

CA FINAL : AUDIT Amendments, RTP - Nov '26

1. NBFC

Amendments :

① Registration Exemption (Nov '26)
(Type 1/2 NBFC)

② MFJ: Remediation Plan (May '26)

③ Capital Requirements in CRAR (Nov '26)
Special Provisions

(a) Loan against Gold Jewellery

(b) ML → CRAR

(c) UL → CRAR with CET 1

(d) TL → additional charge

(e) BL - Leverage Ratio

Related Terms:

i) Tier I, II Capital and sub limits

ii) CET 1

iii) Discounting for Subord Debt

④ Risk Weighted Assets in CRAR

(a) ROU Asset (May '26)

(b) High Quality Infra Projects (Nov '26)
Concessional risk rate

⑤ Provisioning Rate % on Std. Assets (Nov '26)

(a) ML

(b) UL

Related Terms:

i) Teaser Rate Loans

ii) CRE : RH Loans

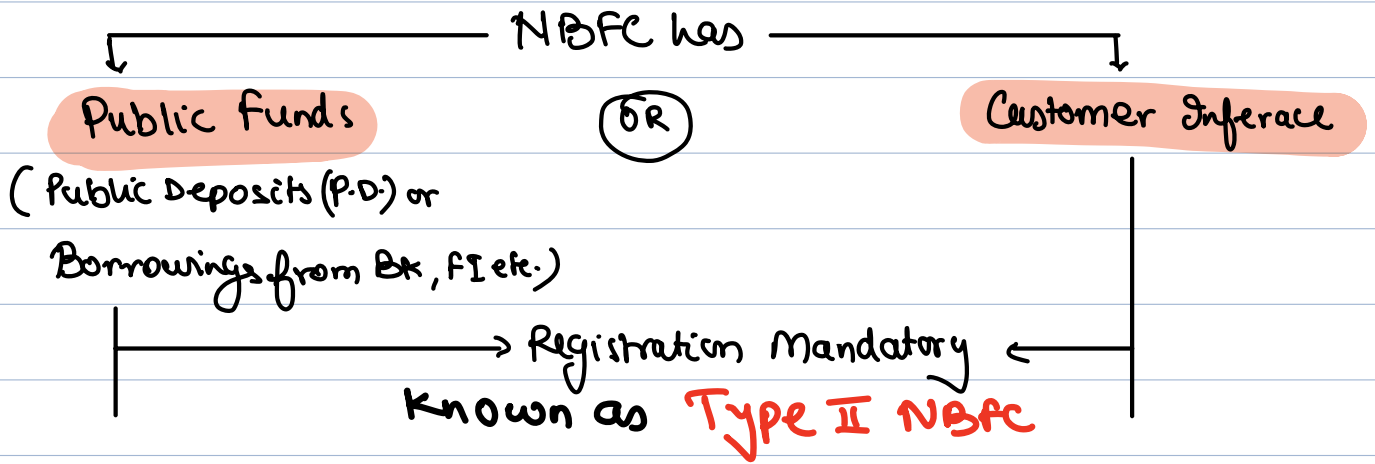
2. Ethics:

- ① Clause improvised: CG-P1-S1 (May'26)
- ② Clause added: CS-P2-S2 (May'26)
- ③ Tax Audit Limit on Signing & FY wise (Nov'26)
- ④ Other Ethics amendments: Not for Nov'26

A. NBFC Amendment

① Registration Exemption: (NBFC covered due to 50:50 Test)

① TYPE II NBFC (Registered)



② TYPE I NBFC (Registered or Unregistered)

NBFC with ☒ **no Public Funds** (No P.D., No Borr from Bk/FI) and ☒ **no Customer Interface** (means mostly working as family offices, Pvt. Investment vehicles, holding cos.)

☒ **Asset Size** ~~DOE~~



Impact of Amendment:

Eg.

<u>FC Ltd (31.3.26) : BS</u>		<u>NBFC Ltd (31.3.26) : SPL</u>	
Total Assets (incl. IA of 50, FA 500)	<u>950</u>	Revenue : Financial	60
Equity	500	: Others	40
→ Liabilities	<u>450</u>	Expenses	...
		Profits	----

Whether FC Ltd. required to register itself with RBI u/s 45 IA as NBFC?

Soln FC Ltd is a deemed NBFC as it meets the 50:50 Test.

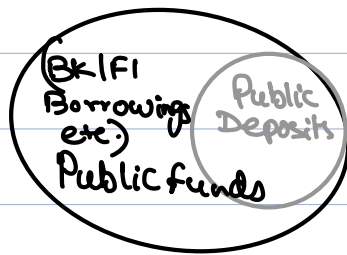
$$a) \frac{FA}{(FA+IA)} \times 100 \rightarrow \frac{500}{(500+50)} \times 100 > 50\%, \text{ and}$$

$$b) \frac{\text{Income from FA}}{\text{Total Income}} \times 100 \rightarrow \frac{60}{100} \times 100 > 50\%.$$

Hence required to register... but now with RBI (NBFC - Reg., Exemption and Framework for SBR) Amendment Directions, 2026 Since NBFC has Total Assets $\leq$ 1000 Crore, if it is not accessing public funds and has no customer interface it will not^{be} required to register.

