

# इपवेद्येइहा

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e-Newsletter from NITIN N & CO. Chartered Accountants

## EMPOWERING EXCELLENCE BEYOND BOOKS

### FROM THE DESK

- NITIN N, B.COM., FCA, DISA (ICAI), REGISTERED VALUER, SOCIAL AUDITOR

March towards progress and professionalism

As we approach the business end of the financial year as well as academic year, it is important to appreciate the necessity for discipline and prudence with respect to the financial matters and march is known as the closing month and a very important month for chartered accountants.

March is a time for evaluation - looking back and reflecting on what was the impact of the efforts and the plan of action for the upcoming year.

March should be utilised for the true introspection of the state of affairs and for initiating sincere steps for overall development.



*Professional discretion must guide every conclusion*

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**ANAGHA MARIYA**  
**ARTICLED ASSISTANT**

## CHANGE OF REGISTERED OFFICE OF THE COMPANY

### *Can a company shift its registered office at any time?*

The answer depends upon the nature and extent of the shift, because the registered office is not merely an address, it determines the company's legal domicile, the jurisdiction of the Registrar of Companies, and the place where all statutory communications and legal notices are served.

At the time of incorporation, every company is required to state in its Memorandum the State in which its registered office is to be situated, as mandated under Section 4 of the Companies Act, 2013. The exact address of the registered office must then be verified and filed with the Registrar within thirty days of incorporation in accordance with Section 12. The registered office must be capable of receiving and acknowledging all communications and notices addressed to the company. Since it forms part of the company's public record and determines regulatory jurisdiction, any subsequent change must strictly comply with the procedure prescribed under law.

The procedure varies depending upon the nature of the shift, as explained below:

#### **Change within the Same City, Town or Village**

For a shift within the same city, town, or village, the company needs only a Board resolution approving the change, followed by filing Form INC-22 with the ROC within 30 days of the change, accompanied by supporting documents such as proof of the new address (utility bill not older than two months), rent/lease agreement, and NOC from the owner if applicable. The change takes effect upon registration by the ROC.

*Example: if a Company shifts its office from Palarivattom to kaloor within Kochi municipal corporation, Ernakulam (same city and same ROC Kerala jurisdiction), it is treated as a change within local limits.*

### **Change Outside Local Limits but Within the Same ROC**

If the shift is outside the local limits of the city, town, or village but remains within the same ROC jurisdiction, the process requires a Board resolution to propose the change and convene a general meeting, followed by shareholder approval through a special resolution. Form MGT-14 (attaching the certified special resolution) must be filed within 30 days of passing it, and Form INC-22 must then be filed within 30 days of the actual change, with necessary attachments. The change

becomes effective upon ROC registration.

Section 12(5) of the Companies Act, 2013 provides that a company shall not shift its registered office outside the local limits of any city, town or village except by passing a Special Resolution. The Act and the Companies (Incorporation) Rules, 2014 do not define the term “local limits.” In practice, it is understood to refer to the officially notified administrative boundaries of the concerned city, town or village, such as Municipal

Corporation, Municipality, Notified Area or Gram Panchayat limits. Police station jurisdiction, postal codes or revenue districts are not determinative under the Act.

*Example: if a company shifts its office from Aluva municipality to Thrippunithura municipality (both in Ernakulam district but different municipal limits), it is treated as a change outside local limits, though within the same ROC.*

### **Change from Jurisdiction of One ROC to Another ROC Within the Same State**

When the shift changes jurisdiction from one ROC to another within the same state, a special resolution is required, with Form MGT-14 filed within 30 days. An application for confirmation must be made to the Regional Director in Form INC-23, including publication of notices (in Form INC-26 in newspapers), service of individual notices to

creditors and debenture holders, a verified list of creditors, and other safeguards like inter-state procedures under Rule 28. Upon Regional Director approval, the order is filed in Form INC-28 within 30 days, after which Form INC-22 is filed with the new ROC within 30 days of the change or

order. The shift is effective upon registration by the new ROC.

*Example: If a company shifts its registered office from Pune (under ROC Pune jurisdiction) to Mumbai (under ROC Mumbai jurisdiction) within the State of Maharashtra, the change results in a shift from the jurisdiction of one ROC to another within the same State.*

### **Change from One State to Another State**

For a shift from one state to another, which necessitates alteration of the Memorandum under Section 13(4), the process begins with a Board resolution approving the proposal,

Memorandum alteration, and convening a general meeting. A special resolution must then be passed at the general meeting for both the shift and Memorandum

change, followed by filing Form MGT-14 within 30 days. The company must publish a notice in Form INC-26 in at least one English newspaper and one vernacular

newspaper circulating in the district, serve individual notices to every creditor, debenture holder, and depositor (allowing time for objections), prepare a verified list of creditors/debenture holders (often certified by the auditor), and send a copy of the application to the Chief Secretary of the existing state. An application is filed with the Central

Government (powers delegated to the Regional Director) in Form INC-23 within the prescribed time, including all annexures such as resolutions, altered Memorandum, creditor list, and affidavits. The Regional Director provides an opportunity for objections or a hearing if needed and issues an order upon satisfaction. The

certified order must be filed in Form INC-28 within 30 days, followed by filing Form INC-22 with the new ROC in the destination state within 30 days of the change or registration. The new ROC registers the alteration and issues a fresh Certificate of Incorporation, with the change becoming effective only from the date of this fresh certificate

*Example: If a company shifts its registered office from Mumbai, Maharashtra to Bengaluru, Karnataka, it amounts to a change from one State to another State, requiring alteration of the Memorandum under Section 13(4) of the Companies Act, 2013*



Can a Company Shift its Registered Office Outside India?

# No

Under the Companies Act, 2013, an Indian company cannot shift its registered office outside India. The registered office must always remain within India, and the Act provides procedures only for shifting the office within the country (within the same city, within the same state, or from one state to another).

However, a company may expand its business abroad by setting up branch offices, liaison offices, joint ventures, or wholly owned subsidiaries in foreign countries, subject to the provisions of the Foreign Exchange Management Act, 1999 and regulations issued by the Reserve Bank of India.

### Summary

Type of Change	Approvals Required	Forms to be Filed	Key Compliance / Procedure
Within the Same City, Town or Village	Board Resolution	INC-22	File INC-22 within 30 days of change
Outside Local Limits but Within Same ROC	Board Resolution + Special Resolution of shareholders	MGT-14, INC-22	Pass Special Resolution → file MGT-14 within 30 days → file INC-22 within 30 days of actual change with supporting documents.

