

Monthly GAAP Bulletin

April 2021
Volume I





Introduction

Dear reader,

Grant Thornton Bharat is delighted to present Monthly GAAP Bulletin, which summarises significant accounting, auditing and related updates. This publication has been compiled to meet the needs of dynamic Indian businesses and focuses on key developments in India and across the globe.

To access the source of information and complete details, you can click the hyperlinked text below each update.

We would be pleased to receive your valuable feedback. Please write to us at npsg@in.gt.com with your comments, questions or suggestions.

This edition covers updates for February 2021.

Following is the index of updates:





Contents

A. India updates - Effective

a. Accounting updates

1. Educational material on Ind AS 105, Non-current Assets Held for Sale and Discontinued Operations
2. Guidance note on accounting by e-commerce entities
3. Guidance Note on accrual basis of accounting
4. Publication: Study on compliance of financial reporting requirements (Ind AS Framework)

b. Auditing updates

1. Risk-based internal audit for banks and NBFCs
2. Guidance note on Audit of Banks 2021

c. Regulatory updates

Companies Act updates

1. Companies (Compromises, Arrangements and Amalgamations) Amendment Rules, 2021
2. Companies (Incorporation) Second Amendment Rules, 2021
3. Companies (Specification of Definitions Details) Amendment Rules, 2021
4. Companies (Specification of Definitions Details) Second Amendment Rules, 2021
5. Companies (Share Capital and Debentures) Amendment Rules, 2021
6. Commencement of provisions of Companies (Amendment) Act, 2020 and Companies (Amendment) Act, 2017

7. Guidance note on general meetings and meetings of the board of directors
8. Background material on business responsibility and sustainability reporting

SEBI updates

1. SEBI (Mutual Funds) (Amendment) Regulations, 2021
2. Extension of facility for conducting meeting(s) of unitholders of REITs and InvITs through videoconferencing or through other audio-visual means
3. Publication: FAQs on SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015
4. Handbook on role of woman directors

Other regulatory updates

1. Master Direction - Non-Banking Financial Company - Housing Finance Company (Reserve Bank) Directions, 2021
2. Investment in NBFCs from FATF non-compliant jurisdictions
3. Master Direction on Digital Payment Security Controls
4. Prudent management of financial resources of insurers owing to the COVID-19 pandemic
5. Publications on valuation/valuation standards

B. India updates - Proposed

a. Accounting updates

1. Exposure drafts of amendments to Ind AS
2. Exposure draft on regulatory assets and regulatory liabilities

b. Auditing updates

1. Exposure draft on standard for audit of smaller and less complex entities

c. Regulatory updates

SEBI updates

1. Decisions in SEBI board meeting
2. Consultation paper on review of regulatory provisions related to independent directors

C. International updates - Effective

a. IFRS updates

1. Amendments to IAS 1, Presentation of Financial Statements, and IFRS Practice Statement 2, Making Materiality Judgements, and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors

D. International updates – Proposed

a. IFRS updates

1. Amendments to IFRS 16, Leases: COVID-19-Related Rent Concessions beyond 30 June 2021

b. Auditing updates

1. Exposure draft on proposed quality management standards
2. Exposure draft on proposed statement on Auditing Standards, Inquiries of the Predecessor Auditor Regarding Fraud and Non-compliance with Laws and Regulations



A. India updates - Effective

a. Accounting updates

b. Auditing updates

c. Regulatory updates



A. India updates - Effective

B. India updates - Proposed

C. International updates - Effective

D. International updates - Proposed

a. Accounting updates

1. Educational material on Ind AS 105, Non-current Assets Held for Sale and Discontinued Operations

The Institute of Chartered Accountants of India (ICAI) has issued Educational Material on Ind AS 105, Non-current Assets Held for Sale and Discontinued Operations, which addresses certain relevant aspects envisaged in Ind AS 105 by way of brief summary of the standard and frequently asked questions that are being/expected to be encountered while implementing Ind AS 105.

Click [here](#) for announcement.

Click [here](#) for educational material.

2. Guidance note on accounting by e-commerce entities

The ICAI had issued guidance note on accounting by dot-com companies, which dealt with accounting treatment of various revenue and expense items peculiar to the dot-com business. The ICAI has now issued a guidance note on accounting by e-commerce entities (revised guidance note), which deals with accounting by e-commerce entities in respect of certain issues relating to revenue and expense recognition.

Some of the accounting issues in e-commerce entities have arisen due to the new business models being used in such entities. The revised guidance note amongst other aspects deals with accounting for revenue involving multiple element arrangements, situations where there is right of return, loyalty programs, accounting for inventory, advertisement costs, etc.

