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Volume II

Introduction

Dear Reader,

Grant Thornton in India is delighted to present 'Monthly GAAP Bulletin', a bulletin that 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 July 2020.

Following is the index of updates:

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a. Accounting updates

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a. Accounting updates

1. Companies (Indian Accounting Standards) Amendment Rules, 2020

The Ministry of Corporate Affairs (MCA), on 24 July 2020, issued Companies (Indian Accounting Standards) Amendment Rules, 2020 to amend Companies (Indian Accounting Standards) Rules, 2015. The key amendments include the following:

- **Amendments to Indian Accounting Standard (Ind AS) 103, Business Combinations**: The amendments in Ind AS 103 are in line with the exposure draft released by the Institute of Chartered Accountants of India (ICAI) in February 2020. The amendment has narrowed the definition of 'business' and of 'outputs' by focusing on goods and services provided to the customers and by removing reference to an ability to reduce costs. It clarifies that in order to be considered as a 'business', an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output.

  The amendment states that an entity should determine whether a transaction or other event is a business combination by applying the definition in this Ind AS, which requires that the assets acquired and liabilities assumed constitute a business. If the assets acquired are not a business, the reporting entity shall account for the transaction or other event as an asset acquisition. These amendments are applicable to business combinations for which acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 April 2020 and to asset acquisitions that occur on or after the beginning of that period.

- **Amendments to Ind AS 109, Financial Instruments**: These amended rules have introduced temporary exceptions from applying specific hedge accounting requirements, i.e. hedging relationships directly affected by interest rate benchmarking reform. A hedging relationship is considered as directly affected by interest rate benchmarking reform only if the reform gives rise to uncertainties about:
  - The interest rate benchmark (contractually or non-contractually specified) designated as a hedged risk; and/or
  - The timing or the amount of interest rate benchmark-based cash flows of the hedged item or of the hedging instrument

- **Amendments to Ind AS 107, Financial Instruments Disclosures:** The amendment requires disclosure of additional information by the entity that has applied the exceptions introduced in Ind AS 109 (i.e. interest rate benchmark), which include the following:
  - A significant interest rate benchmarks to which the entity's hedging relationships are exposed;
  - The extent of the risk exposure the entity manages that is directly affected by the interest rate benchmark reform;
  - How the entity is managing the process to transition to alternative benchmark rates;
  - A description of significant assumptions or judgements the entity made in applying these requirements; and
  - The nominal amount of the hedging instruments in those hedging relationships.

- **Amendments to Ind AS 116, Leases**: The amendments in this standard pertain to COVID-19 related rent concessions for which the ICAI had released an exposure draft in June 2020. It provides that, as a practical expedient, a lessee can elect not to assess whether a rent concession that meets the conditions in paragraph 46B is a lease modification. A lessee that makes this election will account for any change in lease payments resulting from the rent concession the same way it would account for the change applying this Standard if the change were not a lease modification. This practical expedient will apply only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:
  - The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change
  - Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021)
  - There is no substantive change to other terms and conditions of the lease.

  These amended rules also provide that if a lessee applies the practical expedient in as above, the lessee will disclose:
  - That it has applied the practical expedient to all rent concessions that meet the conditions or, if not applied to all such rent concessions, information about the nature of the contracts to which it has applied the practical expedient
  - The amount recognised in profit or loss for the reporting period to reflect changes in lease payments that arise from rent concessions to which the lessee has applied the practical expedient as discussed above

  It also provides that a lessee will apply COVID-19 related rent concessions retrospectively, recognising the cumulative effect of initially applying that amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment.

  These amendments are applicable for annual reporting periods beginning on or after 1 April 2020. In a case where the lessee has not yet approved the financial statements for issue before issuance of this amendment, then it maybe applied for annual reporting periods beginning on or after 1 April 2019.

- **Amendments to Ind AS 1**: The amendment has been made to what constitutes 'material' in **Ind AS 1, Presentation of Financial Statements** and accordingly the other accounting standards have been aligned to this definition.

These amended rules came into force on 24 July 2020.

Click here for the amended rules.