POINTS TO NOTE:

① Public Funds Vs Public Deposits



② No Customer Interface:

Essentially no customers hence usually managing/dealing in promoter funds, for compliance objectives etc.

③ Asset Size vs Net Owned Funds:

- ✓ Reg. exemption is based on the Total of Assets side of BS.
- ✓ NOF are relevant terms for CRAR

④ How to claim exemption

Imp:

Existing NBFC & Already registered as Type I NBFC → That satisfy criteria of Exemption to apply for DEREGISTRATION by 31-12-26.

ST Tips: Since currently there was no exemption available for NBFC from registration hence all NBFC were required to register, thus exemption to be applied for.

Note: Earlier, exemption based on Asset size was available to Core Inv. Co.

Steps to claim exemption:

- ① Satisfy criteria above → Type 1 + Asset < 1000
- ② Pass annual Board Resolution that:
 - (i) No Public Funds accessed &
 - (ii) No Customer Interface planned during F.Y.
- ③ Disclosure of fact required in Notes to A/c
- ④ Apply for Deregistration, before 31.12.26

Note: Deregistration only on application and no concept of automatic deregistr.

only

⑤

Access to Public funds : Directly or Indirectly

No exemption even if public funds accessed indirectly — Thru Group Entities or Associates
For eg. Parent Co. has public funds accessed, then its Subsidiary NBFC will be considered to have indirectly accessed public funds hence exemption ineligible

⑥

STIPS

No intention to access public funds / cust. inter. in future

STIPS

⑦

Multiple Type 1 NBFC in a Group (Unregistered) :

Exemption Eligibility

Asset size of all such NBFC in a group to be < 1000 cr., else all NBFCs to be registered

⑧

CARO : Clause (xvi) of para 3 : Sub clause (a)

XVI.

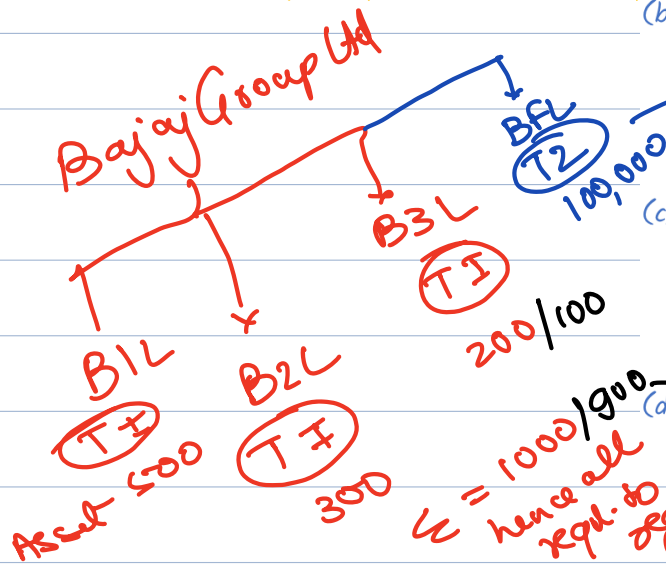
Registration with Reserve Bank of India

(a) whether the company is required to be registered under section 45-1A of the Reserve Bank of India Act, 1934 (2 of 1934) and if so, whether the registration has been obtained;

(b) whether the company has conducted any Non-Banking Financial or Housing Finance activities without a valid Certificate of Registration (CoR) from the Reserve Bank of India as per the Reserve Bank of India Act, 1934;

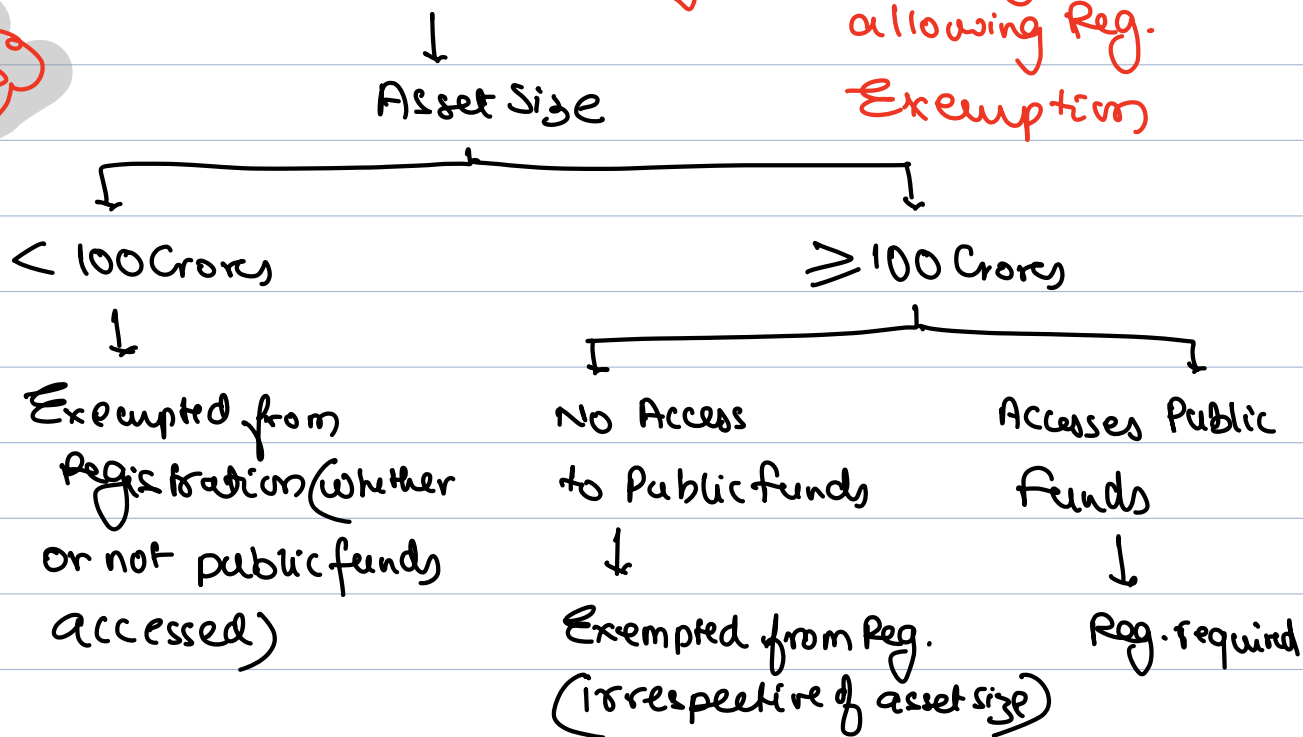
(c) whether the company is a Core Investment Company (CIC) as defined in the regulations made by the Reserve Bank of India, if so, whether it continues to fulfil the criteria of a CIC, and in case the company is an exempted or unregistered CIC, whether it continues to fulfil such criteria;