This revised guidance note applies to companies preparing financial statements under Companies (Accounting Standard) Rules 2006, as amended, under Section 133 of the Companies Act, 2013 (the 2013 Act). It also applies to entities such as limited liability partnerships firms that prepare financial statements under the Accounting Standards issued by the ICAI.

Click [here](#) for the revised guidance note.

3. Guidance note on accrual basis of accounting

The ICAI has issued revised edition of guidance note on accrual basis of accounting (originally issued in the year 1988). The guidance note explains the fundamental concept of accrual accounting and the process of transition from cash basis to accrual basis of accounting. This guidance note covers definition of accrual, accrual basis of accounting, difference between accrual and cash basis of accounting, need for the accrual principle, application of accrual basis of accounting with respect to assets, liabilities with some examples, income and expenses, transition from cash to accrual accounting along with appendices that include practical illustrations.

This guidance note applies to entities following accounting standards issued by the ICAI and not to the corporate entities reporting under Accounting Standards under Companies (Accounting Standards) Rules, 2006 or Indian Accounting Standards under Companies (Indian Accounting Standards) Rules, 2015.

Click [here](#) for the guidance note.

4. Publication: Study on compliance of financial reporting requirements (IND AS Framework)

Financial Reporting Review Board (FRRB) of the ICAI has issued a publication Study on Compliance of Financial Reporting Requirements (IND AS Framework). This publication covers instances of common non-compliances for information of members and various other stakeholders and also covers non-compliances observed relating to Schedule II and Schedule III of the Companies Act, 2013, Engagement and Quality Control Standards (Standards of Auditing) and Companies Auditor Report Order, 2016.

Click [here](#) for the publication.



A. India updates - Effective

b. Auditing updates

1. Risk-based internal audit for banks and NBFCs

The Reserve Bank of India (RBI) had issued risk-based internal audit (RBIA framework) mandated for all scheduled commercial banks except regional rural banks vide circular dated 27 December 2002, which was further supplemented vide notification dated 7 January 2021 that intends to bring uniformity in approach followed by the banks in order to align the expectations on internal audit function with the best practices.

Click [here](#) for notification dated 27 December 2002.

Click [here](#) for notification dated 7 January 2021.

Now, the RBI has issued notification dated 3 February 2021 which mandates the RBIA Framework for the following non-banking financial companies (NBFCs) and primary (urban) co-operative banks (UCBs):

- a. All deposit taking NBFCs, irrespective of their size;
- b. All non-deposit taking NBFCs (including core investment companies) with asset size of ₹5,000 crore and above; and
- c. All UCBs with asset size of ₹500 crore and above.

Such entities are required to implement the RBIA Framework by 31 March 2022.

Click [here](#) for the notification.

B. India updates - Proposed

2. Guidance note on Audit of Banks 2021

The ICAI has issued guidance note on audit of banks (2021 edition) for statutory audit of banks/bank branches for the year ended 31 March 2021. The Guidance Note is bifurcated into following two sections:

Section A: Statutory Central Audit

Section B: Bank Branch Audit

The Guidance Note also contains illustrative formats of engagement letter, auditor's report, management representation letter and texts of relevant master directions and circulars issued by the RBI.

Click [here](#) for the guidance note.

C. International updates - Effective

c. Regulatory updates Companies Act updates

1. Companies (Compromises, Arrangements and Amalgamations) Amendment Rules, 2021

The Ministry of Corporate Affairs (MCA), vide its notification dated 1 February 2021, issued amendments to the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 (principal rules). These amended rules provide the following:

- A scheme of merger or amalgamation under Section 233, **Merger or Amalgamation of Certain Companies**, of the 2013 Act can be entered into between any of the following class of companies:
 - i. Two or more start-up companies; or
 - ii. One or more start-up company with one or more small company.

For the purpose of this new provision, **start-up company** is defined to mean a private company incorporated under the 2013 Act or Companies Act, 1956 and recognised as such in accordance with notification number G.S.R. 127 (E), dated 19 February 2019 issued by the Department for Promotion of Industry and Internal Trade.

Prior to this amendment, a scheme of merger or amalgamation as per Section 233 of the 2013 Act was permitted for a merger or amalgamation between two or more small companies or between a holding company and its wholly-owned subsidiary company.

The amended rules came into force on 1 February 2021.

Click [here](#) for the notification.