2. Clarification on 'Implementation of Ind AS'

The Reserve Bank of India (RBI) had framed and issued **regulatory guidance** on Ind AS, which would be applicable on Ind AS implementing non-banking financial companies (NBFCs) and asset reconstruction companies (ARCs) for preparation of their financial statements (for the first time under Ind AS regime) from financial year 2019-20 onwards.

Click here for the RBI notification dated 13 March 2020.

In accordance with above mentioned notification, any net unrealised gains arising on fair valuation of financial instruments was instructed to not be included in owned funds whereas all such net losses were required to be included.

The RBI issued a notification dated 24 July 2020, which further provides:

- The unrealised gain/loss on a derivative transaction undertaken for hedging may be offset against the unrealised loss/gain recognised in the capital (either through profit or loss or through other comprehensive income) on the corresponding underlying hedged instrument. If after such offset and netting with unrealised gains/losses on other financial instruments, there are still net unrealised gains, the same should be excluded from the regulatory capital as required by paragraph 3 of above mentioned regulatory guidance; and
- Such unrealised gains/losses should be considered net of the effect of taxation.

Click here for the RBI notification dated 24 July 2020.

3. Educational material on Ind AS 38, Intangible Assets

Accounting Standards Board of the ICAI has issued an **Educational Material on Ind AS 38, Intangible Assets**, covering various aspects of Ind AS 38, which are expected to be encountered while implementing Ind AS 38, by way of brief summary and frequently asked questions (FAQs).

The educational material, inter alia, includes summary of Ind AS 38, more than 45 FAQs, and major differences between Ind AS 38 and IAS 38, **Intangible Assets**, as well as those between Ind AS 38 and AS 26, **Intangible Assets**.

Click here for the announcement.

Click here for the educational material.

b. Auditing updates

1. Guidance Note on CARO 2020

The MCA issued the Companies (Auditor's Report) Order, 2020 (CARO 2020) on 25 February 2020, which was initially applicable for statutory audits of financial statements for periods beginning on or after 1 April 2019. Subsequently, vide notification dated 24 March 2020, applicability of CARO 2020 was deferred by one year, i.e. CARO 2020 would be applicable for statutory audits of financial statements for periods beginning on or after 1 April 2020.

Click here for CARO 2020.

Auditing and Assurance Standards Board (AASB) of the ICAI has released the Guidance Note on the CARO 2020 (Guidance Note) for providing appropriate guidance to the members on various clauses of CARO 2020 and various issues involved therein. This Guidance Note will supersede the Guidance Note on CARO 2016 for audits of financial statements for periods beginning on or after 1 April 2020.

Click here for the Guidance Note.

2. Multiple choice questions (MCQs) issued by the ICAI

AASB of the ICAI has issued the following two publications containing MCQs:

- **MCQs on Engagement and Quality Control Standards (EQC Standards)**, which contains MCQs on each of the 46 EQC Standards issued till date. The publication is comprehensive containing around 1,200 MCQs.
- **MCQs on Guidance Note on the Companies (Auditor's Report) Order, 2020 (CARO 2020),** which contains clause wise MCQs on the Guidance Note on CARO 2020 issued by the ICAI.

Click here for the MCQs on EQC Standards.

Click here for the MCQs on Guidance Note on the CARO 2020.

c. Regulatory updates

Companies Act updates

1. FAQs pertaining to and extension of the last date of filing of NFRA 2 Form

National Financial Reporting Authority (NFRA) has issued FAQs pertaining to NFRA 2 Form, which addresses the common questions raised by the auditors while filing NFRA 2 Form, which is for annual return to be filed by the auditors with the NFRA.

Click here for the FAQs.

Further, in continuation of its general circular dated 30 April 2020 (click here), the MCA has further extended the time limit for filing NFRA 2 Form for the financial year 2018-19 (FY19). The form can now be filed within 270 days from the date of deployment (i.e. 9 December 2019) of this form on the website of NFRA.

Click here for the circular dated 6 July 2020.

2. Publication on judicial pronouncements under IBC, 2016 - Series 3

The Committee on Insolvency & Bankruptcy Code and Indian Institute of Insolvency Professionals of the ICAI have jointly issued the third series of the publication **Judicial Pronouncements under Insolvency and Bankruptcy Code, 2016** (the Code) to help professionals understand the application and intricacies of the provisions of the Code.

