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In brief

The Companies (Amendment) Bill, 2020 assented by the President of India on 28th September 2020



The Companies (Amendment) Act, 2020

The President has given its assent to the Companies (Amendment) Act, 2020 on 28th September 2020. This Act, *inter alia*, brings about changes in removing criminality from host of offences under the Act, paves the way for direct overseas listing of Indian companies, introduces a new Chapter related to producer organisation, reduces penalties for certain offences as well as in timeline for rights issues, relaxes Corporate Social Responsibility (CSR) compliance requirements and creates separate benches at the National Company Law Appellate Tribunal (NCLAT).

Time line

Introduced in the Lok Sabha	17 th March 2020
Passed by the Lok Sabha	19 th September 2020
Passed by the Rajya Sabha	22 nd September 2020
Assented by the President of India	28 th September 2020

[Read more](#)

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

In brief

Various Ind AS amended including accounting for rent concessions and IBOR (Notification dated 24th July 2020)

The Companies Act, 2013

Rules and Amendment Rules

Companies (Indian Accounting Standards) Amendment Rules, 2020.

The MCA has amended the Companies (Indian Accounting Standards) Rules, 2015. Following Ind AS have been amended –

Ind AS	Particulars	Amendments
1	Presentation of Financial Statements	♦ Definition of the term ‘material’ amended and related clarifications
8	Accounting Policies, Changes in Accounting Estimates and Errors	♦ Corresponding amendments to other standards
34	Interim Financial Reporting	Resulting revision of the above amendment
10	Events after Reporting Period	Disclosure to be provided for each material category of non-adjusting event after the reporting period-
37	Provisions, Liabilities and Contingent Assets	Consequential amendment and disclosure of restructuring plan
103	Business Combinations	<i>Inter alia-</i> ♦ Definition of business amended ♦ An optional test (the concentration test) to permit a simplified assessment of whether an acquired set of activities and assets is not a business introduced
107	Financial Instruments: Disclosures	Disclosures pertaining to Uncertainty arising from interest rate benchmark reform (IBOR)
109	Financial Instruments	Temporary exceptions from applying specific hedge accounting requirements
116	Leases	Clarification which allows lessees not to account for COVID-19 related rent concessions as a lease modification subject to certain conditions

In brief

CSR Rules amended to include R&D activity of new vaccine, drugs and medical devices related to COVID-19

(Notification dated 24th August 2020)

Schedule VII amended to include, *inter alia*, contributions to incubators, contributions to public funded universities

(Notification dated 24th August 2020)

Companies need not attach extract of AR with the Board's Report if web link of AR has been disclosed and commencement of Section 92(3) notified

(Notification dated 28th August 2020)

These amendments are **applicable prospectively for annual periods beginning on or after the 1st April 2020.**

[Read more](#)

Companies (CSR Policy) Amendment Rules, 2020 and amendment of Schedule VII

The MCA has amended Companies (CSR Policy) Rules, 2014. *Inter alia*, as per the amendment, any company engaged in research and development (**R&D**) activity of new vaccine, drugs and medical devices in their normal course of business may undertake R&D activity related to COVID-19 for financial years (**FYs**) 2020-21, 2021-22 and 2022-23 subject to the following conditions-

- ♦ R&D activities should be carried out in collaboration with any of the institutes or organisations mentioned in item (ix) of Schedule VII to the Act.
- ♦ details of such activity should be disclosed separately in the Annual Report on CSR included in the Board's Report

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Item (ix) of Schedule VII has also been amended. Companies may also contribute the CSR amount towards the following -

- ♦ Contribution to incubators or R & D projects in the field of Science, Technology, Engineering and Medicine funded by the Central Government (**CG**) or State Government (**SG**) or any agency or Public Sector Undertaking of the CG or SG; and
- ♦ Contributions to public funded Universities; Indian Institute of Technology (IITs); National Laboratories and Autonomous Bodies established by the Department of Pharmaceuticals, Ministry of AYUSH etc. engaged in conducting research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals (SDGs)

[Read more](#)

Companies (Management and Administration) Amendment Rules, 2020

The MCA has amended Companies (Management and Administration) Rules, 2014. As per the amendment, a company will not be required to attach the extract of the Annual Return (**AR**) with the Board's Report in Form No. MGT.9, in case the web link of such AR has been disclosed in the Board's Report in accordance with the Act.