From Jurisdiction of One ROC to Another ROC within the Same State	Special Resolution + Regional Director approval	MGT-14, INC-23, INC-26 (notice), INC-28, INC-22	File MGT-14 → apply to Regional Director in INC-23 → publish newspaper notice (INC-26) → serve notice to creditors/debenture holders → file RD order in INC-28 → file INC-22 with new ROC.
From One State to Another State	Special Resolution + Central Government approval (RD) and Alteration of MOA	MGT-14, INC-23, INC-26, INC-28, INC-22	Board approval → Special Resolution for MOA alteration → file MGT-14 → publish newspaper notice (INC-26) → notify creditors and Chief Secretary → apply to RD (INC-23) → file RD order in INC-28 → file INC-22 with new ROC.

### ARE THE PROCEDURES FOR CHANGE OF REGISTERED OFFICE THE SAME FOR ALL COMPANIES?

Under the Companies Act, 2013, the procedure for change of registered office is generally the same for all companies, including private companies, public companies, listed companies, small companies, companies limited by guarantee, Section 8 companies, and One Person Companies. The provisions of Sections 12 and 13, read with the Companies (Incorporation) Rules, 2014, apply uniformly. However, certain additional compliances may arise depending on the nature of the company. For instance, a listed company must also comply with disclosure and intimation requirements under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. In the case of a One Person Company, resolutions may be recorded in the minutes book instead of holding meetings in accordance with Section 122. Apart from such limited variations, the statutory procedure for shifting the registered office remains substantially the same for all types of companies.



(Map is for illustrative purpose only)

**Author may be reached at**  
[nncostaff@gmail.com](mailto:nncostaff@gmail.com)  
[anaghamariya480@gmail.com](mailto:anaghamariya480@gmail.com)



RIYA PAUL

TRAINEE

ASWATHI MURALEEDHARAN

HR MANAGER,  
ASSURANCE AND CONSULTING STAFF-1

## FAQs ON KERALA SOCIETIES REGISTRATION ACT, 2025

The Kerala Societies Registration Act, 2025 replaces both the Societies Registration Act, 1860 (as in force in Malabar region) and the Travancore-Cochin Societies Act, 1955, creating a single uniform law for all societies across Kerala. This article presents a set of Frequently Asked Questions (FAQs), providing clear, user-friendly explanations on key aspects such as registration, memorandum and rules, compliance timelines, and regulatory obligations, to help stakeholders navigate the new law effectively.

### 1. Condition for registration (Section 4):

#### 1.1. What is the minimum number of members required to register a society?

- *A society must have at least seven (7) members who are Indian citizens to be eligible for registration.*

#### 1.2. What is the minimum age required to become a member for registration purposes?

- *All members must have completed 18 years of age at the time of registration. The Act does not explicitly say that a person of unsound mind cannot be a member but under the Indian Contract Act, 1872, a person of unsound mind is incapacitated to enter into valid contracts.*

#### 1.3. Is Indian citizenship mandatory for members?

- *Yes. All seven founding members must be Indian citizens.*

#### 1.4. If the Government is a member of the society, are the requirements different?

- *No. The Act expressly clarifies that even societies in which the Government is a member must comply with the minimum membership requirements for registration.*

### 2. Memorandum of Association (section 6):

#### 2.1. What basic details must be included in the Memorandum of Association?

- *In addition to the name of the society and its objects, the memorandum must also specify:*

- *The area of operation of the society.*
- *The name, address and occupation of the members of the governing body, committee, directors or members of the governing body along with their government approved identification card number.*
- *The place at which the registered office of the society is situated.*

## **2.2. Are identity details of office bearers required in the Memorandum?**

➤ *Yes. The memorandum must include:*

- *Government-approved identity card numbers of:*
  - *Members of the governing body*
  - *Committee members*
  - *Directors (if any)*
  - *Subscribers to the memorandum*
- *Their age and other prescribed particulars.*

## **2.3. Is it mandatory to register the Rules and Regulations along with the Memorandum?**

➤ *Yes. The Rules and Regulations (generally called bye-laws) must be filed and registered along with the Memorandum. They cannot be submitted separately later.*

## **2.4. What provisions must be included in the Rules and Regulations?**

➤ *The Rules must expressly include provisions relating to:*

- *Membership*
- *General meetings*
- *Proceedings of the general meetings including their voting*
- *Structure of the governing body*
- *Proceedings of the governing body meetings*
- *Other information may also be included as required, for example, rights and duties*
- *of members, membership fees, provisions relating to amendment of memorandum or rules.*

### 3. Registration of societies (Section 8):

#### 3.1. Is the registration fee fixed in the Act?

- *No. The Act does not fix a specific registration fee amount. The fee is to be prescribed through rules framed under the Act.*

#### 3.2. What is the time period within which the Registrar must register a society?

- *The Registrar shall, within seven (7) days of being satisfied that the society has complied with all provisions of the Act and the applicable rules, register the society and issue a Certificate of Registration.*
- *If the Registrar refuses registration, the decision must be communicated to the society within thirty (30) days of such refusal.*

#### 3.3. Can a society appeal against refusal of registration?

- *Yes. The society may file an appeal to the Inspector General of Registration. The appeal must be filed within sixty (60) days from the date of receipt of the Registrar's refusal order*

### 4. Registered office of society (Section 10):

#### 4.1. Is a society required to have a registered office?

- *Yes. Every society must establish a registered office within the State within 21 days from the date of registration.*

#### 4.2. Who is responsible for informing the Registrar about the registered office and any subsequent changes?

- *The governing body of the society is responsible for notifying the Registrar about the location of the registered office, and subsequent change (if any) in the registered office address.*

#### 4.3. What is the time limit for informing the Registrar of such change?

- *Within 21 days from the date of registration, or*
- *Within 21 days from the date of any change in the registered office.*

#### 4.4. What happens if the society fails to comply with this requirement?

*Failure to comply attracts a fine of not less than ₹1,000 and may extend up to ₹10,000. The fine applies when society fails to establish a registered office within the prescribed time or fails to inform the Registrar of the registered office or any changes thereto as required under section 10.*

## 5. General Meeting (Section 15):

### 5.1. Is it mandatory to hold an Annual General Meeting (AGM)?

- *Yes. Every society must hold an AGM every year. The interval between two AGMs shall not exceed fifteen (15) months. However, the Registrar may grant an extension of up to six (6) months for special reasons, upon payment of the prescribed fee.*

### 5.2. What documents must be placed before the AGM?

- *Annual working report*
- *Audited balance sheet*
- *Income and expenditure account*
- *Audit report*