The publication covers important case analysis based on the decisions by Supreme Court, High Courts, National Company Law Appellate Tribunal and National Company Law Tribunal on issues under the Code.

Click here for the publication.

3. Technical Guide on Accounting for Expenditure on Corporate Social Responsibility Activities and withdrawal of Guidance Note

The Corporate Social Responsibility (CSR) Committee of the ICAI has issued a publication, **Technical Guide on Accounting for Expenditure on Corporate Social Responsibility Activities**, to provide detailed guidance on the accounting aspects of CSR spends and its presentation in the financial statements. The publication, amongst others, covers the position after the amendments made to the Section 135 of the Companies Act, 2013 (2013 Act) by Companies (Amendment) Ordinance 2020, treatment for donations made in kind and treatment of excess expenditure than that specified under the law.

Subsequent to the issue of the aforesaid Technical Guide, the earlier issued Guidance Note on Accounting for Expenditure on Corporate Social Responsibility Activities, dated 15 May 2015, stands withdrawn.

Click here for the publication.

Click here for the announcement on withdrawal of the previous Guidance Note.

4. Technical Guide on Easy Incorporation of Companies through SPICE+

The ICAI, through its Corporate Laws & Corporate Governance Committee (CL&CGC), has released '**Technical Guide on Easy Incorporation of Companies through SPICE+**' to provide detailed guidance on the procedural aspects of the '**Simplified Proforma for Incorporating Company Electronically Plus**' (SPICE+) integrated form for the benefit of all the members and other stakeholders.

Requisite procedural formalities along with relevant legal inputs have been furnished in this technical guide. This publication has been designed to appraise complete process for incorporation of the companies.

Click here for the Technical Guide.

SEBI updates

1. Extension of time for submission of financial results

Securities and Exchange Board of India (SEBI) has extended the timeline for submission of financial results under regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended) (SEBI LODR Regulations), for the quarter/half year/financial year ended 30 June 2020 from 14 August 2020 to **15 September 2020**.

This circular came into force on 29 July 2020 when it was issued.

Click here for the circular.

2. Relaxation for issuers of NCDs/NCRPS/CPs

SEBI (Issue and Listing of Debt Securities) Regulations, 2008, SEBI (Non-Convertible Redeemable Preference Shares) Regulations, 2013 (NCRPS Regulations) and circulars related to listing of commercial papers (CPs) require an issuer to, inter alia, submit its latest audited financials, which should not be older than six months. Compliant listed entities are, however, permitted to use unaudited financials with limited review in lieu of the audited financials for the stub period, subject to these unaudited financials not being older than six-months.

Pursuant to the extension of timeline for submission of financial results for the year ended 31 March 2020 under regulations 33 and 52 of the SEBI LODR Regulations to 31 July 2020, SEBI has issued a circular dated 15 July 2020, wherein it has permitted listed issuers who have issued NCDs/NCRPS/CPs, on or after 1 July 2020 and intend/propose to list such issued NCDs/NCRPS/CPs, on or before 31 July 2020, to use available financials as on 31 December 2019.

Click here for the circular.

3. Relaxation in compliance with requirements pertaining to REITs, InvITs and portfolio managers

In March 2020, SEBI granted temporary relaxations in compliance requirements for Real Estate Investment Trust (REITs) and Infrastructure Investment Trusts ('InvITs') for the period ended 31 March 2020 and also extended the timeline for applicability of SEBI Circular dated 13 February 2020 on 'Guidelines for Portfolio Managers', owing to the impact of the COVID-19 pandemic.

Click here for the circular dated 23 March 2020 for REITs and InvITs.

Click here for the circular dated 30 March 2020 for portfolio managers.

SEBI has now further extended the timelines, as mentioned below:

- Regulatory filings and compliances for REITs and InvITs for the period ending 31 March 2020 by another one month over and above the extended timelines specified vide the aforementioned circular dated 23 March 2020;
- For compliance by the portfolio managers with the requirements of SEBI circular dated 13 February 2020, by further three months. Accordingly, the provisions of said SEBI circular will be applicable with effect from 1 October 2020.

These circulars came into force on the date of issue, i.e. 1 July 2020 and 29 June 2020, respectively.