D. International updates - Proposed

2. Companies (Incorporation) Second Amendment Rules, 2021

The MCA, vide its notification dated 1 February 2021, issued amendments to Companies (Incorporation) Rules, 2014 (principal rules). The key amendments include the following in relation to one person company (OPC):

- Removal of restriction on voluntary conversion of OPC into any other kind of company except Section 8 company until two years from its date of incorporation;
- Removal of compulsory conversion of OPC into private or public company if the paid-up share capital of an OPC exceeded INR 50 lakh or its average annual turnover during the relevant period exceeded INR 2 crore at any time even in the first two years of incorporation;
- OPC may be converted into a private or public company, other than a company registered under Section 8, Formation of Companies with Charitable Objects, etc., of the 2013 Act, after increasing the minimum number of members and directors to two or seven members and two or three directors, as the case may be, and maintaining the minimum paid-up capital as per the requirements of the 2013 Act for such class of company and by making specified due compliances.
- Non-resident Indians are now allowed to incorporate OPC and residency requirement to set up an OPC for an Indian citizen has been reduced from 180 days to 120 days.
- E-Form No. INC 5 has been omitted. Also, E-Form No. INC-6 is substituted with revised E-Form No. INC-6, one person company and private company-application for conversion.

These amended rules will come into force on 1 April 2021.

Click [here](#) for the notification.



A. India updates - Effective

3. Companies (Specification of Definitions Details) Amendment Rules, 2021

The MCA, vide its notification dated 1 February 2021, issued amendments to Companies (Specification of Definitions Details) Rules, 2014 wherein thresholds for paid-up capital and turnover have been revised which are to be considered for the purpose definition of small companies in Section 2(85) of the 2013 Act.

The revised definition provides that for the purpose of section 2(85):

- Paid-up capital of the small companies should not exceed INR 2 crore (earlier INR 50 lakh) and
- Turnover should not exceed INR 20 crore (earlier INR 2 crore)

These amended rules will come into force on 1 April 2021.

Click [here](#) for the notification.

4. Companies (Specification of Definitions Details) Second Amendment Rules, 2021

The MCA, vide its notification dated 19 February 2021, has issued amendments to Companies (Specification of Definitions Details) Rules, 2014 introducing new **Rule 2A**

B. India updates - Proposed

that provides that following classes of companies **will not be considered as listed companies** for the purpose of Section 2(52), **Definition of Listed Companies**, of the 2013 Act:

- a. **Public companies** that have not listed their equity shares on a recognised stock exchange but have listed their:
 - i. **Non-convertible debt securities (NCDs)** issued on private placement basis in terms of SEBI (Issue and Listing of Debt Securities) Regulations, 2008 (debt regulations*) or;
 - ii. **Non-convertible redeemable preference shares (NCRPS)** issued on private placement basis in terms of SEBI (Issue and Listing of Non-convertible redeemable preference shares) Regulations, 2013 (NCRPS Regulations); or
 - iii. Both categories of (i) and (ii) above.
- b. **Private companies** which have listed their **NCDs** on private placement basis on a recognised stock exchange in terms of debt regulations;
- c. **Public companies** which have not listed their equity shares on a recognised stock exchange but whose equity shares are listed on a stock exchange in a permissible foreign jurisdiction as specified in sub-section (3) of section 23 of the 2013 Act.

These amended rules will come into force on 1 April 2021.

Click [here](#) for the amended rules.

C. International updates - Effective

5. Companies (Share Capital and Debentures) Amendment Rules, 2021

The MCA, vide its notification dated 11 February 2021, issued amendments to Companies (Share Capital and Debentures) Rules, 2014.

These amended rules have introduced new Rule 12A, **Period for notice under sub-clause (i) of clause (a) of sub-section (1) of Section 62**, which provides that the period of notice to be given by the company to the existing shareholders for acceptance of offer of subscribing to share capital proposed to be issued by the company under section 62(1)(a)(i), i.e., rights issue will not be less than seven days from the date of offer (earlier the minimum offer period was 15 days).

These amended rules will come into force from 1 April 2021.

Click [here](#) for the amended rules.

D. International updates - Proposed

6. Commencement of provisions of Companies (Amendment) Act, 2020 and Companies (Amendment) Act, 2017

The MCA, vide its notification dated 28 September 2020, issued Companies (Amendment) Act 2020 (Amended Act 2020). These amendments were to be made effective from the date central government notifies it in the Official Gazette.

Click [here](#) for the Amended Act 2020.

The MCA had notified effective date of certain sections of the Amended Act 2020 vide notification dated 22 January 2021.