### 5.3. Are elections to the governing body conducted at the AGM?

- *Yes. Elections to the governing body must be conducted at the AGM in accordance with the rules and regulations of the society.*

### 5.4. What is the minimum number of members required in the governing body?

- *The governing body must consist of at least three (3) members.*

### 5.5. What is the time limit to file list of the first governing body of the society?

- *The list of members of the first governing body of the society shall be filed with the Registrar within twenty-one days of its registration.*

### 5.6. Is there a requirement to file documents after the AGM?

- *Yes. Within 21 days from the date of holding the AGM, the society must file the list of the governing body, and the audited accounts. Failure to file within the prescribed 21 days may attract a fine up to ₹1,000.*

### 5.7. Is the society required to maintain minutes of meetings?

- *Yes. Minutes of general meetings must be properly maintained, and signed by the President or the Chairperson of the meeting.*

### 5.8. Can members demand a special meeting?

- *Yes. Members representing at least one-tenth (1/10th) of the total voting strength have a statutory right to requisition a meeting. Upon such requisition, the meeting must be convened within the timelines prescribed under the relevant Act and applicable rule.*

## 6. Procedure for amalgamation of societies (Section 26):

### 6.1. What is the first step for amalgamation of societies?

- *The society must convene a Special General Body Meeting in accordance with its rules and regulations to consider the proposal for amalgamation.*

### 6.2. Is prior notice to members mandatory?

- *Yes. A proposition report containing the details of the proposed amalgamation must be delivered personally, or sent by post, or sent through electronic mode to every member at least 21 days before the date of the Special General Body Meeting. The Act expressly permits sending the proposition report through electronic mode, making the process more streamlined and modern.*

### 6.3. What is included in the proposition report?

- *The proposition report generally includes details of the proposed amalgamation, terms and conditions, impact on members, assets, and liabilities.*

### 6.4. Is a second special general meeting required after the first meeting?

- *No. The requirement for holding a second special meeting after one month (as existed under earlier law) has been omitted. Under the 2025 Act, a single properly convened Special General Body Meeting with due notice is sufficient, subject to compliance with voting requirements prescribed in the Act and rules.*

## 7. Validation for existing societies (Section 9):

### 7.1. Are societies registered under older Acts automatically recognized under the 2025 Act?

- *Yes. Societies that were registered or deemed registered under, The Travancore-Cochin Literary, Scientific and Charitable Societies Registration Act, 1955, or The Societies Registration Act, 1860, and have filed returns on time as of the date of commencement of the 2025 Act, are deemed to be registered under the Kerala Societies Registration Act, 2025.*

### 7.2. What is the “date of commencement of this Act”?

- *The date of commencement is the day the Kerala Societies Registration Act, 2025 came into effect, as notified by the Government i.e., 1st January 2026.*

### 7.3. What happens if a society had not filed returns on time as of the commencement date?

- *If a society did not file its returns on time, it is not automatically deemed registered under the 2025 Act.*

#### 7.4. Can such a society still regularize its registration?

- *Yes. The Government may, by notification, specify a time period within which pending returns must be filed to obtain deemed registration under the 2025 Act.*

##### **SUMMARY**

The Kerala Societies Registration Act, 2025 imposes stricter eligibility criteria, introduces age and citizenship qualifications, increases disclosure obligations, enforces formal drafting standards, and mandates identity verification. It also significantly expands the powers of the Registrar.

Therefore, compared to the minimal and procedural framework of the Societies Registration Act, 1860 (as in force in Malabar region) and the Travancore-Cochin Societies Act, 1955, the Kerala Societies Registration Act, 2025 establishes a comprehensive and modern regulatory regime, enhancing transparency, accountability, and governance by clearly defining the powers and responsibilities of societies and the Registrar.

##### **Authors may be reached at**

[nncostaff@gmail.com](mailto:nncostaff@gmail.com)

[riapaul327@gmail.com](mailto:riapaul327@gmail.com)

[aswathyvinu1998@gmail.com](mailto:aswathyvinu1998@gmail.com)



**ATHIRA UNNIKRISHNAN**  
**HEAD-1 ASSURANCE AND CONSULTING**

**SUSTAINABILITY & FINANCE:  
 HOW GREEN INITIATIVES  
 IMPACT BOTTOM LINES**

In today's world, many companies are going "green" - adopting practices that are better for the environment, society, and good governance. This is often called ESG (Environmental, Social, and Governance). But does being sustainable really help a company's profits, or is it just an extra cost? The good news is that green initiatives can positively affect the bottom line (a company's profit after all expenses).



**LET'S BREAK IT DOWN IN SIMPLE TERMS**

**WHAT ESG TRENDS ARE HAPPENING NOW?**

Over the past couple of years (2025-2026), ESG has changed a lot. Rules for reporting on climate risks and sustainability have become stricter in many places, like mandatory disclosures for big companies. At the same time, there's more focus on real business benefits rather than just following rules.

Companies are shifting from big promises to practical actions: cutting costs through energy efficiency, building resilience against climate risks (like floods or heatwaves), and using clean technologies that save money in the long run. Many businesses now talk about sustainability in terms of profitability, risk reduction, and growth - not just "being good." For example, investors and lenders look closely at how well a company handles ESG risks because poor performance can lead to higher costs (like insurance or loans) or lost sales. Strong ESG practices help companies attract better funding and keep operations smooth.

**TAX INCENTIVES: GOVT. HELP FOR GOING GREEN**

Governments offer <b>tax breaks</b> (incentives) to encourage green actions. These reduce the taxes a	company pays if they invest in things like renewable energy	(solar or wind), energy-efficient buildings, or clean vehicles.
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In places like the US, programs from laws like the Inflation Reduction Act gave big credits for clean energy projects. However, recent changes (like the 2025 One Big Beautiful Bill Act) have shortened or limited some of these for wind, solar, and EVs -

many end or phase out by 2026-2027. This creates urgency: companies that act fast can still claim big savings on taxes. Other countries and states have their own incentives, like exclusions on sales tax for green manufacturing or deductions for

efficient upgrades. These lower upfront costs, making green projects more affordable and helping profits grow faster through saved money and new revenue from efficient operations.

## HOW GREEN INITIATIVES HELP (OR SOMETIMES CHALLENGE) PROFITS

Studies show that good ESG practices often lead to better financial results. Here's how:

- a. Higher profits and efficiency: Companies with strong ESG scores tend to have better ROA (return on assets) and ROE (return on equity), meaning they make more money from what they own or invest.
- b. Lower risks and costs: Going green cuts waste, reduces energy bills, and avoids fines or lawsuits from environmental issues. It also builds trust with customers, who prefer eco-friendly brands, boosting sales.
- c. Better access to money: Banks and investors favour sustainable companies, offering lower interest rates or more investment. This improves long-term value.
- d. Long-term gains: Short-term costs (like installing solar panels) can pay off overtime through savings and higher market value.