Click here for the circular for REITs and InvITs.

Click here for the circular for portfolio managers.

4. SEBI (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2020

SEBI, vide its notification dated 1 July 2020, issued the SEBI (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2020 (amended regulations) to further amend SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, wherein it has introduced the provisions relating to '**optional pricing in preferential issue**' (regulation 164B). As per the amended regulations, in case of frequently traded shares, the issuer has the option to determine the price of the preferential issue as per regulation 164, **pricing of frequently traded shares**, or new regulation 164B. Regulation 164B also includes provisions in respect of other requirements, such as method of pricing and lock-in period.

These amended regulations came into force on 9 July 2020.

Click here for the amended regulations.

5. SEBI (Substantial Acquisition of Shares and Takeovers) (Third Amendment) Regulations, 2020

SEBI, vide its circular dated 1 July 2020, issued SEBI (Substantial Acquisition of Shares and Takeovers) (Third Amendment) Regulations, 2020 (amended regulations) to further amend SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011. Among other changes, the following key requirements have been introduced:

- In case of indirect acquisitions, where public announcement has been made, an amount equivalent to 100% of the consideration payable in the open offer will be deposited in an escrow account. It further provides that deposit of securities will not be permitted as escrow account in respect of indirect acquisitions, where public announcement has been made.
    - In case the acquirer is unable to make payment to the shareholders, who have accepted the open offer within the prescribed period, the acquirer will pay interest for the period of delay to all such shareholders whose shares have been accepted in the open offer, at the rate of 10% per annum.

These amended regulations came into force on 1 July 2020.

Click here for the amended regulations.

6. SEBI (Prohibition of Insider Trading) (Amendment) Regulations, 2020

SEBI has issued SEBI (Prohibition of Insider Trading) (Amendment) Regulations, 2020 amending SEBI (Prohibition of Insider Trading) Regulations, 2015 vide circular dated 17 July 2020, which, inter alia, provides that entities are required to maintain a digital database containing the nature of unpublished price sensitive information and the names of such persons who have shared the information and also the names of the persons with whom information is shared under this regulation along with the permanent account number (PAN) or any other identifier authorised by law where PAN is not available. Such database will not be outsourced and will be preserved for a period of not less than eight years after completion of the relevant transactions.

These amended regulations came into force on 17 June 2020.

Click here for the amended regulations.

7. Amendment to guidelines on Issue and Listing of Structured Products/Market Linked Debentures (MLDs)

SEBI, vide its circular dated 28 September 2011, prescribed guidelines for issue and listing of structured products/market linked debentures (MLDs).

Click here for the circular dated 28 September 2011.

SEBI has now issued a circular dated 13 July 2020, wherein it has been decided that valuation of MLDs will be carried out by an agency appointed by Association of Mutual Funds in India (AMFI) for the purpose of carrying out valuation. This circular is issued pursuant to amendment to SEBI (Credit Rating Agencies) Regulation, 1999 issued on 30 May 2018, which provides that a Credit Rating Agency cannot carry out any activity other than rating of securities post 30 May 2020.

Click here for the circular.

8. Relaxations relating to procedural matters

i. Issues and listing

In May 2020, SEBI had granted one-time relaxation from strict enforcement of certain regulations of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 pertaining to rights issue opening up to 31 July 2020 and offer documents filed up to 31 July 2020, subject to fulfilment of certain conditions.

Click here for the circular dated 6 May 2020.

In continuation of the above, SEBI has now further extended validity of relaxation applicable to the right issue opening and offer documents filed up to 31 December 2020.

Click here for the circular.

ii. Takeover and buyback

SEBI, on 14 May 2020, permitted the service of letter of offer/tender form and other offer related documents to the shareholders electronically in relation to open offers and buyback tender offers opening up to 31 July 2020, subject to fulfilment of certain conditions.

Click here for the circular dated 14 May 2020.

On 27 July 2020, SEBI further extended validity of relaxation to open offers and buyback tender offers opening up to 31 December 2020, subject to fulfilment of certain conditions.

Click here for the circular.

