The Monthly Messenger

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S N Dhawan & CO LLP
Chartered Accountants

The Monthly messenger

India | Accounting News

Liquidation Accounting- February 2026

The Research Committee of the Institute of Chartered Accountants of India has issued a comprehensive research report providing practical guidance on accounting in non-going concern situations.

The publication aims to bridge gaps in the **understanding and application** of liquidation accounting principles. It incorporates global best practices, relevant Ind AS considerations (including measurement and presentation aspects), and the Indian insolvency and liquidation framework, while ensuring alignment with domestic legal and regulatory requirements.

For more information, click here

Cost Accounting Standard (CAS - 25) on Valuation of Inventory issued by the Council of The Institute of Cost Accountants of India

The Council of the Institute of Cost Accountants of India has issued **CAS–25: Cost Accounting Standard on Valuation of Inventory**. This Standard establishes a comprehensive and structured framework governing the **valuation, measurement, and assignment of costs to inventory**. It aims to ensure uniformity, consistency, and accuracy in the preparation and presentation of cost records.

The Standard shall be effective from the period commencing on or after 12 February 2026 to be applied in the preparation and certification of Cost Accounting Statements.

For more information, click here

India | Auditing News

Exposure Draft of the Standard on Auditing for Audits of Financial Statements of Less Complex Entities- February 2026

The Auditing and Assurance Standards Board (AASB) of the Institute of Chartered Accountants of India (ICAI) has issued an Exposure Draft on the “Standard on Auditing for Audits of Financial Statements of Less Complex Entities (SA for LCE)”

The proposed SA for LCE is designed to enable auditors to obtain reasonable assurance that the financial statements of Less Complex Entities are free from material misstatement, whether due to fraud or error.
The standard provides a simplified and scalable audit approach, with procedures tailored to the size, nature, and risk profile of such entities.

The standard is premised on the basis that the Audit Firm is subject to Standard on Quality Management (SQM) 1, thereby ensuring that audit quality remains a core focus notwithstanding the simplified framework.

Stakeholders are invited to submit their comments and suggestions on the Exposure Draft. The last date for submitting the comments is **20 March 2026.**

For more information, **click here**

Technical Guide on Revised Directions issued by CAG under Section 143(5) of the Companies Act, 2013- 9 February 2026

The Auditing and Assurance Standards Board (AASB) of the Institute of Chartered Accountants of India (ICAI) has issued the Technical Guide on Revised Directions issued by Comptroller and Auditor General of India (CAG) under Section 143(5) of the Companies Act, 2013". The Guide is intended to assist auditors in implementing the revised CAG directions issued on 23 May 2025 and 17 October 2025.

The revised directions, inter alia, require auditors to cover matters relating to fair valuation of investments for post-retirement employee benefits, IT-based processing and controls over accounting transactions (including cyber security and IT controls), accounting and utilization of Government grants and subsidies, formulation of a risk management policy including identification and valuation of data assets, and compliance with applicable legal and regulatory requirements.

The Guide provides direction-wise guidance on audit approach and reporting considerations, along with illustrative reporting formats and examples with a view to enhancing clarity, consistency, and audit quality. It is clarified that the Technical Guide is intended to supplement, and not substitute, the requirements of the Companies Act, 2013 and the applicable Standards on Auditing.

For more information, **click here**

Guidance on New Labour Codes- 9 February 2026

The Auditing and Assurance Standards Board (AASB) of the Institute of Chartered Accountants of India (ICAI) decided to develop Guidance on New Labour Codes for providing appropriate guidance to the members in the context of the new Labour Codes, with reference to the requirements of the applicable Standards on Auditing.

The guidance addresses commonly arising in audit engagements, such as payroll related expenses, employee benefit provisions, statutory dues, compliance with laws and regulations, and related disclosures, with reference to the applicable Standards on Auditing.
It outlines key aspects for auditor consideration, including understanding the entity and its workforce structure, evaluating management's actions in response to the Labour Codes, designing audit strategies, engagement team discussions assessing risks of material misstatement, and performing appropriate control and substantive procedures, management representations, communication with those charged with governance, audit documentation and audit reporting considerations including modifications to the auditor's opinion, Emphasis of Matter paragraphs, and reporting under CARO and internal financial controls, where applicable.