Recent research from various sectors (like energy, utilities, and others) confirms a positive link: better ESG leads to stronger profitability, especially in industries that use a lot of resources. One study found ESG helps with revenue growth because customers reward responsible companies

Of course, not every green step pays off right away big investments can take time to show results, and overdoing it without strategy might not help. But overall, smart sustainability supports the bottom line.

**WHAT CAN FIRMS ADVISE THEIR CLIENTS?**

If you're a financial advisor, consultant, or firm working with businesses, here's practical advice to share:

**Start with the basics** - Assess your client's ESG risks (like climate impacts or supply chain issues) and turn them into opportunities for cost savings.

**Grab available incentives** - Check for tax credits or deductions before they expire (many are time-sensitive in 2026). Act quickly on renewables or efficiency upgrades.

**Focus on what matters financially** - Prioritize actions that cut costs (energy efficiency), reduce risks (better governance), or open new markets (green products).

**Report clearly and build credibility** - Good ESG reporting attracts investors and lowers borrowing costs.

**Think long-term** - Sustainability isn't a trend - it's about building a resilient business that stays profitable even as rules and climate change.

*In short, green initiatives aren't just nice to have - they're smart business. Companies that embrace them wisely often see stronger profits, happier stakeholders, and a brighter future. As 2026 unfolds, the link between sustainability and financial success is clearer than ever.*

**Author may be reached at**  
[nncostaff@gmail.com](mailto:nncostaff@gmail.com)  
[unnikrishnanathira123@gmail.com](mailto:unnikrishnanathira123@gmail.com)



**ANISH C KAMATH**  
HEAD-2 ASSURANCE AND CONSULTING,  
IT MANAGER

## Confluence of AS and Ind AS: How this affects Revenue Recognition?





Transition from Accounting Standards (AS) to Indian Accounting Standards (Ind AS) represents a milestone evolution in financial reporting. While Accounting Standards provided a relatively principle-based, yet broader framework compared to Ind AS and Ind AS-being synonymous with global standards introduced structured

guidance, enhanced disclosures, and augmented emphasis on economic substance. One of the most significant areas where this change is clearly visible is Revenue Recognition, particularly the adoption of Ind AS 115 - Revenue from Contracts with Customers in place of AS 9- Revenue Recognition.

### Conceptual Shift: From Risks & Rewards to Control

#### ➤ Under AS 9

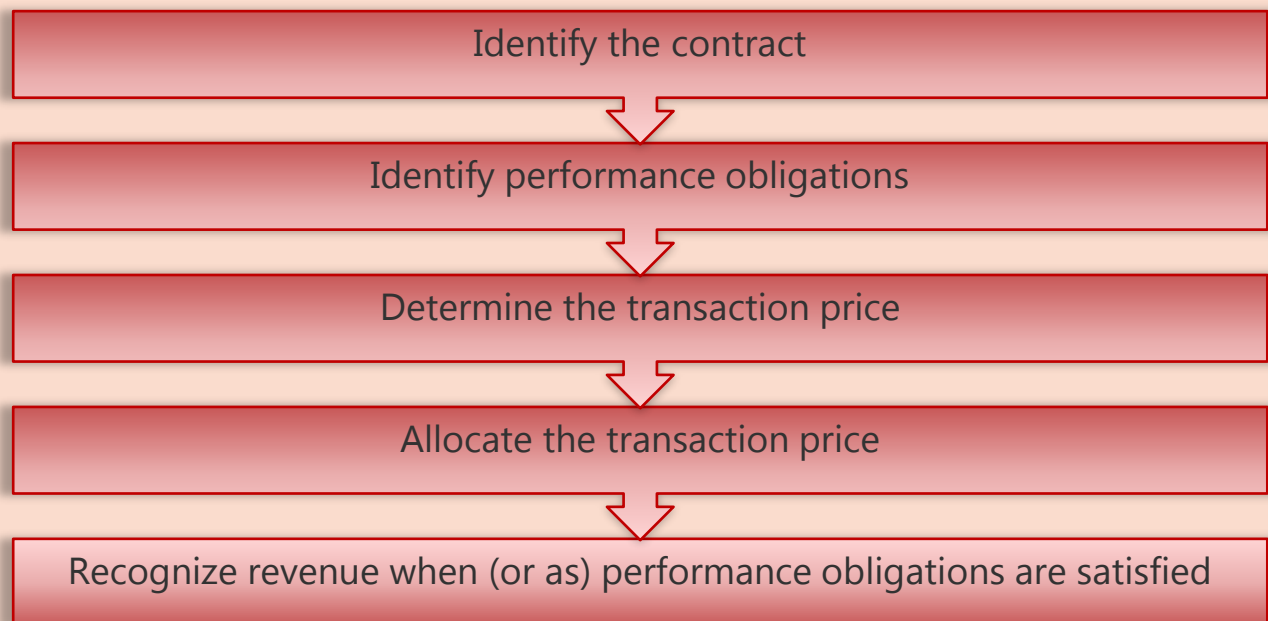
Revenue is generally recognized when risks and rewards of ownership were transferred to the buyer in case of sale of goods. In the case of services, revenue was recognized as the service was performed, typically based on the proportionate completion method or completed service contract method, depending on the nature of the transaction.

-  Multiple-element arrangements
-  Contract modifications
-  Variable consideration
-  Detailed allocation methodologies

In practice, many bundled contracts involving goods and services resulted in substantial revenue recognition at the time of sale, while warranty obligations were often accounted for through provisioning under AS 29 - Provisions, Contingent Liabilities and Contingent Assets, rather than through deferral of revenue.

## ➤ Under Ind AS 115

Ind AS 115 introduced a structured **five-step model**:



The key transition is from transfer of risks and rewards to transfer of control, and from broad judgment to a systematic allocation framework. This structured model significantly impacts revenue recognition not only in the year of sale but also in subsequent years.

## Practical Illustration: Revenue Recognition Across Years under Ind AS 115

### Part I - Case Scenario

ABC Cooling Solutions Ltd. (“the Company”) is engaged in the manufacture and installation of central air conditioning (AC) systems for commercial customers.

On 30 October 2025, the Company entered into a contract with a corporate customer for the supply and installation of a central air conditioning unit for the customer’s office premises.

The total contract consideration agreed between the parties is ₹10,00,000.

