

**Company Law, Accountancy and
Audit**

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Rules and Amendment Rules

Companies (Accounts) 2nd Amendment Rules, 2024 re: Filing of CSR Forms

[Notification dated 31st December 2024](#)

The Companies (Accounts) Rules 2014 have been amended. As per the amendment, for the FY 2023-2024, Form CSR-2 should be filed separately on or before 31st March 2025 (*earlier 31st December 2024*) after filing Form No. AOC-4 or Form No. AOC-4-NBFC (Ind AS), as specified in these Rules or Form No. AOC-4 XBRL as specified in the Companies (Filing of Documents and Forms in Extensible Business Reporting Language) Rules, 2015.

- There were 185 instances of royalty payments by 63 companies that made net losses.
- 10 companies incurred net losses at least for 5 years while paying royalty to their RPs.
- 11 out of 79 companies consistently paid royalty exceeding 20% of net profits during all the 10 years under study.

Inter alia it has been mentioned that listed companies do not provide adequate justification or rationale for royalty payments, and details of benefits derived in return for such royalty paid. In case of MNCs, shareholders of the Indian subsidiary have little information on the rates of royalty being charged from fellow subsidiaries in other geographies. Also, companies, at times, seek approval for royalty payments in perpetuity, contrary to the principles of corporate governance.

Securities and Exchange Board of India (SEBI)

SEBI study finds that 1 out of 4 times, listed companies paid royalty exceeding 20% of their net profits to Related Parties

[PR No.: 29/2024 dated 14th November 2024](#)

SEBI has conducted a study analysing the royalty payments made by listed companies to their Related Parties (**RPs**). The study is based on annual, company level information, in respect of 233 listed companies across sectors in India. These companies have made royalty payments, amounting to less than 5% of turnover to their RPs, during the 10-year period from FY 2013-14 to FY 2022-23.

Some of the major findings of the study are as under:

- 1 out of 4 times, listed companies paid royalty to RPs exceeding 20% of their net profits.
- 1 out of 2 times, listed companies that paid royalty, did not pay dividend or paid more royalty to RPs than dividend paid to non-RP shareholders.
- 1 out of 4 times, listed companies paid royalty to RPs exceeding 20% of their net profits.

SEBI (Listing Obligations and Disclosure Requirements) (LODR) Regulations, 2015

SEBI (LODR) (3rd Amendment) Regulations, 2024

[Regulation dated 12th December 2024](#)

SEBI LODR Regulations, 2015 have been amended. Key amendments include the following:

- **Regulation 2(zc) Definitions**
 - Definition of “Half Year” has been removed and definition of Related Party Transactions (**RPTs**) has been amended to include the following exceptions to RPTs.
 - ▲ corporate actions undertaken by subsidiaries or associates of listed entity which are uniformly applicable or offered to all the shareholders.
 - ▲ acceptance of current account deposits and saving account deposits by banks in compliance with the directions issued by the Reserve Bank of India or any other central bank.
 - ▲ retail purchases from any listed entity or its subsidiary by its directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees and directors.

- **Regulation 17 *Board of Directors (BoD)***
 - ▲ The listed entity should ensure that the approval of shareholders for appointment or reappointment of a person on the BoD or as a manager is taken at the next general meeting or within a time period of 3 months from the date of appointment, whichever is earlier
 - ▲ The appointment or a re-appointment of a person, including as a managing director or a whole-time director or a manager, who was earlier rejected by the shareholders at a general meeting, should be done only with the prior approval of the shareholders
- **Regulation 23 *RPTs***
 - ▲ Remuneration and sitting fees paid by the listed entity or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group will not require approval of the audit committee (AC) provided that the same is not material in terms of the provisions this regulation.
 - ▲ The members of the AC, who are independent directors may ratify RPTs within 3 months from the date of the transaction or in the immediate next meeting of the AC, whichever is earlier, subject to the certain conditions.
- **Regulation 26A *Vacancies in respect of certain Key Managerial Personnel (KMP)***

Any vacancy in the office of Chief Executive Officer, Managing Director, Whole Time Director or Manager or Chief Financial Officer of such listed entity in respect of which a resolution plan under the Insolvency Code has been approved, should be filled within a period of 3 months of such approval provided that, in the interim, such listed entity should have at least 1 full-time KMP managing its day-to-day affairs.
- **Regulation 27 *Other corporate governance requirements***