[Read more](#)

It has been notified that Section 92(3) of the Act will be applicable from 28th August 2020

[Read more](#)

In brief

Deposit Rules for start-ups eased by granting exemption up to 10 years instead of 5 years
(Notification dated 7th September 2020)

3 more months granted for directors of companies to register themselves with the IICA
(Dated 28th September 2020)

Requirement of holding Board meetings with physical presence of directors relaxed till 31st December 2020
(Dated 28th September 2020)

Companies (Acceptance of Deposits) Amendment Rules, 2020

The MCA has amended the Companies (Acceptance of Deposits) Rules, 2014. As per the amendment-

- ♦ an amount of Rs. 25 lakh or more received by a start-up company, by way of a convertible note (convertible into equity shares or repayable within a period not exceeding 10 years (*earlier 5 years*) from the date of issue) in a single tranche, from a person will not be considered as deposit.
- ♦ start-up which are private companies can accept deposits from its members without any restrictions for the period of 10 years (*earlier 5 years*) from the date of its incorporation.

The above amendments are in line with the amendment to the definition of 'start-up' notified by Department of Promotion of Industry and Internal Trade (DPIIT) vide notification dated 19th February 2019.

[Read more](#)

Companies (Appointment and Qualification of Directors) 4th Amendment Rules, 2020.

The MCA has amended Companies (Appointment and Qualification of Directors) Rules, 2014. As per the amendment, every individual who has been appointed as an independent director in a company as on 1st December 2019 can apply to the Institute of Corporate Affairs (ICA) up to 31st December 2020 (*earlier 30th September 2020*).

[Read more](#)

Companies (Meetings of Board and its Powers) 3rd Amendment Rules, 2020.

The MCA has amended Companies (Meetings of Board and its Powers) Rules, 2014. As per the amendment below mentioned matters may be held through video conferencing or other audio-visual means in accordance with Rule 3 for the period beginning from the commencement of Companies (Meetings of Board and its Powers) Amendment Rules, 2020 (i.e. 19th March 2020) and ending on 31st December 2020 (*earlier 30th September 2020*). The matters include-

- ♦ approval of the annual FS;
- ♦ approval of the Board's report;
- ♦ approval of the prospectus; Audit Committee Meetings for consideration of FS including consolidated FS, if any, to be approved by the Board; and
- ♦ approval of the matter relating to amalgamation, merger, demerger, acquisition and takeover

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In brief

Companies to file applications with the RoC for extension of time of holding AGM for FY ended 31st March 2020 before 29th September 2020

(General Circular No. 28/2020 dated 17th August 2020 and ICAI announcement dated 10th September 2020)

Companies permitted to submit CAR by 30th November 2020

(General Circular No.29/2020 dated 10th September 2020)

Various Schemes extended till 31st December 2020
(General Circular No. 30/2020, 31/2020, 32/2020 and 33/2020 dated 28th September 2020 and General Circular No. 34/2020 dated 29th September 2020)

Circulars

Clarification on Extension of Annual General Meeting (AGM) for the Financial Year ended as at 31st March 2020

The MCA has clarified that companies which are unable to hold their AGM for the FY ended on 31st March 2020 despite availing the relaxations provided in the [General Circular No. 20/2020](#) (holding AGM through video conferencing and audio visual means) are required to file their applications for seeking extension of time in holding of AGM for the FY ended on 31st March 2020 with the concerned Registrar of Companies (RoC) on or before 29th September 2020. The RoC can grant extension for a period as applied for up to 3 months.

