) Current Ratio, (b)Debt-Equity Ratio, (c)Debt Service Coverage Ratio, (d) Return on Equity Ratio, (e) Inventory turnover ratio, (f)Trade Receivables turnover ratio, (g) Trade payables turnover ratio, (h) Net capital turnover ratio, (i) Net profit ratio, (j)Return on Capital employed, (k) Return on investment

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Return

In brief

Relaxation from compliance with certain provisions of LODR extended
(Circular No.: SEBI/HO/CFD/CMD2/CI R/P/2021/11 dated 15th January 2021)

Extension granted to REITs and InvITs to conduct meetings through VC or through OAVM
(Circular No.: SEBI/HO/DDHS/DDHS/CI R/P/2021/21 dated 26th February 2021)

Consultation Paper to ensure shareholder supremacy in matters of appointment of Directors proposed
(Report dated 27th January 2021)

Securities and Exchange Board of India (SEBI)

Relaxation from compliance with certain provisions of the SEBI (Listing Obligations and Disclosure Requirements (LODR)) Regulations, 2015 due to the COVID -19 pandemic

Sending physical copies of annual report to shareholders and requirement of proxy for general meetings held through electronic mode has been extended for listed entities till 31st December 2021 (*earlier 31st December 2020*).

[Read more](#)

Extension of facility for conducting meeting(s) of unitholders of REITs and InvITs through VC or through OAVM

SEBI has decided to extend the facility to conduct meetings of unitholders ,through VC or OAVM for REITs/InvITs as under:

- ◆ Annual meetings of unitholders in terms of Regulation 22(3) of SEBI (Real Estate Investment Trusts) Regulations, 2014 and Regulation 22(3)(a) of SEBI (Infrastructure Investment Trusts) Regulations, 2014, (which becomes due in the calendar year 2021) to be conducted till 31st December 2021.
- ◆ For meetings other than annual meeting of unitholders till 30th June 2021.

[Read more](#)

Consultation Paper on introduction of provisions relating to appointment or re-appointment of persons who fail to get elected as WTD or MD at the General Meeting of a listed entity

In order to ensure shareholder supremacy in matters of appointment of Directors, following amendments to the LODR have been proposed-

A person whose appointment or re-appointment as a Managing Director (**MD**) or Whole-time Director (**WTD**) has been rejected by the shareholders of a listed entity will not be appointed again as MD or WTD, unless the following conditions are satisfied-

- ◆ Its Nomination and Remuneration Committee (**NRC**) has recommended such appointment with detailed justification as to why such appointment, despite rejection by shareholders, is recommended.
- ◆ The Board has considered and approved the appointment after recording reasons for such appointment despite rejection by shareholders earlier.

The listed entity should take the following steps after appointment of such Directors to the Board:

- ◆ The reasons for such appointments to the Board to Stock Exchanges within 24

In brief

Consultation Paper to solicit views on proposal to regulate provisions related to IDs on Boards of listed entities issued
(Report dated 1st March 2021)

hours along with the recommendations of the NRC

Shareholder approval for such appointments shall be obtained in the immediate next general meeting or within three months from the date of appointment by the Board, whichever is earlier

- ◆ The Explanatory Statement to the Notice to the shareholders for considering the appointment of the Director should contain a detailed explanation and recommendation from the NRC and the Board as to why such appointment is placed before the shareholders despite the rejection of the candidature earlier by the shareholders.

In case shareholders reject the candidature of the persons again, such persons cannot be considered for appointment as Director, or continue as a Director of that particular listed entity, for a period of 2 years from the date of rejection by the shareholders.

[Read more](#)

Consultation Paper on Review of Regulatory Provisions related to Independent Directors

SEBI has issued the above consultation paper to solicit public comments / views on the proposals on review of regulatory provisions related to Independent Directors (IDs) on the Boards of listed entities. *Inter alia*, the proposals include the following-

- ◆ **Definition of Independent Directors**

Key Management Personnel (KMP) or employees of promoter group companies, cannot be appointed as IDs in the company, unless there has been a cooling-off period of 3 years. The said restriction shall also extend to relatives of such KMPs for the same period.