The AC system was installed and control of the equipment was transferred to the customer on 15 November 2025.

As part of the agreement, the Company also provides the following additional services:

- Free servicing for one year after installation
- Extended warranty for two additional years, covering repair and maintenance services beyond the standard warranty period

Although the contract is executed for a single bundled price, the Company normally sells these components separately.

### Standalone Selling Prices (SSP)

Component	Standalone Selling Price
Central AC System	₹9,50,000
Servicing (1 year)	₹1,00,000
Extended Warranty (2 years)	₹50,000
Total SSP	₹11,00,000

Thus, while the total standalone value of the bundle is ₹11,00,000, the customer receives the entire package for a discounted price of ₹10,00,000.

*For the purpose of this illustration, the extended warranty provides additional services beyond merely assuring product quality. Accordingly, it is considered a service-type warranty, which qualifies as a separate performance obligation under Ind AS 115 - Revenue from Contracts with Customers.*

## Part II - Solution (Application of Ind AS 115)

### Step 1 - Identification of Performance Obligations

The contract contains three distinct performance obligations:

Performance Obligation	Nature	Timing of Satisfaction
Supply & Installation of AC System	Transfer of goods	Point in time
Servicing (1 year)	Maintenance services	Over time
Extended Warranty (2 years)	Additional maintenance services	Over time

### Step 2 - Allocation of Transaction Price

Ind AS 115 requires the transaction price to be allocated to each performance obligation based on relative standalone selling prices.

Working Note - Total Standalone Selling Price

Total SSP:  $9,50,000 + 1,00,000 + 50,000 = ₹11,00,000$

Allocation of Transaction Price: Transaction price = ₹10,00,000

Component	Calculation	Allocated Revenue
Central AC System	$10,00,000 \times (9,50,000 / 11,00,000)$	₹8,63,636
Servicing	$10,00,000 \times (1,00,000 / 11,00,000)$	₹90,909
Extended Warranty	$10,00,000 \times (50,000 / 11,00,000)$	₹45,455
Total		<b>₹10,00,000</b>

### Step 3 - Revenue Recognition

Performance Obligation	Allocated Revenue (₹)	Recognition Basis	Period of Recognition	FY 2025-26 Revenue (₹)	FY 2026-27 Revenue (₹)	FY 2027-28 Revenue (₹)
Central AC System	8,63,636	Point in time (control transferred)	15 Nov 2025	8,63,636	-	-
Servicing (1 Year)	90,909	Over time	15 Nov 2025 - 14 Nov 2026	$90,909 \times (4.5/12) = 34,091$	$90,909 \times (7.5/12) = 56,818$	-
Extended Warranty (2 Years)	45,455	Over time	15 Nov 2026 - 14 Nov 2028	-	$(45,455 \div 24 \times 4.5) = 8,522$	$(45,455 \div 24 \times 12) = 22,728$
<b>Total Revenue Recognised</b>	<b>10,00,000</b>			<b>8,97,727</b>	<b>65,340</b>	<b>22,728</b>

*Note: The remaining ₹14,205 of warranty revenue will be recognised in FY 2028-29 until the warranty period ends on 14 November 2028.*

**Part III - Sub-Case Scenario- Transition from AS to Ind AS During Contract Period**

Assume that the Company adopts Ind AS for the first time for the financial year ending 31 March 2027.

Accordingly:

- Date of transition: 1 April 2025
- First Ind AS financial statements: FY 2026-27
- Comparative period: FY 2025-26

Before adoption of Ind AS, the Company had accounted for the contract under AS 9 - Revenue Recognition.

Under AS 9, revenue from the sale of goods was generally recognised when significant risks and rewards of ownership were transferred to the buyer.

Therefore, upon installation of the AC system on 15 November 2025, the Company recognised the entire contract consideration of ₹10,00,000 as revenue.

Future servicing and warranty obligations were accounted for through:

- Provision for warranty under AS 29, and
- Recognition of servicing expenses as incurred.

**Part IV - Solution to Sub-Case Scenario**

Under Ind AS 115, the revenue pattern should instead have been as follows:

<i>Financial Year</i>	<i>Revenue under AS</i>	<i>Revenue under Ind AS</i>
<i>FY 2025-26</i>	₹10,00,000	₹8,97,727
<i>FY 2026-27</i>	-	₹65,340
<i>FY 2027-28</i>	-	₹22,728
<i>FY 2028-29</i>	-	₹14,205
<i>Total</i>	₹10,00,000	₹10,00,000

**Transition Adjustment**

Revenue recognised under AS in FY 2025-26: ₹10,00,000

Revenue that should have been recognised under Ind AS: ₹8,97,727

Excess revenue recognised:  $10,00,000 - 8,97,727 = 1,02,273$

This amount represents revenue relating to servicing and warranty obligations that remain unsatisfied as of 31 March 2026.

### Accounting Treatment on Transition

In accordance with Ind AS 101, adjustments arising from transition to Ind AS are recognised directly in opening retained earnings at the transition date.

Accordingly, the Company must reverse the excess revenue recognised under AS and recognise a contract liability for the remaining performance obligations.

### Recognition of Deferred Revenue After Transition

The contract liability created at transition will subsequently be recognised as revenue as the Company satisfies the remaining performance obligations.

FINANCIAL YEAR	REVENUE RECOGNISED
FY 2026-27	₹65,340
FY 2027-28	₹22,728
FY 2028-29	₹14,205

### Transitional Impact Summary

Particulars	Amount (₹)
Revenue recognised under AS	10,00,000
Revenue permitted under Ind AS till 31 March 2026	8,97,727
Excess revenue recognised	1,02,273
Contract liability created on transition	1,02,273

### Conceptual Impact of Transition

Aspect	Under AS	Under Ind AS
Revenue recognition basis	Transfer of risks and rewards	Satisfaction of performance obligations
Treatment of bundled contracts	Often recognised upfront	Allocation based on SSP
Warranty accounting	Provision under AS 29	Separate performance obligation
Revenue pattern	Front-loaded	Recognised over service period

# conclusion

This illustration demonstrates how Ind AS 115 requires revenue to be recognised based on the satisfaction of distinct performance obligations, resulting in a systematic allocation of revenue over the contract period. In contrast, AS 9 generally resulted in upfront revenue recognition when risks and rewards were transferred. Consequently, upon transition to Ind AS, entities may need to defer revenue relating to unfulfilled service obligations and recognise it in subsequent periods.