[Read more](#)

ICAI has also made an announcement corroborating the above [Read more](#)

Relaxation of additional fees and extension of last date of filing of CRA-4 (form for filing Cost Audit Report) for FY 2019-20

MCA has decided to permit the Cost Auditor to submit the Cost Audit Report (CAR) for the FY 2019-20 to the Board of Directors of the companies by 30th November, 2020. Consequently, the CAR for the FY ended on 31st March 2020 should be filed in e-form CRA-4 within 30 days from the date of receipt of the copy of the CAR by the company. However, in case a company has availed extension of time for holding AGM then e-form CRA-4 may be filed within the timeline provided under the Companies (Cost Records and Audit) Rules, 2014

[Read more](#)

Relaxation of various Schemes, extension of time for passing Resolutions etc.

The MCA has granted extension to the following Schemes-

Particulars	Extended up to
Companies Fresh Start Scheme, 2020	31 st December 2020
LLP Settlement Scheme, 2020	31 st December 2020
Scheme for relaxation of time for filing forms related to creation or modification of charges	31 st December 2020
EGM through Video Conferencing (VC) or other audio-visual means (OAVM) or transact items through postal ballot	31 st December 2020
Creation of deposit repayment reserve (DRR) of 20% under Section 73(2)(C) and to invest or deposit 15% of amount of debentures maturing during the FY 2020-21 under Rule 18 of Companies (Share Capital and Debentures) Rules 2014	31 st December 2020

General Circular No. 30/2020 [Read more.](#)

In brief

2 separate formats for top 1000 listed companies to file BRR recommended by the MCA in its Report (Dated 8th May 2020)

Consultation paper by SEBI proposing that the format of BRSR be applicable to the top 1,000 listed companies issued (Dated 18th August 2020)

General Circular No. 31/2020 [Read more](#)

General Circular No. 32/2020 [Read more](#)

General Circular No, 33/2020 [Read more](#)

General Circular No, 34/2020 [Read more](#)

Report

Report of The Committee On Business Responsibility Reporting (BRR)

An expert panel set up by the MCA has proposed a new regime for businesses to report how sustainable and responsible they are in addition to being compliant with the law.

The panel, in its report, has also recommended that the formats be called ‘Business Responsibility and Sustainability Report (BRSR)’ instead of only ‘Business Responsibility Report’, to convey more accurately the thrust on sustainability as well as business responsibility.

The panel has proposed 2 BRSR formats for disclosures along with guidance notes-

- ♦ A Comprehensive format; and
- ♦ A ‘Lite’ version.

The BRSR has 3 Sections-

- ♦ Section A- General Disclosures
- ♦ Section B- Management and Process
- ♦ Section C- Principle-wise performance

It has been recommended that the disclosures under BRSR be effective from FY 2021-22 over a period of 5 years in a phased manner.

[Read more](#)

SEBI has also issued Consultation Paper on the format for BRSR. It has proposed that the format for BRSR be applicable to the top 1000 listed entities by market capitalization. It is also proposed that to begin with, the new format will be adopted by such listed entities on a voluntary basis for the FY 2020 –21 (for those who choose not to adopt the new format, the existing format will apply) and mandatorily from the FY 2021-22.

[Read more](#)

Return

In brief

Consultation Paper on LODR *inter alia* to strengthen corporate governance and disclosure requirements, etc.
(Dated 11th September 2020)

Uniform time period for listing securities, including municipal bonds, issued on a private placement basis.
(Circular No. SEBI/HO/DDHS/CIR/P/2020/19 dated 5th October 2020)

Securities and Exchange Board of India (SEBI)

Consultation Paper on review of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

SEBI has issued the above Paper to amend the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR) *inter-alia* to strengthen corporate governance practices and disclosure requirements, ease compliance burden on listed entities, harmonize with the Companies Act, 2013 and maintain consistency within the LODR Regulations. Key recommendations include-

♦ Regulation 3- Applicability of Regulations

The provisions of these regulations which become applicable to listed entities on the basis of market capitalisation criteria will continue to apply to such entities even if they fall below such thresholds.