Cooling-off period in case of a material pecuniary relationship between person or his / her relative and the listed entity / its holding company / subsidiary / associate company should be harmonized to 3 years

- ◆ **Appointment and re-appointment process of Independent Directors**

Appointment and re-appointment of IDs shall be subject to “dual approval”, taken through a single voting process and meeting following 2 thresholds: –

- Approval of shareholders
- Approval by ‘majority of the minority’ (simple majority) shareholders. ‘Minority’ shareholders would mean shareholders, other than the promoter and promoter group.

If either of the approval thresholds are not met, the person would have failed to get appointed / re-appointed as ID.

- ◆ **Composition of the Audit Committee**

It will comprise of 2/3rd IDs and 1/3rd Non-Executive Directors who are not related to the promoter, including nominee directors, if any.

[Read more](#)

In brief

BRR replaced with BRSR, and LODR amended among others, in the Board Meeting (PR No. 15/21 dated 25th March 2021)

SEBI Board Meeting

SEBI, *inter alia*, took the following decisions in its meeting-

♦ **Business Responsibility and Sustainability Reporting by listed entities**

SEBI has decided to introduce new requirements for sustainability reporting by listed entities. This new report shall be called the Business Responsibility and Sustainability Report (**BRSR**) and will replace the existing Business Responsibility Report (BRR).

The BRSR will be applicable to the top 1000 listed entities (by market capitalization), for reporting on a voluntary basis for FY 2021 – 22 and on a mandatory basis from FY 2022 – 23.

♦ **Review of the SEBI (LODR) Regulations, 2015**

Key amendments are as follows:

- Requirement for formulation of dividend distribution policy by the existing top 500 listed entities has been extended to the top 1,000 listed entities on the basis of market capitalisation.
- In case of Board Meetings held for more than one day, the financial results should be disclosed by listed entities within 30 minutes of end of the Board Meeting for the day on which the financial results are considered.
- The provisions of the LODR Regulations which become applicable to listed entities based on (i) the market capitalisation criteria, will continue to apply even if such entities subsequently fall below the specified thresholds (ii) paid up capital and net-worth, shall continue to apply to such entities unless the paid-up capital or net-worth falls and continues to remain below the threshold for a period of 3 consecutive FYs.
- The requirement to seek stock exchange approval for change of name of a listed entity is dispensed with.
- The timelines for submission of periodic reports viz. statement of investor complaints, corporate governance report and shareholding pattern will be harmonized to 21 days from the end of each quarter.
- Frequency of submission of compliance certificates relating to share transfer facility and issuance of share certificates within 30 days of lodgement for transfer, sub-division, etc. is revised from half-year to annual.
- The requirement to publish newspaper advertisements for the notice to Board Meetings where financial results are to be discussed and for quarterly statement on deviation or variation in use of funds, is dispensed with.

[Read more](#)

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In brief

Labour Codes deferred

Others

New Labour Codes

The government has deferred implementation of the labour codes, including the Code on Wages, beyond 1st April 2021.

[Read more](#)

Notification of the same is awaited

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In brief

SAE dealing with assurance engagements to report on an entity's GHG Statement published (Dated January 2021)

TG providing guidance on the role, responsibilities etc. of Independent Directors with respect to the Companies Act, 2013, SEBI etc. published (Dated January 2021)

TG providing understating and procedural formalities relating to charges under the Companies Act, 2013 published (Dated January 2021)

Revised and comprehensive TG including various aspects of Valuation published (Dated January 2021)

Accountancy and Audit

ICAI Releases

Standard on Assurance Engagements (SAE) 3410 Assurance Engagements on Greenhouse Gas Statements

Given the link between greenhouse gas (GHG) emissions and climate change, many entities are quantifying their GHG emissions for internal management purposes, and many are also preparing a GHG statement-

- ♦ As part of a regulatory disclosure regime;
- ♦ As part of an emissions trading scheme; or
- ♦ To inform investors and others on a voluntary basis. Voluntary disclosures may be, for e.g., published as a stand-alone document; included as part of a broader sustainability report or in an entity's annual report; or made to support inclusion in a "carbon register."

This SAE deals with assurance engagements to report on an entity's GHG Statement.