(d) whether the Group has more than one CIC as part of the Group, if yes, indicate the number of CICs which are part of the Group;



⑨

Core Investment Company (Existing Provisions) allowing Reg. Exemption



Hence: CIC with public funds but asset size < 100 Crores is exempted from reg.

∴ CIC with no public funds but asset size > 1000 Crores → Exempt from reg

⑩

Directions known as:

RBI (NBFC - Registration, Exemption, and Framework for Scale Based Regulation) Amendment Direction, 2006 (issued 29.4.26 ... effective 1.7.26)

Ⓑ. MFI - Remediation Plan

Fails to maintain:

- Gov. of Total Assets (net of IA)
- on ongoing basis
- in microfinance loans
- for 4 Consecutive quarters (3m x 4 times)

then, approach RBI with a remediation plan



NBFC-MFI

Example: NBFC-mfi whether meets the condition of being a mfi with following information as on 31-Dec-2025

<u>Total Assets</u>	{ 500 Crores, including;
<u>Intangible Assets</u>	50 Crores ←
<u>Trin Trin</u> → <u>Financial Assets</u>	300 Crores including;
<u>Micro finance loans</u>	200 Crores ←

Co. is of the opinion that condition is to be met
at year end i.e. 31-Mar-2026

Ans: Condition is to met - Ongoing basis.

$$\begin{aligned}
 \underline{31 \text{ Dec}} &\rightarrow \frac{\text{Microfinance Loans} \times 100}{\text{Total Asset} - \text{IA}} \\
 &= \frac{200}{(500 - 50)} \times 100 \\
 &= 44.44\% < 60\% \text{ hence}
 \end{aligned}$$

Condition not met. If this continues for
2 consecutive quarters then remediation
plan to be submitted with RBI

(financial assets 300 crore info is of no
relevance in the Q → Trin Trin)

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AMENDMENTS - JAN/MAY 2026

Chapter 14

I.

1

- i) Non-deposit taking NBFC $\geq 60\%$
- ii) Minimum 60% of Total assets are microfinance loans,
 - (a) Total assets to be Total assets netted off by Intangible assets
 - (b) Microfinance loans $\rightarrow$ As defined under Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022.
 - (c) Conditions to be met on ongoing (continuous) basis (and not just 31/3/22)

2

- If NBFC-MFI fails to meet the criteria above for;
- 4 consecutive quarter: $3m \times 4qr = 12m = 1 \text{ year}$
- then approach RBI with remediation plan.

II

1

- (d) Others (to be specified) including ROU assets

II.

- i) Condition for classification → Such loans $\geq 50\%$ of financial assets
- ii) Minimum Tier I Capital requirement
→ 12% (as against 10% in others)
- iii) Risk weighted assets of :
 - (a) on-balance sheet and
 - (b) risk adjusted value of off-balance sheet items.
- iv) These NBFCs shall also adhere to provisions of the Directions on treatment of DTA and DTL for computation of capital.
- v) These NBFCs shall also ensure compliance with the instructions issued vide 'Reserve Bank of India (Lending Against Gold and Silver Collateral) Directions, 2025' as expeditiously as possible but no later than April 1, 2026.