Click [here](#) for the notification dated 22 January 2021.

The MCA has now further notified effective date as 11 February 2021 for **Section 52, Insertion of New Chapter XXIA, Producer Companies**, and **Section 66, Amendment to Section 465 (Repeal of Certain Enactments and Savings)** of the Amended Act 2020 vide notification dated 11 February 2021.

Click [here](#) for notification dated 11 February 2021.



A. India updates - Effective

In furtherance to this, the MCA has also issued **Producer Companies Rules, 2021**. These rules are effective from 11 February 2021.

Click [here](#) for the rules.

The MCA has also issued notification which notifies effective date as 5 March 2021 for clause (i) of section 23 of the Companies (Amendment) Act, 2017. This section introduced amendment to section 92, **Annual Return**, of the 2013 Act.

Click [here](#) for the notification dated 8 March 2021.

7. Guidance note on general meetings and meetings of the board of directors

The Institute of Company Secretaries of India has issued following revised guidance notes:

- Guidance note on general meetings
- Guidance note on meetings of the board of directors

B. India updates - Proposed

These guidance notes were issued basis revised secretarial standards, SS-2 and SS-1 respectively which were made applicable with effect from 1 October 2017.

These revised guidance notes are issued to align the relevant provisions introduced by the Companies (Amendment) Act, 2017 and based on the relevant rules, circulars, clarifications etc. issued by the MCA until 31 December 2020.

Click [here](#) for the guidance note on general meetings.

Click [here](#) for the guidance note on meetings of the board of directors.

8. Background material on business responsibility and sustainability reporting

Committee on Business Responsibility Reporting constituted by the MCA for finalising business responsibility reporting formats for listed and unlisted companies, based on the framework of the National Guidelines for Responsible Business Conduct (NGRBCs) had released its report in August 2020.

C. International updates - Effective

The Committee has addressed various aspects and issues that could improve the quality and utility of disclosures and recommended Business Responsibility and Sustainability Reporting (BRSR) as an update on the existing Business Responsibility Reporting (BRR) to incorporate the current global practices in non-financial sustainability reporting based on the NGRBCs.

With a view to provide guidance to the members of the ICAI in this emerging area of business responsibility, Sustainability Reporting Standards Board of the ICAI has issued Background Material on Business Responsibility and Sustainability Reporting (background material). This background material contains an overview of global trends in corporate sustainability reporting, NGRBC 2018, UN Sustainable Development Goals, MCA BRSR disclosures, sustainable finance, assurance aspects, etc.

Click [here](#) for background material.

D. International updates - Proposed

SEBI updates

1. SEBI (Mutual Funds) (Amendment) Regulations, 2021

The Securities and Exchange Board of India (SEBI), vide its notification dated 4 February 2021, has issued amendments to SEBI (Mutual Funds) Regulations, 1996. The key amendments include:

- Sponsors that are not fulfilling profitability criteria at the time of making an application will also be considered eligible to sponsor a mutual fund subject to asset management company (AMC) being required to have and maintain a net worth of not less than INR 100 crore on a continuous basis till such sponsor has profits for the five consecutive years.
- The trustees will be required to review the net worth of the AMC on a quarterly basis to ensure the above threshold compliance is being met on a continuous basis.

These amended regulations are applicable on 30th day from the publication in official gazette, i.e., 4 February 2021.

Click [here](#) for the amended regulations.



A. India updates - Effective

2. Extension of facility for conducting meeting(s) of unitholders of REITs and InvITs through videoconferencing (VC) or through other audio-visual means (OAVM)

SEBI vide its circular dated 22 June 2020 read with circular dated 8 October 2020 had permitted Real Estate Investment Trusts/ Infrastructure Investment Trusts (REITs/InvITs) to conduct annual meetings and other meetings of unitholders through VC or OAVM up to 31 December 2020.

Click [here](#) for circular dated 22 June 2020.

Click [here](#) for circular dated 8 October 2020.

MCA also, vide its circulars dated 31 December 2020 and 13 January 2021, has permitted companies to conduct their Extraordinary General meetings up to 30 June 2021 and Annual General meetings due in the year 2021 through VC or OAVM.

Click [here](#) for circular dated 31 December 2020.

Click [here](#) for circular dated 13 January 2021.

B. India updates - Proposed

In line with the MCA circulars, SEBI has also extended the facility to conduct meetings of unitholders, through VC or OAVM for REITs/InvITs, as follows:

- Annual meetings of unitholders in terms of Regulation 22(3) of SEBI (Real Estate Investment Trusts) Regulations, 2014 and Regulation 22(3)(a) of SEBI (Infrastructure Investment Trusts) Regulations, 2014, (which becomes due in the calendar year 2021) to be conducted till **31 December 2021**.
- For meetings other than annual meeting of unitholders till **30 June 2021**.