Author may be reached at  
[nncostaff@gmail.com](mailto:nncostaff@gmail.com)  
[anishckamath191@outlook.com](mailto:anishckamath191@outlook.com)

**THERESA NILEENA N.S**

ARTICLED ASSISTANT

**EVENTS DON'T STOP AT YEAR END- NEITHER THE AUDIT RESPONSIBILITY!**

As an article assistant, I initially believed that once the financial year closes on 31st March, most of the audit work is behind us. But during the final stages of my first audit, I heard a question that changed this perception: **“Has anything happened after the balance sheet date?”**

At first, it sounded like a routine formality. Later, I understood that this single question relates to an entire auditing standard — SA 560 on Subsequent Events.



**W**hy it Matters?

Business operations do not stop at year-end.

Important developments can occur after the reporting date that may affect the financial position of the company. As auditors, we must ensure that such events are properly considered before signing the report.

Subsequent events are those occurring after the balance sheet date but before the audit report date - and sometimes even after the financial statements are issued.

There are mainly two types of subsequent events:

**1. Adjusting Events- When the Past Reveals Itself**

These confirm conditions that already existed at year-end.

For example, if a company had a pending court case as on 31st March and later receives an adverse judgment before the audit report is signed, a provision must be recorded. Even though the judgment came later, the issue existed at year-end.

## 2. Non-Adjusting Events- When Something New Happens

These relate to new conditions that arise after year-end.

For example, if a fire damages the factory in April, no adjustment is required as of 31st March. However, if the impact is significant, it should be disclosed in the notes to accounts.

During audit, we normally check for subsequent events by enquiring with management, reviewing board meeting minutes, checking legal updates, obtaining written representation. One important learning for me has been that the auditor’s responsibility is not limited to what management tells us. If any fact becomes known later that could affect the financial statements, it must be evaluated carefully.

### Auditor’s Actions Based on Timing of Material Events

If a Material Event Is Identified Before Signing	
<p>✔ <b>If financial statements are amended:</b></p> <ul style="list-style-type: none"> <li>• Auditor performs necessary procedures.</li> <li>• Auditor updates the report date</li> </ul>	<p>✘ <b>If management refuses to adjust/disclose:</b></p> <ul style="list-style-type: none"> <li>• Auditor should consider withdrawing or disclaiming audit opinion.</li> </ul>
After The Auditor’s Report Date But Before Issue	
<p>✔ <b>If a material fact becomes known:</b></p> <ul style="list-style-type: none"> <li>• Discuss with management.</li> <li>• Amend financial statements if necessary</li> <li>• Extend audit procedures</li> <li>• Issue a new report with revised date</li> </ul>	<p>✘ <b>If management refuses to adjust/disclose:</b></p> <ul style="list-style-type: none"> <li>• Auditor should consider withdrawing or disclaiming audit opinion.</li> </ul>
After Financial Statements Are Issued	
<p>✔ <b>If a material misstatement is discovered:</b></p> <ul style="list-style-type: none"> <li>• Discuss with management.</li> <li>• Determine if revised financial statements are needed.</li> </ul>	<p>✘ <b>If management refuses to adjust/disclose:</b></p> <ul style="list-style-type: none"> <li>• Auditor should notify users that audit opinion should no longer be relied upon.</li> </ul>

### After The Audit Report: Handling Hidden Discoveries

Even after an audit report has been issued, auditors may become aware of facts that existed at the audit report date but were unknown at the time. These subsequent facts can materially

affect the financial statements or the audit opinion. When such facts are discovered, the auditor must promptly inform management and those charged with governance, determine

whether the financial statements need revision, and perform any necessary audit procedures on the updated information. If management agrees, the financial statements are revised, and a new

audit report is issued. If management refuses to correct the statements, the auditor must take steps to prevent reliance on the original report, which may include notifying stakeholders or regulatory authorities.

For example, if a company issued audited statements showing profits, but a major customer defaulted before year-end and the fact was discovered afterward, management would revise the statements, and the auditor would

issue a new report, ensuring stakeholders have accurate information. Acting on such facts protects both stakeholder trust and audit credibility

### CASE STUDY-1

Saraah Ltd. had significant borrowings outstanding as on 31st March 2025. Before the audit report was signed, the bank refused to renew its credit facilities due to continuous losses.

This event is important because it directly affects the company's ability to continue as a going concern. If the financial difficulties already existed at the balance sheet date, the bank's refusal confirms that condition and may be treated as an adjusting event. Management must assess whether the company can continue operations and whether the financial statements should still be prepared on a going concern basis. The auditor, in turn, should evaluate management's assessment, review cash flow projections, consider the adequacy of disclosures, and modify the audit opinion if the going concern assumption is inappropriate or inadequately disclosed.

### CASE STUDY-2

*Izzac Ltd. sold a major plant in April 2026 at a price significantly lower than its carrying value as on 31st March 2026. The sale occurred due to technological obsolescence that existed prior to year-end.*

This indicates that the asset may have been impaired as on the balance sheet date. Since the underlying condition existed earlier, the event is treated as an adjusting event and the financial statements should be revised to recognize impairment loss. The auditor should obtain relevant audit evidence such as the sale agreement, valuation reports, management explanations, and impairment calculations to ensure that the asset has been properly valued in the financial statements.



### CASE STUDY-3

*Merin Ltd. declared a dividend in June 2026 relating to profits for the year ended 31st March 2026. The dividend had not been proposed before year-end.*

Since the dividend was neither proposed nor approved before the reporting date, no obligation existed as on 31st March. Therefore, the dividend should not be recognized as a liability in the financial statements. This event is classified as a non-adjusting event because it relates to a decision made after year-end. However, if the amount is significant, it should be disclosed in the notes to accounts to inform users of the financial statements.

## ***CLOSING THOUGHT***

Now I understand why seniors always ask:

*“Has anything happened after the balance sheet date?”*

It is not just a closing formality — it is a safeguard for ensuring that financial statements present a true and fair view. Therefore, Subsequent events tell us Events don't stop at year end - neither the audit responsibility!

Author may be reached at  
[nncostaff@gmail.com](mailto:nncostaff@gmail.com)  
[rojanilin@gmail.com](mailto:rojanilin@gmail.com)

**ASWATHY R NAIR**

ASSURANCE AND CONSULTING STAFF-2

## *Ethics in the Profession - Beyond Compliance*

### **Introduction- Why This Conversation Matters**

Every Young Chartered Accountant enters the profession with ambition, knowledge, and aspiration. Years of study, Articleship, and examinations build technical strength. But what sustains a lifelong professional reputation is not just knowledge - it is character.

The profession of accountancy survives on public trust. Investors rely on financial statements. Banks rely on certifications. Regulators rely on audit opinions. Society relies on the integrity of Chartered Accountants.