[Read more](#)

Technical Guide (TG)

- ♦ **TG on the provisions of Independent Directors from Corporate Governance perspective**
This TG aims to provide comprehensive guidance on the role, responsibilities, duties, powers of Independent Directors with regard to the Companies Act, SEBI LODR and various other Laws. Important Frequently Asked Questions (FAQs) relating to the Independent Directors from part of the Guide. The Guide also covers specific issues and questions that should be considered in a performance evaluation of the entire Board by Independent Directors/ Parameters for Evaluation of Board of Directors/Performance Evaluation of Independent Director/Non-Independent Director/Self-Appraisal Check List.

[Read more](#)

- ♦ **TG on Charges-Registration, Modification and Satisfaction under the Companies Act, 2013 and LLP Act, 2008**
To facilitate the understanding, interpretation and procedural formalities relating to creation, modification and satisfaction of charge the ICAI has published this TG. This TG provides an understanding of the procedural aspects involved in registration of charges.

[Read more](#)

- ♦ **TG on Valuation (Revised 2021 Edition)**
This Technical Guide aims to provide a contemporary analysis of practical issues in Valuation. It brings together the approaches, rules and principles involved in

In brief

TG providing guidance on the accounting of the CSR Funds in the books of the 3rd parties published (Dated February 2021)

TG providing additional guidance in relation to certain specific matters that may arise in an audit of internal financial controls in case of public sector banks published (Dated March 2021)

TG providing detailed guidance on various reporting requirements contained in revised formats of LFAR published (Dated March 2021)

EM to help the members in developing better understanding of the subject and to drive greater efficiency in valuation activities undertaken by them issued (Dated February 2021)

Valuation as laid down by law, the statutory guidelines, and the decisions of Courts as well as established valuation practices. All these aspects together make this technical guide an encyclopedia and readily usable work on the subject.

The Guide begins with a discussion of the various approaches to valuation, followed by a separate chapter on the valuation of intangible and tangible assets as well as on other special considerations that influence valuation or the valuation process. This edition provides guidance on the use of pre-tax profits and post-tax capitalization rate, which was the need of the hour.

[Read more](#)

♦ **TG on Accounting of CSR Funds by Third Parties**

This TG provides guidance on the accounting, presentation and disclosure of CSR funds by the entities receiving the CSR contribution for implementing the CSR activities on behalf of the Company i.e., the cases wherein the CSR activities are carried out by the company through 3rd parties like NGOs, Societies, Trusts and Section 8 Company.

[Read more](#)

♦ **TG on Audit of Internal Financial Controls in Case of Public Sector Banks**

Reporting by the Statutory Auditor on the Internal Financial Controls in case of Public Sector Bank has become mandatory from FY 2020-2021. This TG provides a supplementary resource to auditors on the “Guidance Note on Audit of Internal Financial Controls Over Financial Reporting” while carrying out audit of internal financial controls in case of public sector banks.

[Read more](#)

♦ **TG on Audit of Revised Formats of Long Form Audit Report (LFAR)**

In September 2020, the Reserve Bank of India had revised the LFAR which would be applicable for audits of FY2020-21 and onwards. This TG provides detailed guidance on all the reporting requirements prescribed in the revised formats of LFAR.

[Read more](#)

Educational Material (EM)

♦ **EM on ICAI Valuation Standard 103 *Valuation Approaches and Methods***

This EM aims to enhance the understanding and considerations required in selection of valuation approaches and practical applications of various valuation methodologies. This EM contains summary of ICAI Valuation Standard 103 discussing the key requirements of the Standard in brief, Case Studies, Illustrations, and the Frequently Asked Questions (FAQs) covering the issues, which are expected to be encountered frequently while implementing this Standard. [Read more](#)

In brief

FAQs to assist in understanding the intricacies of the LODR Regulations issued (Dated February 2021)

Revised GN highlighting the need for accrual basis of accounting amongst others issued (Dated February 2021)

Revised GN dealing with accounting by e-commerce entities in respect of certain issues relating to revenue and expense recognition issued (Dated February 2021)

♦ EM on ICAI Valuation Standard 301 *Business Valuation*

This EM contains summary of ICAI Valuation Standard- 301 discussing the key requirements of the Standard in brief, Case Studies, Illustrations and the FAQs covering the issues, which are expected to be encountered frequently while implementing this Standard. The purpose of this EM is to provide guidance by way of illustrations and FAQs explaining the principles enunciated in the Standard.