Click [here](#) for the circular.

3. Publication: FAQs on SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015

SEBI had issued SEBI (Listing Obligations and Disclosure Requirements) Regulations (SEBI LODR Regulations) in 2015 to have a consolidated document for all regulations pertaining to various types of securities listed on the stock exchanges.

C. International updates - Effective

In order to facilitate the understanding and interpretation of law under the amended provisions of SEBI LODR Regulations, the ICAI has issued a publication on frequently asked questions (FAQs) on SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015. The publication has been designed to assist the members of the ICAI in understanding the intricacies of the SEBI LODR Regulations.

Click [here](#) for publication.

4. Handbook on role of woman directors

The ICAI has issued a **handbook on role of women directors** that provides insights into various role and responsibilities that are bestowed on the women directors. The handbook also covers important FAQs and covers practical aspects to be taken care by the directors along with audit committee checklist and CSR committee checklist has also been included in the handbook.

Click [here](#) for the handbook.

D. International updates - Proposed

Other regulatory updates

1. Master Direction - Non-Banking Financial Company - Housing Finance Company (Reserve Bank) Directions, 2021

The RBI has issued **Master Direction - Non-Banking Financial Company - Housing Finance Company (Reserve Bank) Directions, 2021**, in supersession of the regulations/directions as given in Chapter XVII of these master directions.

These master directions have been issued to prevent the affairs of any housing finance company (HFC) from being conducted in a manner detrimental to the interest of investors and depositors or in any manner prejudicial to the interest of such HFCs.

These master directions are applicable to every HFC registered under Section 29A of the National Housing Bank Act, 1987 (unless otherwise directed by the RBI). The directions also include **Chapter XII, Auditor's Report**, which is applicable to every auditor of the HFC.

These master directions are effective from date of issue, i.e., 17 February 2021.

Click [here](#) for the master directions.



A. India updates - Effective

2. Investment in NBFCs from FATF non-compliant jurisdictions

The RBI, vide notification dated 12 February 2021, has clarified that investors in existing NBFCs holding their investments prior to the classification of the source or intermediate jurisdiction(s) as 'Financial Action Task Force (FATF) non-compliant' may continue with the investments or bring in additional investments as per extant regulations so as to support continuity of business in India.

However, new investors from or through non-compliant FATF jurisdictions, whether in existing NBFCs or in companies seeking Certification of Registration (COR), should not be allowed to directly or indirectly acquire significant influence in the investee, as defined in the applicable accounting standards. In other words, fresh investors (directly or indirectly) from such jurisdictions in aggregate should be less than the threshold of 20% of the voting power (including potential voting power) of the NBFC.

The aforesaid notification is effective from 12 February 2021.

Click [here](#) for the notification.

B. India updates - Proposed

3. Master Direction on Digital Payment Security Controls

Pursuant to announcement in the **Statement on Developmental and Regulatory Policies** issued on 4 December 2020, RBI has issued the **Master Direction on Digital Payment Security Controls**.

These master directions provide necessary guidelines for the regulated entities (scheduled commercial banks, small finance banks, payment banks and credit card issuing NBFCs) to set up a robust governance structure and implement common minimum standards of security controls for digital payment products and services. The guidelines are technology and platform agnostic and will create an enhanced and enabling environment for customers to use digital payment products in a more safe and secure manner.

Click [here](#) for the master directions.

C. International updates - Effective

4. Prudent management of financial resources of insurers owing to the COVID-19 pandemic

Insurance Regulatory and Development Authority of India (IRDAI), vide its circular dated 24 April 2020, directed all insurers to refrain from dividend pay-outs from profits pertaining to financial year 2019-20 to conserve adequate capital with the insurance companies in the interest of policy holders and of economy at large owing to COVID-19 pandemic.

Click [here](#) for the circular dated 24 April 2020.

IRDAI, vide its circular dated 25 February 2021, now withdrawn the aforementioned circular dated 24 April 2020 with immediate effect owing to revival phase of the economy in general and insurance industry in particular.

Click [here](#) for the circular dated 25 February 2021.