Compliance ensures we follow laws.  
Ethics ensures we deserve trust

The Institute of Chartered Accountants of India emphasizes through its Code of Ethics that integrity, objectivity, professional competence, and confidentiality form the foundation of professional conduct. However, these principles are not merely academic concepts - they are tested in daily practice

*And for young professionals, those tests come early*

## **Compliance vs True Ethics- Understanding the Difference**

Compliance refers to adherence to established rules, standards, and regulatory requirements. It includes following accounting standards, maintaining documentation, meeting statutory deadlines, and satisfying procedural checklists.

While compliance is essential, it does not automatically guarantee ethical behavior.

Professional ethics goes deeper. It requires moral judgment, fairness, honesty, and professional skepticism.

Consider a situation where an auditor identifies a minor misstatement in financial statements that falls below the materiality threshold. From a purely compliance perspective, it may not require modification of the audit opinion. However, ethics demands additional questions.

- Why did this misstatement arise?
- Is it part of a recurring pattern?
- Does it indicate management bias?

Ethical conduct requires raising concerns, discussing them transparently, and documenting professional judgment. It prioritizes long-term credibility over short-term convenience.

True professionalism shines at the intersection where compliance ends and ethical responsibility begins.

## *ICAI Guidance & Standards*

The Institute of Chartered Accountants of India provides clear guidance through its Code of Ethics.

The four fundamental principles are not theoretical - they are practical decision-making tools.

*Let us examine each principle through realistic professional situations.*

### ❖ **Integrity - Being Honest and Straightforward.**

#### ***Case Situation: Deferring Expenses to Inflate Profit***

A young CA reviewing financial statements observes that certain operational expenses have been deliberately deferred to the next financial year. The result is an improved profit figure in the current year.

Management explains:

“This is only temporary. We will adjust it next year. Investors expect better quarterly results.”

The amount may not seem material individually. The explanation may appear practical. But integrity requires more than accepting convenience.

The CA must evaluate:

- Does the treatment comply with accounting standards?
- Is management intentionally influencing financial results?
- What are the long-term implications of remaining silent

Integrity demands courage - to question, to document, and to insist on proper treatment.

Ethical failures often begin with small compromises. When minor deviations are tolerated, they gradually become systemic practices

### ***A Lesson from Corporate History – The Satyam Scandal***

A powerful example from Indian corporate history is the collapse of Satyam Computer Services in 2009. The company's chairman admitted to inflating cash balances and profits over several years. What reportedly began as adjustments to manage performance expectations eventually grew into massive falsification of accounts.

The fraud did not occur overnight. It evolved gradually through manipulation, weak oversight, and failure to question inconsistencies.

*The consequences were severe:*

- *Loss of investor confidence*
- *Regulatory intervention*
- *Financial distress for employees*
- *Damage to the credibility of the corporate sector*

The Satyam case teaches an enduring lesson:

Fraud rarely begins with large-scale manipulation. It begins when small ethical concerns are ignored.

FOR YOUNG CHARTERED ACCOUNTANTS, THIS EXAMPLE UNDERSCORES THE IMPORTANCE OF PROFESSIONAL SKEPTICISM AND MORAL COURAGE.

### **❖ Objectivity – Freedom from Bias and Undue Influence**

#### ***Case Situation: Personal Relationship vs Professional Judgment***

A Chartered Accountant is appointed as auditor of a company where a close friend serves in senior management. During audit procedures, weaknesses in internal controls and aggressive revenue recognition practices are identified.

Strict reporting may:

- Affect personal relationships
- Create tension with management
- Impact client retention

Objectivity requires independence in mental attitude. Personal familiarity must not influence professional conclusions



Confidentiality requires safeguarding information acquired during professional engagements - whether written, verbal, or digital.

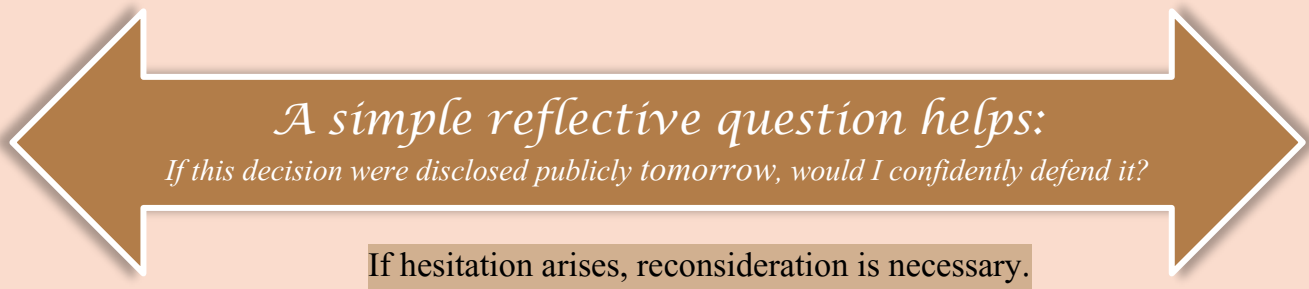
Trust once broken is difficult to restore. Ethical responsibility extends beyond office premises and formal reports.

## EVERYDAY ETHICAL DILEMMAS IN PRACTICE

Ethical challenges may also include:

- Pressure to reduce audit hours for cost efficiency
- Being asked to alter documentation for presentation
- Accepting expensive gifts from clients
- Ignoring control weaknesses because “this is industry practice”

Each instance may appear minor. However, repeated compromise erodes professional character.



### **A** Message to Young Chartered Accountants

Early career decisions shape long-term professional identity. During articleship and initial years of practice, habits are formed that define reputation.

Ethical courage may initially feel uncomfortable:

- Questioning superiors
- Challenging client explanations
- Documenting disagreements

Clients value speed.  
Organizations value profitability.  
But society values integrity

Yet such courage builds credibility and respect

Maintaining ethical standards from the beginning ensures sustainable and meaningful success.

**Practical Takeaways**

1. Verify evidence - do not rely solely on explanations.
2. Maintain thorough documentation.
3. Escalate ethical concerns appropriately.
4. Avoid familiarity and self-interest threats.
5. Stay updated with professional standards and ethical guidance.
6. Practice professional skepticism consistently.

Ethics is strengthened not in grand speeches, but in daily disciplined actions.

**Conclusion - Beyond Compliance, Towards Conscience**

Ethics in the profession goes beyond mere compliance. It guides every decision, every certification, and every audit opinion. True professionalism is measured not only by technical expertise but by integrity in challenging circumstances. For Young Chartered Accountants, the responsibility is profound. The profession's credibility rests on collective ethical conduct. Technical competence earns qualification. Ethical strength earns respect.