For more information, **click here**

Practitioner's Guide on Drafting of Modified Opinions in Independent Auditor's Reports- 11 February 2026

The Auditing and Assurance Standards Board (AASB) of the Institute of Chartered Accountants of India has issued a **Practitioner's Guide on Drafting of Modified Opinions in Independent Auditor's Reports**.

The Guide provides an overview of the concept and types of modified opinions, and offers guidance on the presentation and headings in the auditor's report where the opinion is modified.
It includes practical and illustrative guidance primarily for qualified opinions, while also covering adverse opinions and disclaimers of opinion, as envisaged under SA 705 (Revised).

The AASB has clarified that the examples included in the Guide **are illustrative** in nature and are intended to support auditors. They **do not replace** professional judgment **nor override** the mandatory requirements of the Standards on Auditing.

For more information, **click here**

Exposure Draft of Guidance Note on Audit of Banks (2026 Edition)- 13 February 2026

The Auditing and Assurance Standards Board (AASB) of Institute of Chartered Accountants of India (ICAI) has issued an exposure draft of "Guidance Note on Audit of Banks (2026 Edition)".

The proposed 2026 edition seeks to update and refine audit guidance in line with current regulatory and professional requirements.
ICAI has invited public comments on the Exposure Draft, with the last date for submission being **23 February 2026**.

For more information, **click here**

ICAI (Global Networking) Guidelines, 2025- 17 February 2026

The Institute of Chartered Accountants of India (ICAI) has notified the **ICAI (Global Networking) Guidelines, 2025** to formalise and regulate collaborations between ICAI-registered Indian Firms and overseas entities. The guidelines establish a formal regulatory framework for Indian CA firms entering into networking or collaborative arrangements with overseas entities. Indian firms proposing global networking arrangements must comply with prescribed approval and registration requirements with ICAI before entering such arrangements. Firms are required to ensure continued compliance with ICAI's Code of Ethics, particularly in relation to independence, conflict of interest, and professional conduct. Specific guidance has been issued on the use of common brand names, and representations in cross-border networking arrangements. The Guidelines also specify prohibited services, outline consequences for professional misconduct, and provide mechanisms for suspension or de-registration.

The Guidelines shall come into force from 17 February 2026.

For more information, **click here**

India | Regulatory News

Companies Compliance Facilitation Scheme, 2026-reg.-24 February 2026

The Ministry of Corporate Affairs (MCA) has notified the **Companies Compliance Facilitation Scheme, 2026 (CCFS-2026)** as **a one-time compliance amnesty window** to enable companies to regularise long-pending statutory filings with the Registrar of Companies (ROC) at a significantly reduced additional fees.

Key Relaxations / Concessions:

a) Filing of Pending Annual Returns and Financial Statements:
Companies can file pending Annual Returns and Financial Statements by paying **only 10% of the additional fees** that would otherwise be payable under the Companies Act, 2013.

b) Dormant Status (Form MSC-1):
Inactive companies may apply for Dormant Status by filing e-form MSC-1 during the scheme by paying **50% of normal filing fees** payable under the applicable Rules.

c) Strike-off (Form STK-2):
Companies seeking to exit the corporate registry can file for Strike-off by filing e-form STK-2 during the scheme by paying **25% of the prescribed filing fee**.

The Scheme will be in force from **15 April 2026 to 15 July 2026**.

For more information, click here

Master Circular for compliance with the provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 by listed entities- 30 January 2026

The Securities and Exchange Board of India (SEBI) has issued a **Master Circular** consolidating all operative circulars issued under the **SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**, as updated up to **30 December 2025**.

The Master Circular rationalises and integrates requirements relating to **periodic, event-based, and annual disclosures**, with the objective of streamlining the compliance framework for listed entities. It seeks to **simplify compliance**, **reduce duplication** arising from multiple disclosure requirements, and provide a **single reference document** for listed entities and auditors.