[Read more](#)

FAQs on SEBI LODR Regulations, 2015

Frequent changes have been made in the LODR Regulations and to remain abreast with the developments and to facilitate the understanding and interpretation of law under the amended provisions of the LODR Regulations, the ICAI has published the above FAQs.

[Read more](#)

Guidance Notes (GN)

♦ GN on Accrual Basis of Accounting

This revised GN highlights the need for accrual basis of accounting, provides guidance in respect of transition from cash basis to accrual basis of accounting, further states the benefits associated with accrual system of accounting. The revised GN covers definition of accrual, accrual basis of accounting, difference between accrual basis of accounting with cash basis of accounting, need for the accrual principle, application of accrual basis of accounting with respect to assets, liabilities with some examples, income and expenses, transition from cash to accrual accounting along with appendix.

This GN does not apply to corporate enterprises which apply Accounting Standards under Companies (Accounting Standards) Rules, 2006 or Indian Accounting Standards under Companies (Indian Accounting Standards) Rules, 2015.

[Read more](#)

♦ GN on Accounting by E-commerce Entities

The ICAI has revised 'GN on Dot-Com companies' as the 'GN on Accounting by E-commerce Entities'. The revised GN deals with accounting by e-commerce entities in respect of accounting issues relating to revenue and expense recognition. The revised GN deals with key issues of e-commerce entities and aims at providing guidance on various accounting issues unique to e-commerce. This GN applies to companies preparing financial statements under Companies (Accounting Standard) Rules 2006, as amended under Section 133 of the Companies Act, 2013. It also

In brief

Revised GN on Audit of Banks incorporating impact of RBI Circulars and ICAI pronouncements relevant to bank audits for FY 2020-21 issued (Dated March 2021)

Background Material containing overview of global trends in corporate sustainability reporting, MCA BRSR disclosures etc. issued

The scheme for applicability of Accounting Standards to Non-company entities to come into effect in respect of accounting periods commencing on or after 1st April 2020 (Dated March 2021)

applies to entities such as LLPs, Partnership firms.

[Read more](#)

◆ GN on Audit of Banks (2021 Edition)

The GN is comprehensive and self-contained reference document. The revised edition incorporates the impact of the various circulars of the Reserve Bank of India as well as certain important advisories, pronouncements of the ICAI which would be relevant to bank audits for the FY ending 31st March 2021.

The GN is broadly bifurcated into 2 Sections i.e., Section A - Statutory Central Audit and Section B - Bank Branch Audit. This GN is to be read in conjunction with other two publications (TG on Audit of Internal Financial Controls in Case of Public Sector Banks and TG on Formats of LFAR).

[Read more](#)

Background Material on Business Responsibility and Sustainability Reporting(BRSR)

This background material contains an overview of global trends in corporate sustainability reporting, National Guidelines on Responsible Business Conduct, 2018 (NGRBC), UN Sustainable Development Goals, MCA BRSR disclosures, sustainable finance, assurance aspects, etc.

The objective is to provide necessary guidance and in-depth knowledge of this area for the benefit of Chartered Accountants and other stakeholders at large including assisting chartered accountants in playing proactive role in integration of business practices in line with global sustainability frameworks and support businesses to measure, assess and report social impacts.

[Read more](#)

Announcement

Criteria for classification of Non-company entities for applicability of Accounting Standards

The Council, at its meeting, held in March 2021, considered the matter relating to applicability of Accounting Standards issued by the ICAI to Non-company entities (Enterprises). The scheme for applicability of Accounting Standards to Non-company entities has come into effect in respect of accounting periods commencing on or after 1st April 2020.

- ◆ For the purpose of applicability of Accounting Standards, Non-company entities are classified into 4 categories, viz., Level I, Level II, Level III and Level IV.

Level I entities are large size entities, Level II entities are medium size entities, Level

In brief

Revised GN on Audit of Banks

III entities are small size entities and Level IV entities are micro entities. Level IV, Level III and Level II entities are referred to as Micro, Small and Medium size entities (MSMEs).