Chapter 19

Professional Ethics & Liabilities of Auditors

- ①

Clause (9) accepts an appointment as auditor of a company without first ascertaining from it whether the requirements of Section 225 of the Companies Act, 1956 (1 of 1956), or sections 139 to 141 of the Companies Act, 2013 or any other law pertaining to appointment of auditors for the time being in force, in respect of such appointment have been duly complied with;

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Clause (5) acts as an auditor of the company in contravention of the provisions of the Companies Act, 2013

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AUDIT AMENDMENTS by CA SJ

JAN/MAY 26

F.A.S.T.
first-attempt success tutorials

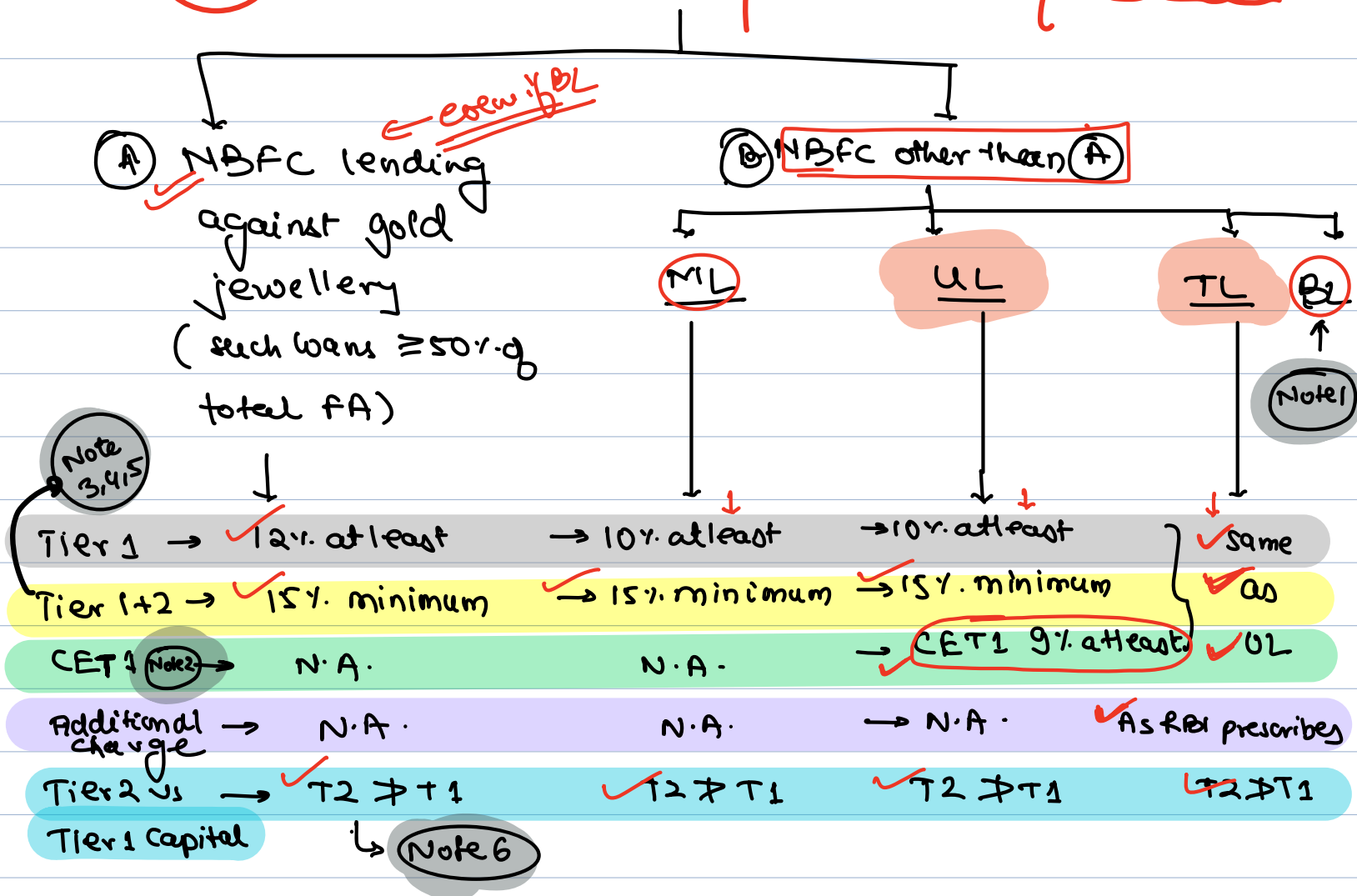
$$\tau_2 \neq \tau_1$$

Capital $\times 100 = 157$ Min

AUDIT AMENDMENTS by CA SJ

RWA	min		
100%	T1 7.5	Tier 1	Tier 2
	T2 7.5		
		ESC + SP + free Res	Prov. Res
		CC PSC + Stat Res	PSC

CRAR: Capital Requirement



Note 1: NBFC: BL (Other than into loan agst gold/jew)

- ✓ No CRAR,
- ✓ No Tier 1 Capital requirements
- ✓ But;

*** LEVERAGE RATIO** = $\frac{\text{Total outside liab.}}{\text{Owned funds}}$ $\frac{OL}{OF}$

to be ≤ 7

at any point of time

Note 2

CET1 Capital Ratio (Common Equity Tier, CET)

$$1. \quad \underline{\text{CET1 Capital Ratio}} = \frac{\text{CET1 Capital}}{\text{RWA}} \times 100$$

$$2. \quad \text{CET1 Capital} = \text{Tier1 Capital} \rightarrow \text{PDI} \text{ (Perpetual Debt Instruments)}$$