♦ Regulation 15(2)- Applicability of Corporate Governance Norms

Certain provisions of the Corporate Governance are not applicable to (a) listed entity having-(i) paid up equity share capital not more than Rs. 10 crore and (ii) net worth not more than Rs. 25 crore, as on the last day of the previous FY and (b) listed entity which has listed its specified securities on the SME Exchange.

It is proposed that that once the above regulations become applicable to a listed entity, they will continue to remain applicable irrespective of subsequent changes in equity share capital or net-worth of such entity.

♦ Regulation 43(A) - Dividend Distribution Policy

The top 500 listed entities based on market capitalization (calculated as on 31st March of every FY) are required to formulate a dividend distribution policy which is disclosed in their annual reports and on their websites.

It is proposed to extend the same to top 1000 listed companies

[Read more](#)

Standardization of timeline for listing of securities issued on a private placement basis

SEBI has stipulated the following timelines-

Activities	Due Date
Closure of Issue	T day@
Receipt of funds	To be completed by
Allotment of Securities	T+2 trading day
Issuer to make listing application to Stock Exchange(s)	To be completed by
Listing permission from Stock	T+4 trading day

@ closure of the issue

In case of delay in listing of securities issued on privately placement basis beyond the timelines specified above, then the issuer should-

- ♦ pay penal interest of 1% p.a. over the coupon rate for the period of delay to the investor (i.e. from date of allotment to the date of listing)
- ♦ be permitted to utilise the issue proceeds of its subsequent two privately placed issuances of securities only after receiving final listing approval from Stock Exchanges.

This circular will come into force with effect from 1st December 2020

[Read more](#)

[**Return**](#)

In brief

Publication containing, *inter alia*, various articles on the impact of global crisis on valuation
(Dated 2nd July 2020)

TG providing guidance on recognition, measurement, accounting, presentation and disclosure of expenditure on activities relating to CSR issued
(Dated 6th July 2020)

TG providing detailed guidance on the procedural aspects of SPICe+ issued
(Dated 19th July 2020)

Accountancy and Audit

ICAI Releases

Valuation Professionals' Insight- Series-4

The current Global pandemic is having a deep impact on the economy and will continue to pose significant problems for the valuation of assets, business and equities in the short to medium term. Due to the increasing uncertainty in the valuation owing to pandemic, a valuer may consider using multiple approaches and methods to arrive at a value.

ICAI has brought out the 4th Series of the above publication containing various articles from valuation professionals including the impact of global crisis on valuation, consideration for valuers and some practical insights on valuation

[Read more](#)

Technical Guide (TG)

♦ **TG on Accounting for Expenditure on Corporate Social Responsibility (CSR) Activities**

This TG provides detailed guidance on the accounting aspects of CSR spends and its presentation in the Financial Statement. *Inter alia*, the publication will be a useful guide for the accounting treatment of CSR expenditure and also covers the position after the amendments made to Section 135 by Companies (Amendment) Ordinance 2020, treatment for donations made in kind and treatment of excess expenditure than that specified under law.

The objective of this TG is to provide guidance on recognition, measurement, accounting, presentation and disclosure of expenditure on activities relating to CSR. This TG does not apply to other charitable activities of the company, which are not part of discharge of the mandatory CSR requirements of the company under Section 135 of the Companies Act, 2013.

With this publication, Guidance Note on Accounting for Expenditure on CSR Activities has been withdrawn.