D. International updates - Proposed

5. Publications on valuation/valuation standards

The ICAI has issued following publications/guides on valuation:

- **Educational material - ICAI Valuation Standard 103 - Valuation Approaches and Methods** which contains a summary of ICAI Valuation Standard-103 discussing key requirements of the standard in brief, case studies, illustrations and frequently asked questions covering the issues which are expected to be encountered while implementing the standard. Click [here](#) for the publication.
- **Technical Guide on Valuation (Revised Edition 2021)** which provides a contemporary analysis of practical issues in valuation. It brings together the approaches, rules and principles involved in valuation as laid down by law, the statutory guidelines, and the decisions of courts as well as established valuation practices. This revised edition includes latest developments to facilitate the valuers in understanding share valuation.

Click [here](#) for publication.



A. India updates - Effective

- **Valuation: Professionals' Insights (Series 5):** This publication is a compilation of the articles on various valuation topics written by experts in this field.

Click [here](#) for the publication.

- **Educational Material on ICAI Valuation Standard 301 - Business Valuation** which contains summary of ICAI Valuation Standard 301 and illustrations explaining the principles enunciated in the standard. This publication also contains frequently asked questions covering issues which are expected to be encountered while implementing standard.

Click [here](#) for the publication.

B. India updates - Proposed

C. International updates - Effective

D. International updates - Proposed





B. India updates - Proposed

a. Accounting updates

b. Auditing updates

c. Regulatory updates



A. India updates - Effective

B. India updates - Proposed

C. International updates - Effective

D. International updates - Proposed

a. Accounting updates

1. Exposure drafts of amendments to Ind AS

Accounting Standards Board of the ICAI has issued following exposure drafts of amendments to following Ind AS for comments, which considers amendments made in corresponding IFRS Standards issued by the International Accounting Standards Board (IASB):

- **Exposure Draft of Onerous Contracts - Amendments to Ind AS 37, Provisions, Contingent Liabilities and Contingent Assets.** Click [here](#) for the exposure draft.
- **Exposure Draft of Property, Plant and Equipment: Proceeds before Intended Use - Amendments to Ind AS 16, Property, Plant and Equipment.** Click [here](#) for the exposure draft.
- **Reference to the Conceptual Framework (Amendments to Ind AS 103, Business Combinations).** Click [here](#) for the exposure draft.
- **Annual Improvements to Ind AS (2021).** Click [here](#) for the exposure draft.

Last date for submission of comments was 20 March 2021.

Click [here](#) for the ICAI announcement.

2. Exposure draft on regulatory assets and regulatory liabilities

The IASB issued an **exposure draft** on new accounting standard, **regulatory assets and regulatory liabilities** requiring companies subject to rate regulation to give investors better information about their financial performance.

Click [here](#) for the IASB announcement.

Click [here](#) for the exposure draft.

The ICAI has also hosted abovementioned exposure draft on its website for public comments with last date for submission of comments as 10 May 2021.

Click [here](#) for the ICAI announcement.

b. Auditing updates

1. Exposure draft on standard for audit of smaller and less complex entities

Auditing and Assurance Standards Board (AASB) of the ICAI has issued exposure draft on standard for audit of smaller and less complex entities for comments. The exposure draft, inter alia, provides the following:

- Definition of a smaller and less complex entity (SLCE)
- Provisions in respect of overall objectives of the independent auditor and the conduct of an audit in accordance with SA-SLCE
- Provisions in respect of quality control for an audit of financial statements
- Provisions in respect of audit documentation
- Illustrations of Independent auditor's reports on financial statements

Last date for submission of comments is 31 March 2021.

Click [here](#) for the exposure draft.





A. India updates - Effective

B. India updates - Proposed

C. International updates - Effective

D. International updates - Proposed

c. Regulatory updates SEBI updates

1. Decisions in SEBI board meeting

SEBI, in its meeting dated 17 February 2021, inter alia, took the following decision:

- **Minimum public offer (MPO) requirements for large issuers relaxed**

SEBI has decided to recommend changes in the Securities Contracts (Regulation) Rules, 1957 (SCRR) for issuers with post issue market capital exceeding INR 100,000 crores, the requirement of MPO be reduced from 10% of post-issue market capital (existing provision) to INR 10,000 crores + 5% of the incremental amount beyond INR 100,000 crores. These issuers will be required to achieve at least 10% public shareholding in two years and at least 25% public shareholding within five years (instead of three years) from the date of listing.

- **Merger of SEBI (Regulatory Fee on Stock Exchanges) Regulations, 2006 with Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018**

SEBI, towards the objective of improving ease of doing business and providing a consolidated view to users of Regulations, has approved merger of SEBI (Regulatory Fee on Stock Exchanges) Regulations, 2006 with Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018.