$\rightarrow$ Goodwill, other IA

$(T1 - \text{PDI} - \text{GIW \& IA} - \text{DTA} - \text{Reg Deduct}) \rightarrow$ Specified DTA

$\rightarrow$ other Regulatory deductions

CVET 1st Exam $\rightarrow$ PG - DD
Doordrahan only
IT

Note 3

Tier 1 Capital

Owned funds $\rightarrow$ Excess of: ✓

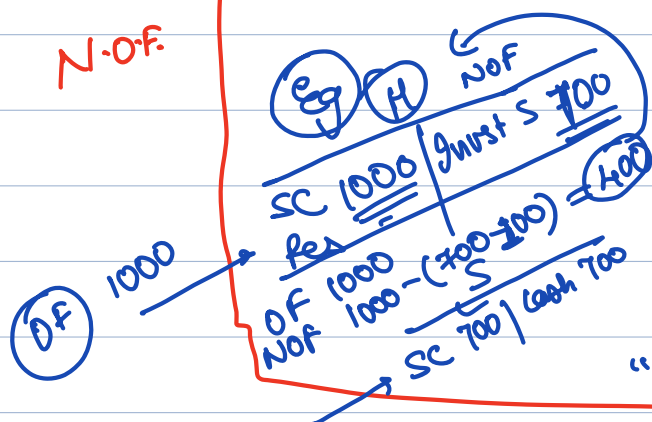
(a) Investments in other NBFC shares and

(b) Invest in ch/ deb/ bonds/ O/s loans/ Deposits advances incl. HP & Leases with Subs. and same group Cos

"above 10% of Owned funds"

(+) PDI (for ND, other than BL NBFC)
Subject to max. of 15% of T1 Capital
of P.4. (21.3.)

N.O.F.



Note 4

Owned funds

Not defined in SM or ICAI SM but includes:

ESC + CC PSC + Sec. Premium + Free Reserves
- Acc. losses & fictitious assets

Note 5 Tier 2 Capital

①

PSC other than CC PSC

②

Rev. Reserves $\times 55\%$

Eg Rev. Res 500

T2 Cap include $500 \times 55\% \Rightarrow 275$

③

General Provision incl. Std. Asset Provision

+ Loss Reserve (for unforeseen future losses & not foreseen diminution in value)

(Max 1.25% of RWA)

④

Hybrid Debt Capital Instruments

⑤

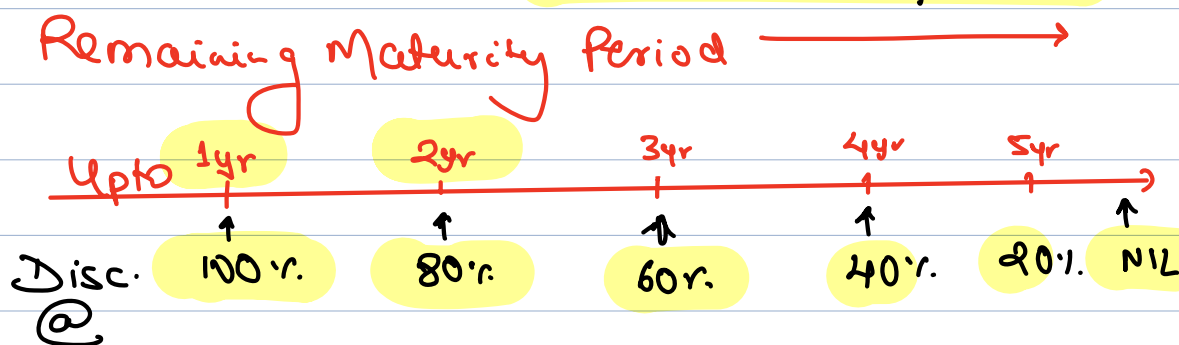
Excess of P.D.I: In excess of considered in T1 Capital

(N.A. for BL)

(N.A. of D-NBFC)