9. Extension for use of digital signature certifications for authentication/ certification of filings/submissions made to stock exchanges

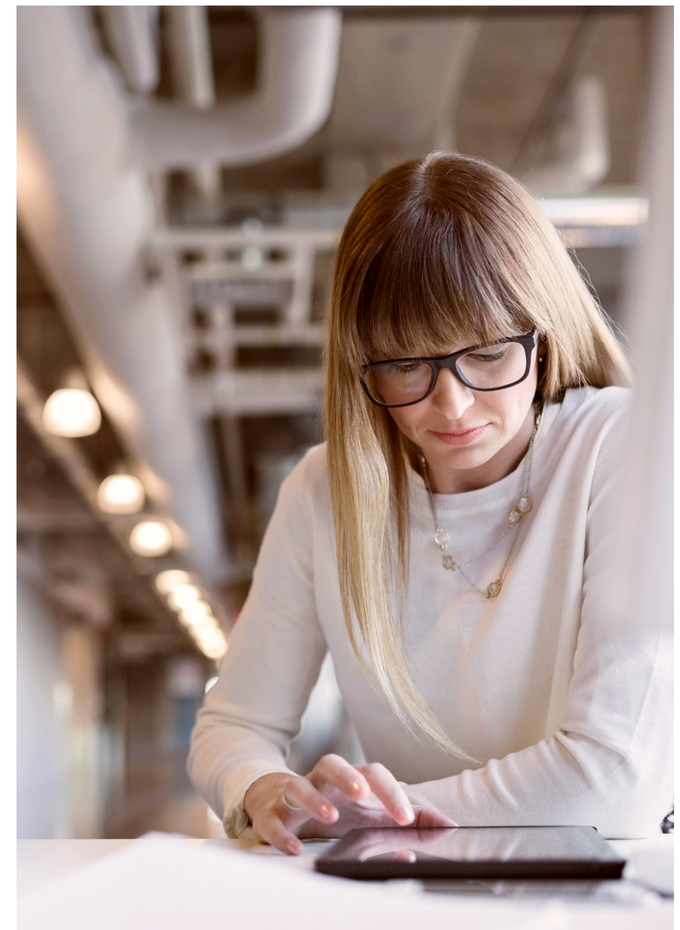
SEBI, vide circular dated 17 April 2020, had permitted use of digital signature certifications for authentication/certification of filings/submissions made under the SEBI LODR Regulations to the stock exchanges till 30 June 2020.

Click here for the circular dated 17 April 2020.

SEBI has now further extended the benefit for certifications for authentication/certification of filings/submissions made to stock exchanges till 31 December 2020.

This circular will apply for fillings/submissions made from 1 July 2020.

Click here for the circular dated 31 July 2020.



Other regulatory updates

10. Clarification on applicability of regulation 40(1) of SEBI LODR Regulations to open offers, buybacks and delisting of securities of listed entities

SEBI issued clarification on 31 July 2020 regarding applicability of regulation 40(1), **Transfer or transmission or transposition of securities**, of SEBI LODR Regulations to open offers, buybacks and delisting of securities of listed entities.

Regulation 40(1), inter alia, states that "…except in case of transmission or transposition of securities, requests for effecting transfer of securities shall not be processed unless the securities are held in the dematerialised form with a depository."

It is now clarified that the shareholders holding securities in physical form are allowed to tender shares in open offers, buybacks through tender offer route and exit offers in case of voluntary or compulsory delisting. However, such tendering should be as per the provisions of respective regulations.

This circular is effective from date of its publication (i.e. 31 July 2020).

Click here for the clarification.

11. Securities Contracts (Regulation) (Second Amendment) Rules, 2020

Rule 19A of the Securities Contracts (Regulation) Rules, 1957, provides for maintenance of minimum public shareholding and its attainment within a specified period.

SEBI has now issued a notification, dated 31 July 2020, extending the time duration allowed for complying with the requirement to maintain minimum public shareholding of at least 25% by every listed company (other than public sector company) from two years to three years from the commencement of Securities Contracts (Regulation) (Second Amendment) Rules, 2018 (i.e. 3 August 2018).

These amended rules came into force on 31 July 2020.

Click here for the amended rules.

1. Extension of timeline for finalisation of audited accounts of NBFCs

In accordance with the requirements of Master Direction on Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 and Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016, every applicable NBFC is required to finalise its balance sheet within a period of three months from the date to which it pertains.