The listed entity should submit a quarterly compliance report on corporate governance to the recognised stock exchange in the format and within the timelines as may be specified by SEBI from time to time (applicable from 31st December 2024).
- **Regulation 30 *Disclosure of events or information***

The listed entity should disclose all material events or information to the stock exchange(s) within the following timelines:

 - ▲ 30 minutes from the closure of the meeting of the BoD in which the decision pertaining to the event or information has been taken. However,
 - in case the meeting closes after normal trading hours of that day but more than 3 hours before the beginning of the normal trading hours of the next trading day, the listed entity should disclose the decision pertaining to the event or information, within 3 hours from the closure of the BoD meeting and
 - in case the meeting of the BoD is being held for more than 1 day, the financial results should be disclosed within 30 minutes or 3 hours, as applicable, from closure of such meeting for the day on which it has been considered.
 - ▲ If all the relevant information, in respect of claims which are made against the listed entity under any litigation or dispute, other than tax litigation or dispute, the disclosure with respect to such claims should be made to the stock exchange(s) within 72 hours of receipt of the notice by the listed entity.
- **Regulation 47 *Advertisements in Newspapers***

The listed entity should publish an advertisement in the newspaper, within 48 hours of conclusion of the meeting of BoD at which the financial results were approved, containing a Quick Response code and the details of the webpage where complete financial results of the listed entity, along-with the modified opinion(s) or reservation(s), if any, expressed by the auditor, is accessible to the investors. The listed entity may publish a detailed advertisement in newspapers for financial results if it chooses.
- **Regulation 50 *Intimation to stock exchange(s)***

The disclosures to the stock exchanges should be made by a listed entity in XBRL format in accordance with the guidelines specified by the stock exchanges from time to time.

■ Regulation 52 *Financial Results*

- ▲ The quarterly financial results submitted should be approved by the BoD.
- ▲ The financial results submitted to the stock exchange should be signed by the chairperson or managing director, or a whole-time director or in the absence of all of them, it shall be signed by any other director of the listed entity who is duly authorized by the BoD to sign the financial results.

Implementation of recommendations of the Expert Committee for facilitating ease of doing business for listed entities

[Circular No. SEBI/HO/CFD/CFD-PoD-2/CIR/P/2024/185 dated 31st December 2024](#)

This circular is being issued to give effect to certain recommendations of the Expert Committee and to carry out consequential changes to the provisions of SEBI [Master Circular dated 11th November 2024](#), on compliance with the LODR Regulations by listed entities.

Inter alia, in order to facilitate ease of filing and compliance for listed entities, SEBI has decided to introduce Integrated Filing, in terms of regulation 10(1A) of the LODR Regulations, 2015 for Governance and Financial related periodic filings required under the LODR, which will be applicable for the filings to be done for the quarter ending 31st December 2024 and thereafter.

The timeline for quarterly Integrated Filing will be as follows:

- Integrated Filing (Governance): within 30 days from the end of the quarter.
- Integrated Filing (Financial): within 45 days from the end of the quarter, other than the last quarter, and 60 days from the end of the last quarter and the financial year.

The 1st quarterly Integrated Filing i.e., Governance and Financial which is applicable for the quarter ending 31st December 2024, may be filed within a period of 45 days from the end of the quarter.

The circular also defines new guidelines for secretarial auditors and the disclosure of employee benefit scheme related documents

SEBI Board Meeting

[PR No.: 36/2024 dated 18th December 2024](#)

In its meeting, SEBI has approved several key decisions. *Inter alia*, they include the following:

■ **Ease of doing business with respect to Business Responsibility and Sustainability Report (BRSR)**

- ▲ Deferring ESG disclosures for value chain, as well as “assessment or assurance” thereof, by 1 year. Hence, ESG disclosures for value chain will apply from FY 2025-26 (*earlier FY 2024-25*) and “assessment or assurance” thereof will be applicable from FY 2026-27 (*earlier FY 2025-26*).
- ▲ Providing ESG disclosures for value chain will be “voluntary”, instead of the present requirement of ‘comply-and-explain’.
- ▲ Reporting of previous year numbers will be voluntary in case of 1st year of reporting of ESG disclosures for value chain.
- ▲ Introduction of a leadership indicator in Principle 6 of BRSR for disclosure of Green Credits generated or procured by the listed entity and its top-10 value chain partners.