The consolidation also reflects the introduction of an **Integrated Filing Framework**, covering governance and financial periodic filings, aimed at enhancing consistency and efficiency in regulatory reporting.

For more information, click here

Master Circular for Issue of Capital and Disclosure Requirements- 9 February 2026

The Securities and Exchange Board of India has issued an updated Master Circular under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, consolidating all applicable circulars to a single, comprehensive compliance reference. Originally issued on 21June 2023 and subsequently updated on 11 November 2024, the Master Circular has now been revised to incorporate all relevant circulars issued up to 31 December 2025.

For more information, click here

RBI issues Amendment Directions on Capital Market Exposure- 13 February 2026

The Reserve Bank of India has issued its regulatory framework on Capital Market Exposure (CME) through (i) Reserve Bank of India (Commercial Banks – Capital Market Exposure) Directions, 2025 and (ii) Reserve Bank of India (Small Finance Banks – Capital Market Exposure) Directions, 2025 following stakeholder consultation on the draft Directions issued on 24 October 2025.

Pursuant to this, the Reserve Bank has issued a series of Amendment Directions in 2026 for both Commercial Banks and Small Finance Banks with effect from 1 April 2026.

Accordingly, the Reserve Bank has issued the following Amendment Directions, with updates as and when they become effective.

i. Reserve Bank of India (Commercial Banks - Credit Facilities) Amendment Directions, 2026.
ii. Reserve Bank of India (Commercial Banks – Concentration Risk Management) Amendment Directions, 2026.
iii. Reserve Bank of India (Commercial Banks – Prudential Norms on Capital Adequacy) Second Amendment Directions, 2026.
iv. Reserve Bank of India (Commercial Banks – Financial Statements: Presentation and Disclosures) Third Amendment Directions, 2026.
v. Reserve Bank of India (Commercial Banks – Undertaking of Financial Services) – Amendment Directions, 2026
vi. Reserve Bank of India (Small Finance Banks - Credit Facilities) Amendment Directions, 2026.
vii. Reserve Bank of India (Small Finance Banks – Concentration Risk Management) Amendment Directions, 2026.

viii. Reserve Bank of India (Small Finance Banks – Prudential Norms on Capital Adequacy) Second Amendment Directions, 2026.
ix. Reserve Bank of India (Small Finance Banks – Financial Statements: Presentation and Disclosures) Second Amendment Directions, 2026.

For more information, click here

Foreign Exchange Management (Borrowing and Lending) (First Amendment) Regulations, 2026- 16 February 2026

The Reserve Bank of India has issued the Foreign Exchange Management (Borrowing and Lending) (First Amendment) Regulations, 2026. The amended regulations have rationalised the ECB framework by expansion of eligible borrower and recognised lender base, rationalisation of borrowing limits and restrictions on average maturity period, removal of restrictions on the cost of borrowing for ECBs, review of end-use restrictions and simplification of reporting requirements.

For more information, click here

Clarifications on provisions with respect to investment in Alternative Investment Funds (AIFs)- 12 February 2026

The Insurance Regulatory and Development Authority of India (IRDAI) has clarified insurers' investments in Alternative Investment Funds (AIFs), under Section 27E of the Insurance Act, 1938.

Key points:

- Insurers may invest in AIFs with **SEBI-compliant Excusal Rights**, provided **no deployment of insurer funds outside India**
- Mandatory safeguards: declarations under Section 27E, fund document restrictions, statutory auditor certification, AIF compliance confirmation, and concurrent auditor verification
- Operational requirements: "Restricted Domestic Only" tagging, dual-ledger accounting, zero overseas drawdowns, and periodic (quarterly/annual) certifications
- **Revised exposure norms**: single AIF exposure limits to apply on **both direct and indirect investments.**

For more information, click here

ICAI invites Suggestions for Draft Income-tax Rules, 2026 (and forms)- 8 February 2026

The Income-tax Act, 2025 has received the assent of the Hon'ble President of India on 21 August 2025 and has been notified in the Official Gazette, with the Act set to be effective from 1 April 2026.