In view of the ongoing pandemic situation, the RBI has now decided that every applicable NBFC will finalise its balance sheet within a period of three months from the date to which it pertains or any date as notified by SEBI for submission of financial results by listed entities (31 July 2020).

Click here for the notification.

2. Exemption from registration as NBFC - Alternative Investment Fund (AIF)

In accordance with the provisions of master directions on exemptions from the provisions of the RBI Act, 1934 (master directions), venture capital fund companies, holding a certificate of registration obtained under the Section 12 of the SEBI Act, 1992 and not holding or accepting public deposit, are exempted from the provisions of the Sections 45-IA and 45-IC of the RBI Act, 1934 and also from the applicability of guidelines issued by the RBI for NBFCs.

The RBI, vide its notification dated 10 July 2020, has substituted term 'venture capital fund companies' with Alternative Investment Fund Companies (AIFCs). Hence, above mentioned provision of the master directions will be applicable to all AIFCs.

Click here for the notification.

Click here for the master directions on exemptions from the provisions of RBI Act, 1934 (updated as on 10 July 2020).

3. Rescheduling of term loans

On 8 April 2020, Insurance Regulatory and Development Authority of India (IRDAI) issued instructions on permitting insurers to grant moratorium of three months towards payment of instalments of term loans falling due between 1 March 2020 and 31 May 2020.

Click here for the circular dated 8 April 2020.

In line with the RBI directions dated 23 May 2020, the following instructions have been issued by IRDAI towards rescheduling of payment terms of term loans:

a. Insurers are permitted to grant a moratorium of three months towards payment of instalments falling due between 1 June 2020 and 31 August 2020. The repayment schedule for such loans and also the residual tenor, will be shifted across the board by three months subsequent to the moratorium period.

b. Interest will continue to accrue on the outstanding portion of the term loans during such moratorium period.

c. The asset classification of term loans which are granted relief as per point no. (a), above will be determined on the basis of revised due dates and revised repayment schedule.

d. The rescheduling of payments, including interest, will not qualify as a default for reporting of non-performing assets (NPAs).

e. Insurers will frame IRDAI approved policy for the above-mentioned reliefs to all eligible borrowers by taking into account various factors, including remaining tenure of loan, consortium or non-consortium lending, repayment capacity, etc.

f. Concurrent auditor in their report for the quarter ending 30 September 2020 will confirm that the insurer has complied with the IRDAI approved policy in granting moratorium.

Click here for IRDAI circular dated 7 July 2020.

4. Transfer of shares of the insurance companies

IRDAI has issued circular dated 23 July 2020 to bring more clarity on certain issues relating to transfer of shares of insurance companies by promoters/shareholders. This circular, inter alia, includes clarification on following aspects:

a. Conditions to be fulfilled for transfer of shares of listed insurance companies

b. Considerations in determination of extent of transfer of shares of listed and unlisted insurance companies

c. Requirement of pledge of shares in case of transfer of shares

d. Suspension of the voting rights in case of non-compliance

e. Action for violation/non-compliance

Click here for the circular.

5. Publication: 'COVID-19 Regulatory Updates Volume 3'

The Institute of Company Secretaries of India (ICSI) has released volume 3 of publication titled, COVID-19 Regulatory Updates covering several relief measures announced by the government and various regulators to minimise the impact of COVID-19 on financial markets, taxpayers, investors and other stakeholders.

Click here for the press release.

Click here for the publication (volume 3).

Click here for the publication (volume 2).

Click here for the publication (volume 1).

B. India updates - Proposed

a. Accounting update

a. Accounting update

Exposure draft of Guidance Note on Revenue from Operations in case of Contractors

The ICAI has issued an exposure draft of Guidance Note on Revenue from Operations in case of Contractors (exposure draft). This exposure draft proposes to deal with the issue whether the revenue recognised in the financial statements of contractors as per the requirements of Accounting Standard (AS) 7, **Construction Contracts (Revised 2002)** and Ind AS 115, **Revenue from Contracts with Customers**, can be considered revenue from operations for presentation in Schedule III to the 2013 Act.