⑥

Sub-ord. Debt: consider. after discounting book value as follows



Max. disc. Sub-ord Debt to be $\leq 50\%$ of

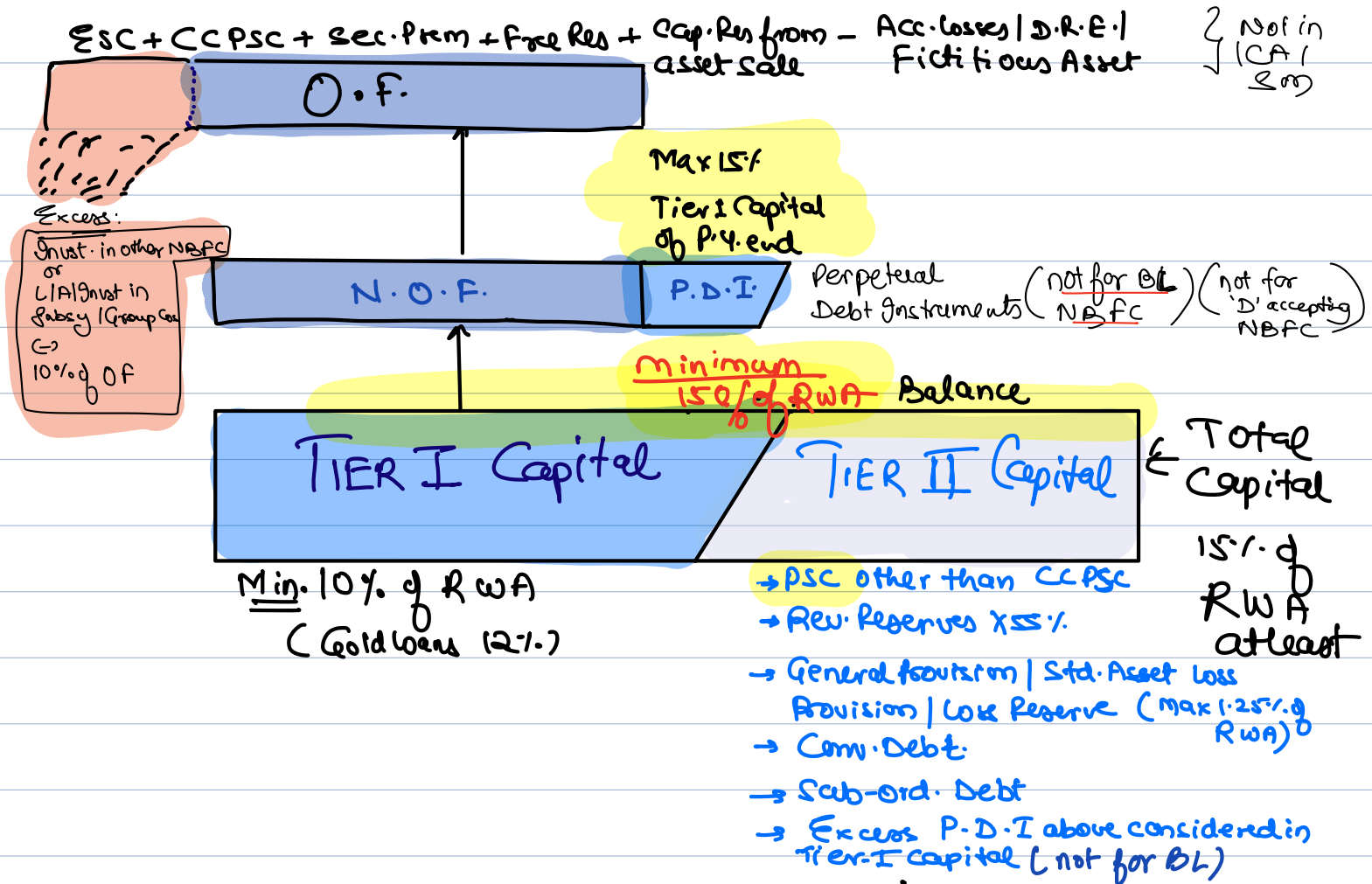
Tier 2 Capital

Tier 1 Capital

Sub Limits $\rightarrow$	① PSC	② R. Res	③ Gen. Prov.	④ Conv. Debt.	⑤ PDI	⑥ Subord Debt
Limits $\rightarrow$	N.A.	N.A.	1.25% of RWA	N.A.	NIL for D, BL	50% of T1
Disc. $\rightarrow$	N.A.	45%	N.A.	N.A.	N.A.	100/80/60/40/20/0

Audit: Game Changer Batch: NBFC Audit

NET OWNED FUNDS



Note 6

T2 Capital to be not more than
100% of T1 Capital

Example:-

Case	T1 %	T2 %	CRAR %?	CRAR limit met?
(i)	10%	11%	20%	Yes (15% (Total) 10% (T1))
(ii)	14% ✓	12% ✓	26% ✓	Yes (15% 10%) ✓
(iii)	8% ✓	8% ✓	16% ✓	No, T1 min 10% <u>limit not met</u>
(iv)	<u>7%</u>	<u>10%</u>	<u>14%</u>	No, <u>15% limit</u> <u>10% limit both not met</u>
(v)	<u>12%</u>	<u>2%</u>	<u>14%</u>	No, 15% not met <u>= = =</u>
(vi)	<u>12%</u>	<u>15%</u>	<u>24%</u>	yes <u>=</u>

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Unit 2 - Special Features of Audit of Non-Banking Financial Companies

I. NBFC-MFI

1 Conditions to be a MFI:

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 - (c) Conditions to be met on ongoing (continuous) basis

2 What if conditions not met?

- If NBFC-MFI fails to meet the criteria above for;
- 4 consecutive quarter;
- then approach RBI with remediation plan.