*"In the end, professional ethics is not merely about following rules - it is about doing what is right, even when no one is watching."*

Author may be reached at  
[nncostaff@gmail.com](mailto:nncostaff@gmail.com)  
[nairaswathy1997@gmail.com](mailto:nairaswathy1997@gmail.com)

**MERIYA RAJAN**

CA FINALIST

## CAREER CLARITY DURING CA, A ROADMAP TOWARDS FASTER GROWTH AFTER QUALIFICATION

When we join the CA course under the guidance of the Institute of Chartered Accountants of India, most of us focus on one goal: **Clear the exams**

Foundation

Intermediate

Articleship

Final

And somewhere in between mock tests, amendments, and self-doubt - we forget something important.

Your career does not start after you become a Chartered Accountant. It is already starting.

The Truth Most Students Realise Late is that CA is not just a qualification. It is a Platform.

So be prepared for the Profession.

### Scope for CA Students - Beyond Just “Practice or Job”

*Today, the scope of a CA is wider than ever:*

- Core Audit & Assurance
- Taxation (Direct & Indirect)
- Corporate Finance
- Investment Banking

- Risk Advisory
- Forensic Audit
- Insolvency & Bankruptcy
- Start-up Advisory
- Data Analytics in Finance
- ESG & Sustainability Reporting
- Entrepreneurship

Here's what you can realistically do without compromising exams:

### ❖ **Build Concept Depth, Not Just Exam Memory**

Understand why provisions exist. Follow financial news.

Read annual reports.

Connect theory to real businesses.

### ❖ **Use Articleship Strategically**

- ☞ Don't treat it as a 3-year formality. Choose exposure wisely:
- ☞ Statutory audit?
- ☞ Internal audit?
- ☞ Tax practice?
- ☞ Industry exposure?
- ☞ Your articleship can shape your confidence and clarity.

### ❖ **Develop Complementary Skills**

The future CA is not just technically sound.

- ☞ Work on:
- ☞ Communication skills
- ☞ Excel & financial modelling
- ☞ Data interpretation
- ☞ Presentation skills
- ☞ Professional networking
- ☞ Technical knowledge opens doors.
- ☞ Soft skills help you stay inside.

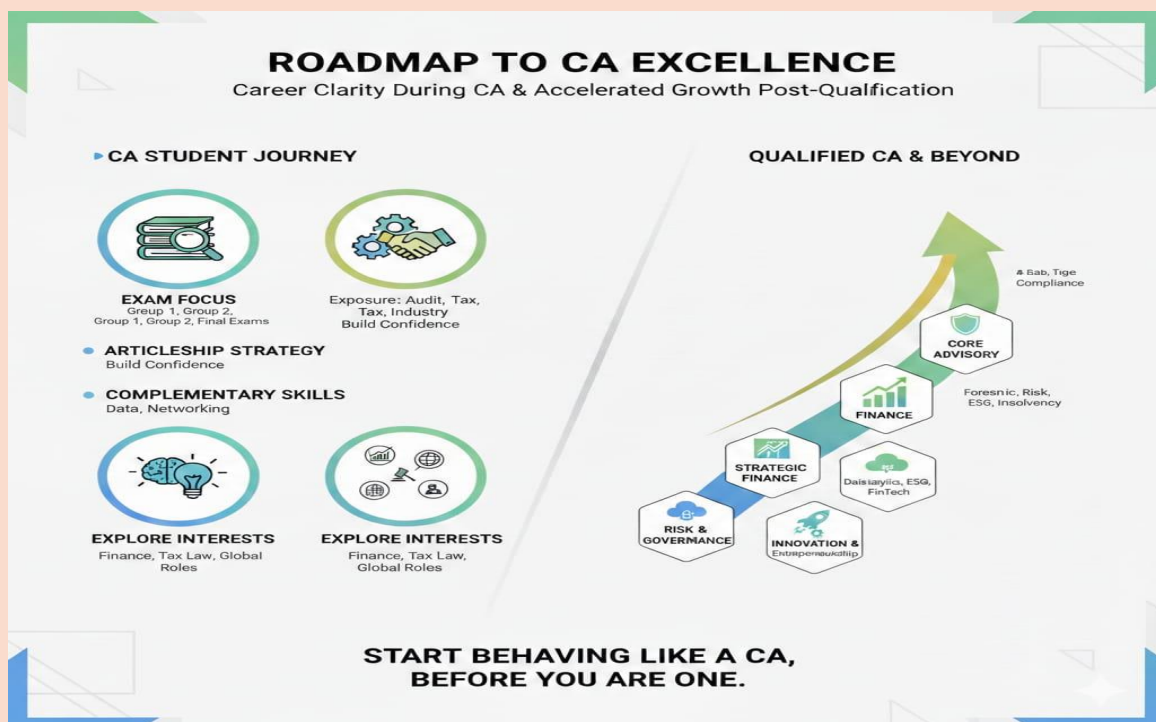
### ❖ Explore Interests Early

- Interested in finance? Learn valuation basics.
- Like tax? Read case laws beyond the module.
- Interested in global roles? Understand IFRS and international taxation.
- You don't need mastery now.
- You need direction.

### ❖ Build Your Professional Identity Early

- Start writing.
- Start sharing insights.
- Attend seminars.
- Connect with professionals.
- You are not “just a student.”
- You are a future professional in training.

*Don't wait for the prefix “CA” to start behaving like one.*



Author may be reached at  
[https://www.linkedin.com/in/meriya-%E2%96%AA%EF%B8%8F-119313358?utm\\_source=share&utm\\_campaign=share\\_via&utm\\_content=profile&utm\\_medium=ios\\_app](https://www.linkedin.com/in/meriya-%E2%96%AA%EF%B8%8F-119313358?utm_source=share&utm_campaign=share_via&utm_content=profile&utm_medium=ios_app)

## HIGHLIGHTS - IN FOCUS

Here's a glimpse of the vibrant activities and initiatives. From insightful sessions to creative contributions and celebrations, these snapshots capture the energy, learning, and collaboration, camaraderie across our teams

### ***B'DAY CELEBRATION OF OUR HR MANAGER ASWATHI MURALEEDHARAN***



### ***KEY AMENDMENTS IN THE INCOME TAX ACT, 1961 & 2025*** ***BY ANAGHA MARIYA - ARTICLED ASSITANT, RIYA PAUL - TRAINEE***



# इएवददरइहव

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