It proposes that amount of contract revenue recognised as revenue in the statement of profit and loss as per the requirements of AS 7 (revised 2002) and Ind AS 115, should be considered revenue from operations for presentation in Schedule III to the 2013 Act.

Upon finalisation and issuance of this proposed Guidance Note, the Guidance Note on Turnover in case of Contractors issued in 2008 would stand withdrawn.

Last date for submission of comments is 31 August 2020.

Click here for the exposure draft.

C. International updates – Effective

a. IFRS updates

b. Auditing updates

a. IFRS updates

1. Deferment of effective date of amendments to IAS 1

In January 2020, the International Accounting Standards Board (IASB) issued narrow-scope amendments to IAS 1, **Presentation of Financial Statements**, to clarify on how to classify debt and other liabilities as current or non-current, which were effective for annual reporting periods beginning on or after 1 January 2022.

Click here for the amendment dated 23 January 2020.

In response to COVID-19 pandemic, IASB has deferred the effective date by one year to provide companies with more time to implement any classification changes resulting from those amendments. Hence, the amendments to IAS 1 will be effective for annual reporting periods beginning on or after **1 January 2023**.

Earlier application of the amendment continues to be permitted.

Click here for the news release.

Click here for the amendment.

2. AASB staff FAQs on impairment of non-financial assets

Australian Accounting Standards Board (AASB) has released staff FAQs on AASB 136, **Impairment of Assets**, in response to economic uncertainties arising from the COVID-19 pandemic.

These FAQs are relevant to both for profit and not-for-profit entities, but in relation to the latter, do not address non-financial assets not held primarily for their ability to generate net cash inflows that are regularly revalued to fair value under the revaluation model in AASB 116 **Property, Plant and Equipment** or AASB 138 **Intangible Assets** as the recoverable amount of these assets is expected to be materially the same as fair value.

Click here for the news.

Click here for the FAQs.

b. Auditing updates

1. SAS 143, Auditing Accounting Estimates and Related Disclosures and SAS 142, Audit Evidence

The Auditing Standards Board (ASB) of the American Institute of Certified Public Accountants (AICPA) has released the following two Statement on Auditing Standards (SASs):

ii. SAS 143, Auditing Accounting Estimates and Related Disclosures: The following are fundamental aspects of this standard that enhance the auditing standards relating to auditing accounting estimates and the auditor's focus on factors driving estimation uncertainty and potential management bias. This SAS, inter alia:

a. Explains the nature of accounting estimates and the concept of estimation uncertainty;

b. Provides information about scalability of the SAS for all types of accounting estimates, from those that are relatively simple to those that are complex;

c. Requires a separate assessment of inherent risk and control risk at the assertion level;

d. Emphasises that the auditor's further audit procedures need to be responsive to the reasons for the assessed risks of material misstatement at the relevant assertion level;

e. Addresses the exercise of professional skepticism when auditing accounting estimates.

SAS No. 143 supersedes SAS No. 122, **Statements on Auditing Standards: Clarification and Recodification, as amended**, Section 540, **Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures**, and amends various other AU-C sections in AICPA Professional Standards.

SAS 143 is effective for audits of financial statements for periods ending on or after 15 December 2023.

Click here for the news.

Click here for SAS 143.

iii. SAS 142, Audit Evidence: The revisions to SAS No. 142 address the evolving nature of transacting business as well as the evolution of audit services. Issues addressed include use of emerging technologies and techniques by both preparers and auditors, the application of professional skepticism, the expanding use of external information sources to provide audit evidence, and more broadly, the relevance and reliability of audit evidence.

SAS 142 supersedes AU-C Section 500, **Audit Evidence** and amends various other sections of SAS 122, Statements on Auditing Standards: Clarification and Recodification, as amended.

SAS 142 is effective for audits of financial statements for periods ending on or after 15 December 2022.

Click here for SAS 142.

D. International updates - Proposed

a. US GAAP updates

a. US GAAP updates

1. Exposure draft on proposed statement of financial accounting concepts: Concept Statement No. 8, Conceptual Framework for Financial Reporting

Financial Accounting Standards Board (FASB) has issued an exposure draft on proposed new chapter, **Concepts Statement No. 8, Conceptual Framework for Financial Reporting - Chapter 4, Elements of Financial Statements**, of its Conceptual Framework that defines 10 elements of financial statements to be applied in developing standards for public and private companies and not-for-profit organisations. The proposed new chapter would replace Concepts Statement No. 6, Elements of Financial Statements, clarifying and improving upon its elements.