III. Risk Weighted Assets

Addition of ROU Assets to Other Assets

(v) Other assets:

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II. NBFC - Primarily engaged in lending against GOLD jewellery Muthoot Finance

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1. Clause (9) of Part I of First Schedule - Reference to Section 139 to 141 of CA, 2013 added

Clause (9) accepts an appointment as auditor of a company without first ascertaining from it whether the requirements of Section 225 of the Companies Act, 1956 (1 of 1956), or sections 139 to 141 of the Companies Act, 2013 or any other law pertaining to appointment of auditors for the time being in force, in respect of such appointment have been duly complied with;

2. Clause (5) in Part II of Second Schedule - New clause added

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Example:

NBFC-MFI whether meets the condition of being a MFI with following information as on 31-Dec-2025

Total Assets	500 Crores, including:
Intangible Assets	50 Crores
Financial Assets	300 Crores including:
Micro finance loans	200 Crores

Co. is of the opinion that condition is to be met
at year end i.e. 31-Mar-2026

Ans: Condition is to met - Ongoing basis.

$$\underline{31 \text{ Dec}} \rightarrow \frac{\text{Microfinance loans} \times 100}{\text{Total Asset} - \text{IA}}$$

$$= \frac{200}{(500 - 50)} \times 100$$

$$= 44.44\% < 60\% \text{ hence}$$

Condition not met

2. NBFC - Lending against gold jewellery

Example: Whether following NBFC regarded as NBFC lending against gold jewellery required to maintain 12% in Tier I Capital?

Total Assets

Thin Thin {
✓ Intangible Assets
✓ Financial Assets

→ Loan against gold jewellery

→ Loan against gold

500 Crores including:

50 Crores

300 Crores

including:

150 Crores

50 Crores

not permitted

Ans:

$$\frac{\% \text{ of loan agst Gold jewellery}}{\text{Financial Asset}} = \frac{150}{300} \times 100$$

150 not 200

= 50%

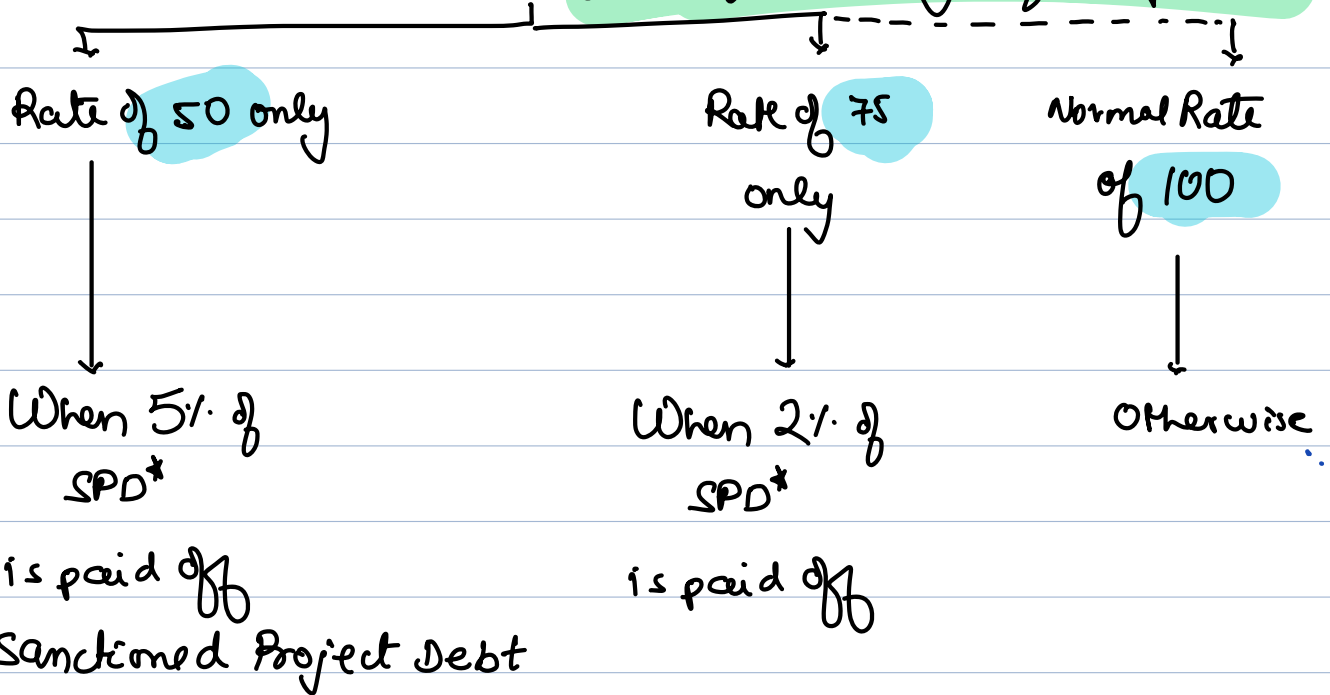
hence Tier I capital 12% required.

(D)

CRAR: RISK WEIGHTED ASSETS

Risk Wt for RWA in CRAR

① Concessional Rate for High Quality Infra Project



Terms:

- a) High Quality Infra Projects : Ro' defines basis
- b) SPD : Initial amount sanctioned excluding additional topups if any

Review:

Project will be reviewed every year before 31 march, and the risk weight may change due to ratings change, not later than earlier of:

- a) Next Review
- b) 31-3-0f next F.Y.

② Row Asset : Added in risk weight table with risk weight 100 %.

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E.