Earlier, the Institute of Chartered Accountants of India (ICAI) had submitted detailed clause-by-clause recommendations through its Memorandum of Suggestions on the Income-tax Bill, 2025 presented in the Lok Sabha on 13 February 2025.

The Central Board of Direct Taxes (CBDT) has released the Draft Income-tax Rules, 2026 (including forms) for public consultation. In this regard, the Direct Taxes Committee of ICAI has invited suggestions from members and other stakeholders on the Draft Income-tax Rules, 2026 and the related forms.

For more information, click here

Repeal of Legacy Acts Under Industrial Relations Code, 2020- 2 February 2026

The Ministry of Labour and Employment has issued a notification, clarifying that provisions of the Trade Unions Act, 1926, Industrial Employment (Standing Orders) Act, 1946 and Industrial Disputes Act, 1947 stand repealed with effect from 21 November 2025.

This clarification is consequent to the implementation of the Industrial Relations Code, 2020, and is aligned with the Government's broader labour law reforms aimed at consolidating multiple legacy labour legislations into four Labour Codes.

For more information, click here

Industrial Relations Code (Removal of Difficulties) (Amendment) Order, 2026 – 2 February 2026

The Ministry of Labour and Employment has issued a notification, clarifying that existing statutory authorities constituted under the Trade Unions Act, 1926, Industrial Employment (Standing Orders) Act, 1946 and Industrial Disputes Act, 1947 shall continue to function until corresponding authorities are appointed under the **Industrial Relations Code, 2020.**
This clarification has been issued to ensure continuity of regulatory and dispute resolution functions during the transition to the Industrial Relations Code, 2020, which came into force with effect from **21 November 2025**.

For more information, click here

The Industrial Relations Code (Amendment) Act, 2026- 16 February 2026

The Industrial Relations Code (Amendment) Act, 2026 has been notified to bring further clarity on the transition to the Industrial Relations Code framework. The Amendment Act clarifies that the following legislation shall stand repealed from the appointed date:

- The Trade Unions Act, 1926
- The Industrial Employment (Standing Orders) Act, 1946; and
- The Industrial Disputes Act, 1947

The amendment shall be deemed to have come into force from 21 November 2025.

For more information, click here

International | Accounting News

IASB consults on clarifying the fair value option in IAS 28- 19 February 2026

The International Accounting Standards Board (IASB) has issued an exposure draft proposing targeted amendments to IAS 28 *Investments in Associates and Joint Ventures*, to clarify the eligibility criteria for applying the '**fair value through profit or loss' accounting option** instead of the '**equity method of accounting'** for measurement of investments in Associates and Joint Ventures.

The Exposure Draft proposes amendments to **paragraphs 18–19 of IAS 28** to clarify that an entity **whose main business activity is investing in specific types of assets** (as described in paragraph 49(a) of IFRS 18 Presentation and Disclosure in Financial Statements) is eligible to elect the **fair value option**.

The proposals are issued in response to **stakeholder feedback highlighting diversity in practice** in applying the fair value option under IAS 28, particularly in the context of the implementation of **IFRS 18 Presentation and Disclosure in Financial Statements**. With IFRS 18 becoming effective for annual periods beginning on or after **1 January 2027**, more entities are expected to reassess the use of this option under the revised presentation framework.

The exposure draft is open for comments until 20 April 2026.

For more information, click here

IPSASB releases inaugural public sector standard for climate-related disclosures- 29 January 2026

The International Public Sector Accounting Standards Board (IPSASB) has issued **IPSASB SRS 1, Climate-related Disclosures**—its first sustainability reporting standard specifically designed for governments and other public sector entities. The standard aims to promote consistent and transparent reporting of climate-related risks and opportunities in the public sector.

IPSASB SRS 1 is aligned with **IFRS S2** – Climate-related Disclosures and applies to an entity's general purpose financial reports.

The standard is effective for reporting periods beginning on or after **1 January 2028**, with early adoption permitted.

For more information, click here