Click [here](#) for the press release.

2. Consultation paper on review of regulatory provisions related to independent directors

With a view to further strengthen the independence of Independent Directors and enhance their effectiveness in the protection of interests of minority shareholders and performing other functions, SEBI has issued a consultation paper on review of regulatory provisions related to independent directors (consultation paper) for public comments.

The consultation paper seeks views on proposals including broadening the eligibility criteria for independent directors, process of appointment/re-appointment and removal of independent directors, enhancing transparency in the nomination and resignation of independent directors, strengthening the composition of board committees, etc. Additionally, views are sought on the need for review of remuneration of independent directors.

Last date for submission of comments is 1 April 2021.

Click [here](#) for the press release.

Click [here](#) for the consultation paper.





C. International updates – Effective

a. IFRS updates



A. India updates - Effective

B. India updates - Proposed

C. International updates - Effective

D. International updates - Proposed

a. IFRS updates

1. Amendments to IAS 1, Presentation of Financial Statements, and IFRS Practice Statement 2, Making Materiality Judgements, and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors

IASB has issued narrow-scope amendments to following standards:

- **IAS 1**, Presentation of Financial Statements and IFRS Practice Statement 2, Making Materiality Judgements, in respect of **Disclosure of Accounting Policies**
- **IAS 8**, Accounting Policies, Changes in Accounting Estimates and Errors, in respect of **Definition of Accounting Estimates**

These amendments will help companies:

- Improve accounting policy disclosures so that the companies provide more useful information to investors and other primary users of the financial statements; and
- Distinguish changes in accounting estimates from changes in accounting policies.

Amendments to IAS 1, require companies to disclose their material accounting policy information rather than their significant accounting policies, whereas amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

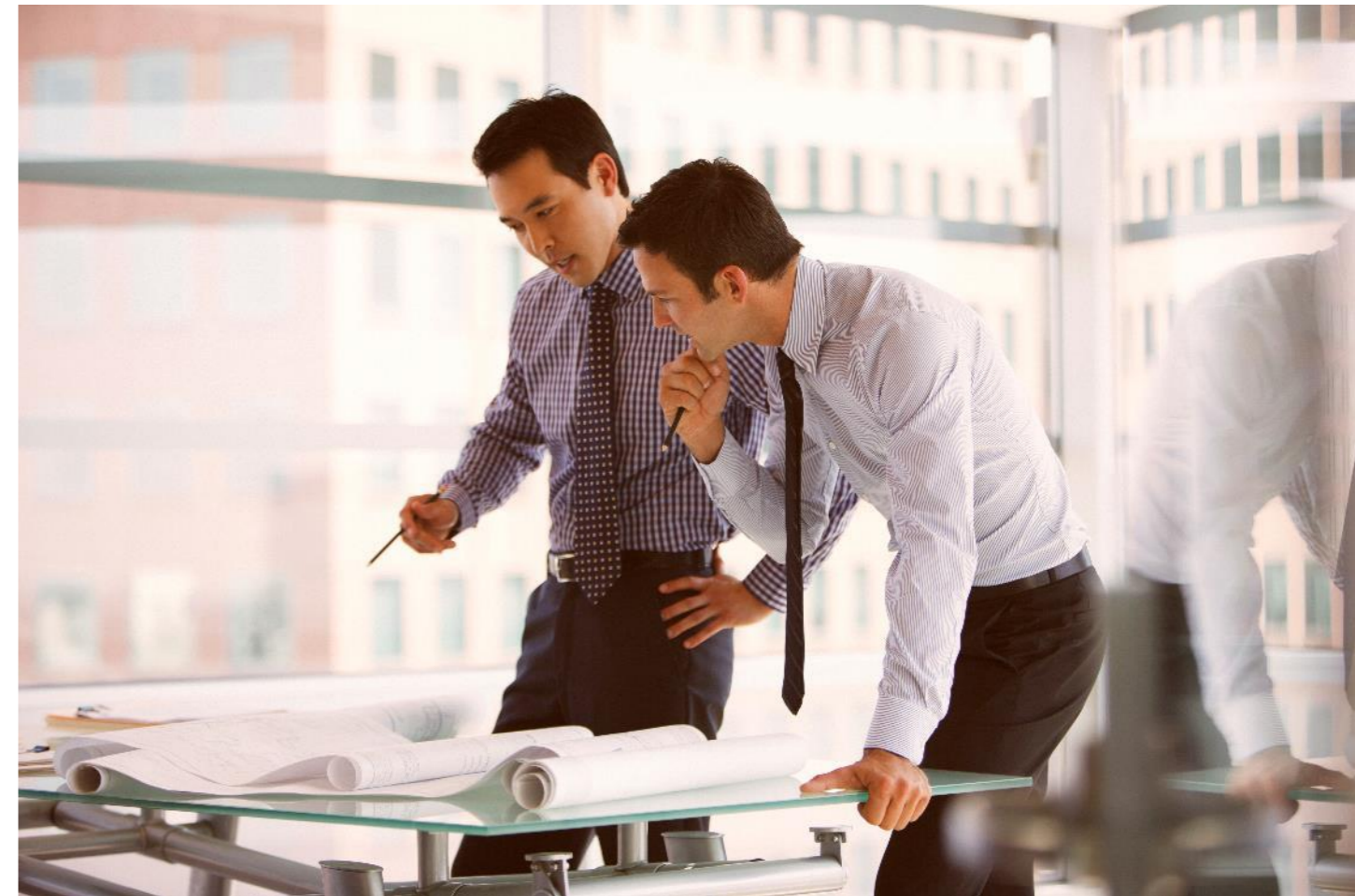
Amendments to IAS 8, clarify how companies should distinguish changes in accounting policies from changes in accounting estimates.