Standard Asset PROVISIONING:

① Form L : 0.40% including micro-finance loans } No change
(for BL) : 0.25%

② For UL :

a) Individual's Housing Loans 0.25%

b) SME loans (small & "micro") 0.25%

Housing loan at Teaser rate → Lower rate in start 2%

↳ When rates reset to normal 2%

↳ One year after rate reset to normal & if a/c is PA 0.40%

d) Advance to Commercial Real Estate (CRE): Residential Housing (RH) 0.75%

e) Advance to CRE (not RH) 1%

f) Resolution of Stressed Advance As per resolution of Stressed Asset Directions

g) Stressed asset restructured then +5% additional Provision per restructuring (max 100%)

↳ When "20% of O/S amt paid post restructuring", without slipping to NPA Excess prov. released

h) all other loans (including loan to Medium Enterprise) 0.40%

DD Disbursal
1.1.2026
HL @ Teaser Rate
Rate Class Std.
31.3.26 T.R. Std.
31.3.27 T.R. Std.
31.3.28 N.R. Std.
31.3.29 N.R. Std.
2%
2%
0.40%
2%
2%
0.40%

$$2\% + 5\% \times 4 = 22\%$$

20%

Example

Illustration: An NBFC-UL has the following 'standard' assets outstanding: individual housing loans ₹ 200 crore; CRE (other than CRE-RH) advances ₹ 50 crore; and other loans ₹ 100 crore. Standard asset provision = $(200 \times 0.25\%) + (50 \times 1.00\%) + (100 \times 0.40\%) = ₹ 0.50 \text{ crore} + ₹ 0.50 \text{ crore} + ₹ 0.40 \text{ crore} = ₹ 1.40 \text{ crore}$.

* **DLG**: If Direct Loss Guarantee (DLG) cover available, consider it in Computation of Expected Credit Loss.

Q. NBFC has Standard Assets of 1000 Crores, all to Medium Enterprises. NBFC is ML.

> Provision to be as per Ind AS or RBI norms?

> What if DLG available for 50 Crores?

Ans. > RBI norms based provision = 40 Crores

@ 0.40% X 1000 Crore

Now this is the minimum required

> Now as per Ind AS, NBFC computes ECL as per Ind AS and RBI clarifies in such ECL computation DLG can be considered.

So if ECL is 70 Crores as per Ind AS and

DLG is 50 Crores then as per Ind AS

requirement to recognise impairment loss is of

20 (70 - 50) only.

But RBI norms being minimum 40 Cr. Prov. made.

[Note: RBI provision will not be (1000 - 50 DLG) X 0.40%]

ETHICS :

① New Clause added

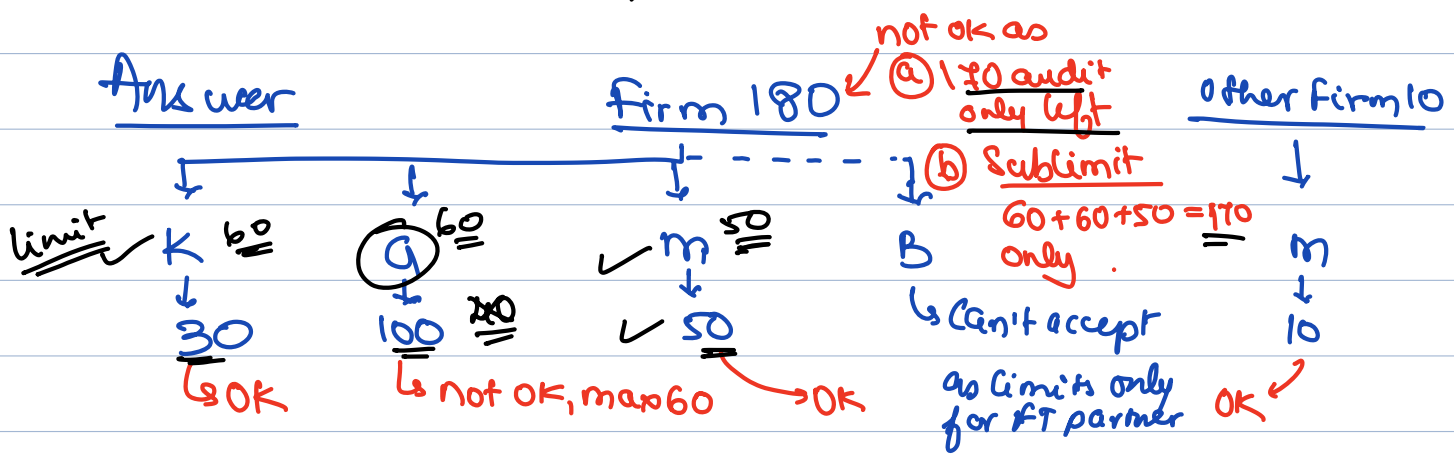
i) C9-P1-S1 : PTO

ii) C5-P2-S2 : PTO

iii) Limits of Tax Audit :

- 60 audit per assessment financial year
- limit on signing reports as well
- If TAR revised, not accounted
- Only H4AB audit covered and not audit of S.44 AE / H4ADA / 44AD.

Example : KGM & Co. a CA firm has accepted 180 tax audit for 2025-26 (FY) and partner Guddu signed 100 audit, Kaleen Bhaiya signed 50, Munna signed 50. Munna also partner elsewhere and sign 10 audits in that firm. They also have a part time partner Bablu who wants to also accept tax audit. Comment as per revised CGC under CA Act, 1979.



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