■ **Review of SME framework under SEBI (ICDR) Regulations, 2018, and applicability of corporate governance provisions under SEBI (LODR) Regulations, 2015 on SME companies**

RPT norms, as applicable to listed entities on Main Board, to be extended to SME listed entities, provided that the threshold for considering RPTs as material should be 10% of annual consolidated turnover or Rs. 50 crores, whichever is lower.

■ **Review of provisions regarding corporate governance norms for High Value Debt Listed entities (HVDLEs) - amendments to SEBI LODR Regulations, 2015**

- ▲ Increase in threshold for identification of HVDLE from Rs.500 crores to Rs. 1,000 crores for aligning the same with the threshold specified for Large Corporates.

- ▲ Introduction of a separate chapter, and a sunset clause for corporate governance norms in the LODR Regulations which will be applicable to entities which have only debt listed securities, to facilitate ease of reference.
- ▲ Introduction of BRSR for HVDLEs on a voluntary basis to introduce the practice of good governance at par with equity listed entities
- ▲ Relaxation to entities set up under the Public Private Partnership mode (PPP) mode from provisions relating to composition of directors under the LODR Regulations akin to PSUs or statutory entities.

Industry Standards on Reporting of BRSR Core

[Circular No.: SEBI/HO/CFD/CFD-PoD-1/P/CIR/2024/177 dated 20th December 2024](#)

In order to facilitate ease of doing business and to bring about standardization in implementation, the Industry Standards Forum (ISF) has formulated industry standards, in consultation with SEBI, for effective implementation of the requirement to disclose BRSR Core under Regulation 34(2)(f) of SEBI LODR Regulations, 2015 read with Chapter IV-B of SEBI [master circular](#) for compliance with the provisions of the LODR regulations dated 11th November 2024.

The listed entities should follow the above industry standards to ensure compliance with SEBI requirements on disclosure of BRSR Core.

This circular will be applicable for FY 2024-25 and onwards.

NFRA Meetings

NFRA recommends revision of the Standard quality control (SCQ1) and Standard quality management (SQM1 and SQM2), on the lines of the global Standards

[Press release dated 12th November 2024](#)

The NFRA in its 18th meeting held on 11th and 12th November 2024 approved the following:

- Recommended revision of SQM1, as Standards on Quality Management (**SQM 1 and SQM 2**) on the lines of the global Standards on Quality Management (ISQM1 and ISQM2), with minor contextual changes.
- Recommended Standard on Auditing (**SA**) 600 (Revised) on the lines of the global Standard International SA (ISA) 600, with some minor contextual changes. The SA 600 (Revised) and relevant conforming adjustments in the other SAs are proposed to be applicable only to Public Interest Entities (PIEs) except Public Sector Banks, PSUs (including public sector insurance companies) and their branches, respectively.
- Recommended conforming adjustments with the SA 600 (Revised) in the liability of joint auditors under SA 299 *Responsibility of Joint Auditors*, for consistency, by making the joint auditors jointly and severally responsible, on the lines of the standard international practices.
- Recommended SA 800 (Revised) *Special Considerations-Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*, SA 805 (Revised) *Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*, SA 810 (Revised) *Engagements to Report on Summary Financial Statements*.

The ICAI representatives expressed their disagreement to the above 4 proposals.

- Approved the other 33 Auditing Standards on lines of corresponding Global Standards.

- Recommended to name Auditing Standards as IndSAs in line with the practice followed globally in countries such as UK, Australia, Singapore.

Upon the approval of the Central Government, these Standards are recommended to be effective from 1st April 2026.

NFRA finalises and recommends Auditing Standards to the Central Government for notifying under Section 34A of LLP (Amendment) Act, 2021

[Press Release dated 25th November 2024](#)

In the 19th meeting held on 25th November 2024, the NFRA decided to recommend the 40 SAs and related SQM, which were finalised by the NFRA in its 18th Meeting for audit of Companies, to be applicable to audit of LLPs on a *mutatis mutandis* basis.

Upon the approval of the Central Government, these Standards are recommended to be effective from 1st April 2026.