The new proposed chapter would:

i. Clearly identify the right or obligation that gives rise to an asset or a liability;

ii. Eliminate terminology that makes the definitions of assets and liabilities difficult to understand and apply;

iii. Clarify the distinction between liabilities and equity and between revenues and gains and expenses and losses; and

iv. Modify the distinctions in equity for not-for-profit entities.

Last date for submission of comments is 13 November 2020.

Click here for the news.

Click here for the exposure draft.

2. Exposure draft on proposed ASU - Financial Services-Insurance (Topic 944): Effective Date and Early Application

FASB had deferred the original effective date of Accounting Standard Update (ASU) 2018-12, **Financial Services-Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts**, for all insurance companies that issue long-duration contracts (LDTI), such as life insurance and annuities for all entities, with early application permitted.

Standard	SEC filers (public business entities)	All other public business entities	Private and all others
Insurance	~~January 2021~~	~~January 2021~~	~~January 2022~~
	January 2022	January 2024	January 2024
	(excludes smaller reporting companies, as defined by SEC)	(includes smaller reporting companies, as defined by SEC)	

Click here for ASU 2019-09.

In consideration of the implications of the COVID-19 pandemic on insurance entity's ability to effectively implement LDTI, FASB has issued proposed ASU to further defer the effective date by one year for all insurance entities and has provided transitional relief to facilitate early application of LDTI.

Standard	SEC filers (public business entities)	All other public business entities	Private and all others
Insurance	~~January 2021~~	~~January 2021~~	~~January 2021~~
	~~January 2022~~	~~January 2024~~	~~January 2024~~
	January 2023	January 2025	January 2025
	(excludes smaller reporting companies, as defined by SEC)	(includes smaller reporting companies, as defined by SEC)	

Last date for submission of comments is 24 August 2020.

Click here for the news.

Click here for the exposure draft.

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T +91 11 4278 7070

NEW DELHI
6th floor
Worldmark 2 Aerocity
New Delhi 110037
T +91 11 4952 7400

AHMEDABAD
7th Floor,
Heritage Chambers,
Nr. Azad Society, Nehru Nagar,
Ahmedabad - 380015

BENGALURU
5th Floor, 65/2, Block A,
Bagmane Tridib, Bagmane Tech Park,
C V Raman Nagar, Bengaluru - 560093
T +91 80 4243 0700

CHANDIGARH
B-406A, 4th Floor , L&T Elante Office Building
Industrial Area Phase I
Chandigarh 160002
T +91 172 4338 000

CHENNAI
7th Floor, Prestige Polygon
471, Anna Salai, Teynampet
Chennai - 600 018
T +91 44 4294 0000

DEHRADUN
Suite no. 2211, 2nd floor Building 2000,
Michigan Avenue, Doon Express Business Park
Subhash Nagar, Dehradun - 248002
T +91 135 2646 500

GURGAON
21st Floor, DLF Square
Jacaranda Marg
DLF Phase II, Gurgaon 122002
T +91 124 462 8000

HYDERABAD
7th Floor, Block III
White House, Kundan Bagh, Begumpet
Hyderabad 500016
T +91 40 6630 8200

KOCHI
6th Floor, Modayil Centre point
Warriam road junction
M. G. Road, Kochi 682016
T +91 484 406 4541

KOLKATA
10C Hungerford Street
5th Floor
Kolkata 700017
T +91 33 4050 8000

MUMBAI
16th Floor, Tower II
One International Center
S B Marg, Prabhadevi (W)
Mumbai - 400 013
T +91 22 6626 2600

MUMBAI
Kaledonia, 1st Floor,
C Wing (Opposite J&J office)
Sahar Road, Andheri East,
Mumbai -400 069

NOIDA
Plot No. 19A, 7th Floor
Sector – 16A
Noida 201301
T +91 120 4855 900

PUNE
3rd Floor, Unit No 309 to 312
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