

1. Amount spent for Covid-19 vaccination – Eligible CSR funds

- The Ministry of Corporate Affairs (MCA) had earlier clarified vide its circulars that spending CSR funds for Covid-19 is an eligible CSR Activity.
- In continuation of earlier circulars, the MCA has further clarified that spending of CSR funds for Covid-19 vaccination for persons other than the employees and their families will be considered an eligible CSR activity under item no. (i) and (xii) of schedule VII of the Companies Act, 2013.
- Thus, companies may undertake the aforesaid activity subject to fulfilment of Companies (CSR Policy) Rules, 2014 and the circulars related to CSR issued by the MCA from time to time.

2. Exposure draft of Disclosures of Accounting Policies – Amendments to Ind AS 1

The amendments to Ind AS 1 require companies to disclose their 'material accounting policy information' rather than their 'significant accounting policies'. Amongst the key changes, following paragraphs are proposed to be inserted to assist an entity in determining whether accounting policy information is material to its financial statements:

- (a) **Paragraph 117A** – It clarifies that not all accounting policy information relating to material transactions, other events or conditions is material.
- (b) **Paragraph 117B** – It provides examples of circumstances in which an entity would normally conclude that information about an accounting policy is material to its financial statements. The examples listed in paragraph 117B are not exhaustive but would help an entity determine whether accounting policy information is material.
- (c) **Paragraph 117C** – It explains that entity-specific accounting policy information is more useful to users of financial statements than accounting policy information that is standardised, or that duplicates or summarises the requirements of Ind AS.
- (d) **Paragraph 117D** – It mentions that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.
- (e) **Paragraph 117E** – It prescribes that accounting policy information which is immaterial does not affect the related disclosure requirements set out in other Ind AS's.

3. Effective date of deferred provisions of Volume-I of Revised Code of Ethics, 2019

Institute of Chartered Accountants of India ('ICAI') has announced that the following provisions of Volume-I of Code of Ethics 2019 which were earlier deferred due to covid-19 pandemic, shall now become effective from 1st April 2022 :

- (a) Responding to Non-Compliance with Laws and Regulations (NOCLAR)
- (b) Fees - Relative Size
- (c) Tax Services to Audit Clients

<https://www.icaai.org/post/esb-applicable-date-of-certain-deferred-provisions>

4. Expert Advisory Opinion

Measurement of residual value of Property, Plant and Equipment/Intangible Assets as a percentage to 'Original Cost' as mentioned in the Companies Act vs. 'Deemed Cost' referred to in Ind AS 101

➤ **Background:**

Expert advisory committee of ICAI has issued opinion in case of a public limited company (Herein referred to 'Government Company') registered under the Companies Act, listed in Stock Exchanges and thereby governed under the relevant Regulations. Issue covered in this opinion is in respect of accounting treatment followed in the Company's books of account with respect to appropriateness of consideration of 'residual value', more particularly, with respect to linking of it to 'Historical Cost', in place of 'Deemed Cost'[#].

(# 'Deemed Cost' is the amount used as a surrogate {substitute} for the cost or depreciated cost and for the purpose of subsequent depreciation or amortisation, deemed cost becomes the cost as the starting point.)

➤ **Basis for opinion:**

- Ind AS 16, 'Property Plant and Equipment' & Ind AS 38, 'Intangible Assets'.
- Ind AS 101, 'First-time Adoption of Indian Accounting Standards'
- Schedule II to the Companies Act, 2013 ('the Act')

➤ **Key Principles Applied:**

- As per Ind AS 101, a first-time Ind AS adopter, is allowed to elect to continue with the carrying value of all of its PPE as at the date of transition measured as per the previous GAAP & use that as its deemed cost on the date of transition. By virtue of applying the transitional provision, the question arose that whether calculation of residual value should be revised with reference to deemed cost or continue as a percentage of original cost (historical cost at which asset was capitalised before Ind AS).
- Residual value is estimated technically at the beginning of the useful life of the asset and is assessed/reviewed periodically to determine whether there is any change in the original estimate or not. Thus, such process of estimation of residual value is an independent exercise and is not to be benchmarked with the cost of the asset (either historical or deemed). Consequently, the estimation of residual value of an asset need not have any connection with the cost or deemed cost for the purpose of requirement of Ind AS.
- However, considering the requirements of the Schedule II to the Act, the residual value or any changes in such residual value are linked or compared with/to original cost and not with the deemed cost as per Ind AS. Hence, original cost should be considered for estimation of residual value.