[Read more](#)

♦ **TG for Easy Incorporation of Companies through SPICe+**

This TG provides detailed guidance on the procedural aspects of this integrated form for the benefit of all the members and other stakeholders. This Technical Guide has been designed and developed in an easy to understand language and is quite comprehensive which elaborates detailed process to incorporate a company. Requisite procedural formalities along with relevant legal inputs have also been provided in this TG

[Read more](#)

In brief

MCQs on guidance on various clauses of CARO 2020 given in the Guidance Note on CARO 2020 issued

(Dated 13th July 2020)

Checklist that serves the purpose of various research initiatives and guidance to MSME issued

(Dated 25th July 2020)

FAQs on SEBI Settlement Scheme 2020 published

(Dated 30th July 2020)

Auditing Guidance highlighting key areas of focus during COVID-19 when undertaking review of interim financial information in accordance with SRE 2410 issued

(Dated 7th August 2020)

Multiple Choice Questions (MCQs) on Guidance Note on the Companies (Auditor's Report) Order, 2020

The objective of this publication is to provide a supplementary resource to the members on the Guidance Note on the Companies (Auditor's Report) Order, 2020 (CARO, 2020). The publication contains clause-wise MCQs along with answers on guidance given in the Guidance Note on the CARO, 2020

[Read more](#)

MSME Business Continuity Checklist

COVID 19 pandemic has posed an unprecedented challenging situation and an existential crisis followed by economic and social lockdown resulting in massive loss. Micro, Small and Medium Enterprises (MSMEs) are considered to be the backbone of the national economic structure. MSME is rightfully being seen as a growth booster, providing resilience to ward off global economic adversities on account of the COVID-19 pandemic. The Government has announced a host of measures to revive the MSME sector. The accounting profession has a deep reach and connects to the MSME sector as trusted financial advisor providing a variety of services including project financing, working capital management etc. In this checklist ICAI has focused on several factors that require special attention by the management of MSME which can guide their initiative to face this tough time. The checklist has been made generic in nature, rather than specific to any industry or legal body.

[Read more](#)

FAQs on the SEBI Settlement Scheme, 2020 – One Time Settlement Scheme issued by the SEBI on 27th July, 2020

The Corporate Laws & Corporate Governance Committee of the ICAI has issued the above frequently asked questions (FAQs) on the above mentioned scheme.

The purpose of the Scheme is to provide a one-time settlement opportunity to the entities that have executed trade reversals in the stock options segment of BSE during the period from 1st April 2014 to 30th September 2015 against whom any proceedings are pending.

[Read more](#)

Review Engagements on Interim Financial Information in the Current Evolving Environment Due to COVID-19

This Auditing Guidance highlights key areas of focus in the current environment when undertaking a review of interim financial information in accordance with Standard on Review Engagements (SRE) 2410 *Review of Interim Financial Information Performed by*

In brief

Compilation of relief measures by MCA and SEBI issued
(Dated 10th August 2020)

the Independent Auditor of the Entity.

[Read more](#)

Relaxations from Regulatory Compliances due to Outbreak of COVID-19 Pandemic

In order to support and enable Companies and Limited Liability Partnerships (LLPs) in India to focus on taking necessary measures to address the COVID-19 threat, including the economic disruptions caused by it, the MCA and SEBI has given several relaxations and Special measures have been provided to reduce their compliance burden and other risks.

Corporate Laws & Corporate Governance Committee of the ICAI has collated and put in one place the relaxations provided by the Regulators so as to comprehend the members and corporates.

[Read more](#)

Ind AS

For developments in Ind AS refer [CNK IFRS/Ind AS Updates, October 2020](#)

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Key Take Away

- The Companies (Amendment) Act, 2020, *inter alia*, by permitting entities to list their equities in foreign jurisdiction will help them raise funds and give them a competitive edge in the global market. The requirement of filing periodic FS by unlisted companies with the RoC will help in better compliance and more transparency in the functioning of unlisted companies, especially large unlisted firms.
- The amendment of Deposit Rules offers more flexibility to start-ups for raising funds at a time when COVID-19 has severely impacted the economy and businesses, especially MSMEs and start-ups.

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