These amendments to IAS 1 and IAS 8 will be effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted.

Click [here](#) for the IASB announcement.

Click [here](#) for amendments to IAS 1 and the IFRS Practice Statement 2.

Click [here](#) for the amendments to IAS 8.





D. International updates - Proposed

a. IFRS updates

b. Auditing updates



A. India updates - Effective

B. India updates - Proposed

C. International updates - Effective

D. International updates - Proposed

a. IFRS updates

1. Amendments to IFRS 16, Leases: COVID-19-Related Rent Concessions beyond 30 June 2021

The IASB had issued amendment to IFRS 16 in May 2020 which permitted lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and, instead, to account for those rent concessions as if they were not lease modifications. Among other conditions, the amendments also permitted lessees to apply the practical expedient only to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2021.

Click [here](#) for the news release dated 28 May 2020.

Click [here](#) for the amendment.

The IASB has now issued another **exposure draft on amendments to IFRS 16, leases: COVID-19-related rent concessions beyond 30 June 2021**, for public comments which proposes to extend the applicability of the practical expedient in paragraph 46A so that it applies to rent

concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The last date for submission of comments was 25 February 2021.

Click [here](#) for the IASB's announcement.

Click [here](#) for the exposure draft.

The ICAI has also hosted the above exposure draft on its website for public comments with last date as 21 February 2021.

Click [here](#) for the ICAI announcement.

a. Auditing updates

1. Exposure draft on proposed quality management standards

Auditing Standards Board of the American Institute of CPAs (AICPA) has issued exposure draft on proposed quality management standards, that includes three interrelated standards that address the way CPA firms manage quality for their accounting and auditing practices. The standards offer a new proactive, risk-based approach to effective quality management systems within CPA firms, which will improve the scalability of the standards and promote a system tailored to the firm and its engagements.

Three proposed standards are:

- Proposed Statement on Quality Management Standards (SQMS) A Firm's System of Quality Management
- Proposed SQMS Engagement Quality Reviews
- Proposed Statement on Auditing Standards (SAS) Quality Management for an Engagement Conducted in Accordance with Generally Accepted Auditing Standards

Last date for submission of comments is 11 June 2021.

Click [here](#) for the news release.

Click [here](#) for the exposure draft.

2. Exposure draft on Proposed Statement on Auditing Standards, Inquiries of the Predecessor Auditor Regarding Fraud and Non-compliance with Laws and Regulations

Auditing Standards Board of the AICPA has issued an exposure draft on Proposed Statement on Auditing Standards, Inquiries of the Predecessor Auditor Regarding Fraud and Non-compliance with Laws and Regulations (NOCLAR) to amend SAS No. 122, as amended, section 210, Terms of Engagement.

Provisions of exposure draft require immediate past auditors and presumed successor auditors, once management consents to the past auditor responding, to communicate about potential NOCLAR situations.

Provisions of exposure draft proposes to align with the International Ethics Standards Board of Accountants (IESBA) standards which became effective on 15 July 2017. It narrowly amends AU-C section 210 in AICPA professional standards to require an auditor, once management approves communication between auditors, to inquire about suspected fraud and matters involving NOCLAR.

Last date for submission of comments is 30 June 2021.

Click [here](#) for the news release.

Click [here](#) for the exposure draft.



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