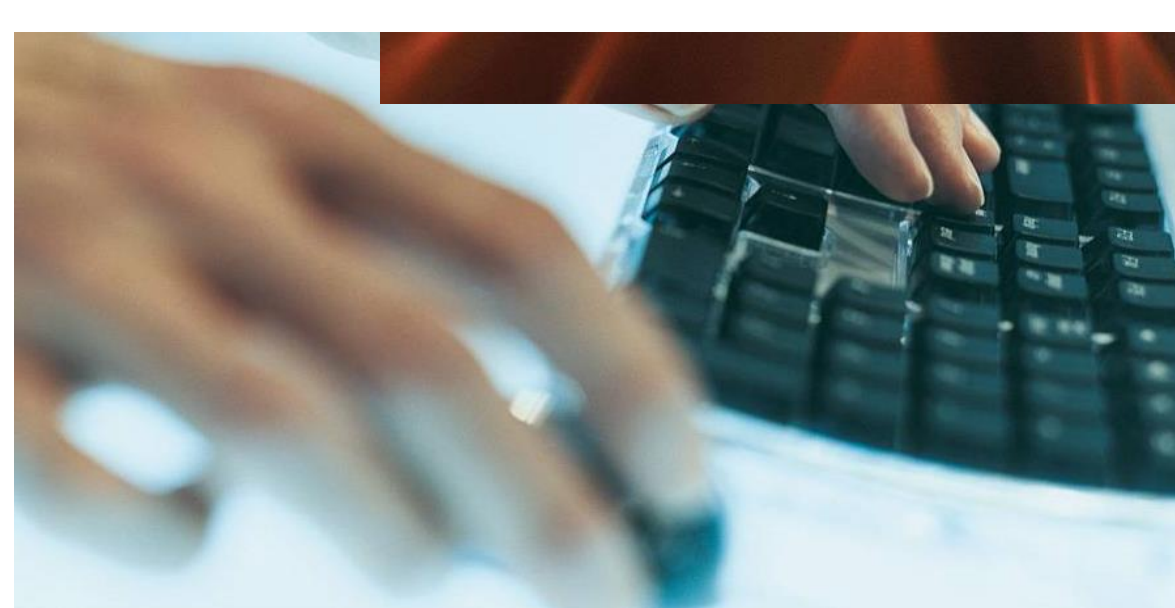
- ◆ Level I entities are required to comply in full with all the Accounting Standards
- ◆ Certain exemptions/relaxations in applicability of the ASs have been provided to Level II, Level III and Level IV Non-company entities
- ◆ This Announcement supersedes the earlier Announcement of the ICAI on 'Harmonisation of various differences between the Accounting Standards issued by the ICAI and the Accounting Standards notified by the Central Government' issued in February 2008, to the extent it prescribes the criteria for classification of Non-company entities (Non-corporate entities) and applicability of Accounting Standards to non-company entities, and the Announcement 'Revision in the criteria for classifying Level II non-corporate entities' issued in January 2013.
- ◆ This Announcement is not relevant for Non-company entities who may be required to follow Ind AS as per relevant regulatory requirements applicable to such entities.

[Read more](#)

Ind AS

For developments in Ind AS refer [CNK IFRS/Ind AS Updates, April 2021](#)

[Return](#)



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Key Take Away

- Companies will now have to closely monitor compliance with CSR Rules, CSR spending and the reporting thereon. Many companies may even consider appointing an external agency to independently certify the compliance with these provisions.
- Requirement of attaching the extract of the Annual Return with the Board's Report in Form No. MGT-9 has been omitted.
- Proposal to permit NRIs to form OPC will benefit many NRIs who have entrepreneurial capability.
- With the threshold for the qualification of small companies being raised, ease of doing business is facilitated as many companies will be able to take the benefit of lesser compliances like fewer Board Meetings to be held, no rotation of auditors etc.
- MCA's Rule requiring payment to Independent Directors whether there is profit or loss, will enable companies in attracting better talent especially start-ups and many unicorns, which may not have adequate profits.
- Requirement that companies, mandatory use accounting software that preserves the audit trail of all transactions will raise transparency standards and help them to avoid unforeseen tax and financial complexities, but it may increase the compliance cost for small businesses.
- Several amendments have been made in Schedule III from 1st April 2021 for both companies following Ind AS and others (including NBFCs). Some of these additional disclosures are also in line with the reporting requirements in CARO 2020 which are effective from FY 2021-22 for auditor reporting. The current predominant view is that these amendments would not be applicable for the financial statements ended 31st March 2021.
- Deferment of the new Labour Codes will give companies more time to overhaul their salary structure and other HR policies.

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