Accountancy and Audit

Issuance of SQM 1, SQM 2

[ICAI Announcement dated 14th October 2024](#)

The ICAI has issued the following Standards on Quality Management (**SQM**):

- [SQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*](#)

SQM 1 deals with a firm's responsibilities to design, implement and operate a system of quality management for audits or reviews of financial statements (**FSS**), or other assurance or related services engagements.

- [SQM 2 *Engagement Quality Reviews*](#)

SQM 2 deals with:

- ▲ The appointment and eligibility of the engagement quality reviewer; and
- ▲ The engagement quality reviewer's responsibilities relating to the performance and documentation of an engagement quality review.

These standards are recommendatory from 1st April 2025 and will become mandatory from 1st April 2026.

Announcement regarding revised criteria for classification of Non-company entities for applicability of Accounting Standards

[Announcement dated 8th November 2024](#)

The ICAI revised the criteria for classification of non-company entities for applicability of Accounting Standards (**ASs**). The revised scheme came into effect in respect of accounting periods commencing on or after 1st April 2024. Key features include the following:

- Non-company entities are classified into 2 categories:
 - ▲ Micro, Small and Medium Sized Entities (**MSMEs**)

MSME is defined as a non-company entity which is not listed, which is not a bank, financial institution, or an insurance company, whose

Others

Notification under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 for enhancing the scope for mandatory onboarding on Trade Receivables electronic Discounting System (TReDS)

Notification No. S.O. 4845(E) dated 7th November 2024

As per the aforesaid Notification, all companies registered under the Companies Act, 2013 with a turnover of more than Rs. 250 crore and all Central Public Sector Enterprises should get themselves onboarded on the Trade Receivables Discounting System platforms, set up as per the notification of the Reserve Bank of India.

The onboarding process on the Trade Receivables Discounting System platforms should be completed by 31st March 2025.

turnover and borrowings does not exceed Rs.250 crores and Rs. 50 crores respectively, and which is neither holding or subsidiary of a non-MSME entity.

▲ Large entities

Large entity is a non-company entity that is not an MSME

- Large entities are required to comply with all the ASs in full while certain exemptions/relaxations have been provided to MSMEs.
- The terms ‘Small and Medium Enterprise’ and ‘SME’ used in ASs should be read as ‘Micro, Small and Medium size entity’ and ‘MSME’, respectively. Further, the terms Level II, Level III and Level IV entities used in ASs should be read as ‘Micro, Small and Medium Sized Entity’ and Level I entity should be read as a ‘Large’ entity.
- An MSME which avails the exemptions or relaxations should disclose the fact in its FSs that it is an MSME and has complied with the ASs.
- Where an MSME had qualified for any exemption/relaxation previously but no longer qualifies for the same in the current accounting period, the relevant standards or requirements become applicable from the current period and the figures for the corresponding period of the previous accounting period need not be revised merely by reason of its having ceased to be an MSME. This fact should be disclosed in the FSs and the fact that previous period figures have not been revised should also be disclosed.
- An entity which was previously not an MSME and subsequently becomes an MSME, will not be qualified for exemption/relaxation in respect of ASs available to an MSME until the entity remains an MSME for 2 consecutive years.
- If an MSME opts not to avail of the exemptions/relaxations available to an MSME in respect of any but not all of the ASs, it should disclose the Standard(s) in respect of which it has availed the exemption or relaxation.

This announcement supersedes the earlier announcement of the ICAI on ‘Criteria for classification of non-company entities for applicability of Accounting Standards issued in March 2021’.

Report on Audit Quality Review 2023-24

[Dated November 2024](#)

The Quality Review Board (QRB) has issued the above Report. The Key highlights of the report include:

- Trend of the decisions taken by the QRB based on the observations of Quality Reviews conducted since the inception of the QRB.
- Summary of the advisories issued by the QRB
 - ▲ Insights from the audit quality reviews, categorised basis the applicable technical standards i.e., Standards on Quality Control and Standards on Auditing
 - ▲ Observations pertaining to Financial Reporting classified basis the ASs viz. Ind AS and IGAAP along with the relevant Division of Schedule III of Companies Act 2013
 - ▲ Findings relating to other relevant laws and regulations including CARO and Companies Act 2013 and
 - ▲ Matters of general guidance for audit firms

The objective of this annual report is to enable audit firms to take proactive measures to address identified deficiencies and elevate their audit quality as well as to flag the areas of recurring non-compliances to the ICAI so they may intensify training efforts and guidance, as they may deem fit.



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