

# Monthly GAAP Bulletin

August 2022



# 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](mailto:npsg@in.gt.com) with your comments, questions or suggestions.

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### a. Accounting updates

#### 1. Education Material on Ind AS 34 – Interim Financial Reporting

Accounting Standard Board (ASB) of the Institute of Chartered Accountants of India (ICAI) has formulated the educational material on Ind AS 34, interim financial reporting (Ind AS 34) which, by way of FAQs, explains the principles enunciated in the standard.

Ind AS 34 requires the following:

- Mandatory information as per paragraph 16A shall be disclosed
- An illustrative list of events and transactions in accordance with paragraph 15B, for which disclosures would be required if they are significant

This educational material provides guidance to stakeholders on content of an interim financial report, application of the recognition and measurement principles to an interim financial report and various other aspects related to such report. It also covers the major differences in Ind AS 34 from IAS 34, Interim Financial Reporting and AS 25, Interim Financial Reporting.

Click [here](#) for the educational material.

#### 2. Compendium of Ind AS (as on 1 April 2022) and related guidance material

ICAI has issued Compendium of Ind AS and related guidance material which includes the Companies (Ind AS) Amendment Rules, 2022 which are effective from the annual period beginning on or after 1 April 2022.

Click [here](#) for the Compendium and related guidance material.

### b. Auditing updates

#### 1. Revised Guidance Note on tax audit under Section 44AB of the Income Tax Act, 1961

The ICAI has issued Revised Guidance on Tax Audit under Section 44AB of the Income Tax Act, 1961 has been issued by the Direct Taxes Committee for comments.

This Guidance Note is for the audit to be conducted for AY 2022-23.

Click [here](#) for the revised Guidance Note.



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### 2. Publications issued by ICAI

- **Emerging role of auditors and CFOs in addressing risk management – A new perspective** - The publication aims to highlight the evolving roles and duties of auditors and CFOs in managing emerging risks and what the changing risk landscape implies for auditors and CFOs in businesses. It provides auditors, boards and senior management with recommendations and insights into a framework for effective risk management along with enterprise risk management (ERM) implementation.

Click [here](#) for the publication.

- **Study on compliances in reporting in tax audit report** - The publication has been compiled from the records of Taxation Audits Quality Review Board (TAQRB) and contains relevant observations on the compliance aspects of tax audits conducted under Section 44AB of the Income tax Act, 1961 with an objective to enhance the quality of tax audit reports.

Click [here](#) for the publication.

- **Technical guide on valuation of business in telecom tower industry** -The publication aims to provide guidelines for valuation of business in telecom tower industry and includes the study of overall telecom industry including telecom operators and telecom tower industry, business valuation methodology, industry's history and future outlook and the key drivers impacting the valuation.

Click [here](#) for the technical guide.

- **Valuation: Professional's insight series 7 issued by ICAI** - The publication provides valuers with knowledge of good practices followed by professionals in the field of valuation. It contains various articles from professional valuers with a focus on pertinent valuation topics and emerging issues.

Click [here](#) for the publication.

### c. Regulatory updates

#### Companies Act updates

#### 1. MCA clarification on spending of CSR funds for Har Ghar Tiranga campaign

Ministry of Corporate Affairs (MCA) vide circular dated 26 July 2022 has clarified that spending of corporate social responsibility (CSR) funds for the activities related to **Har Ghar Tiranga** campaign, such as mass production and supply of the National Flag, outreach and amplification efforts, are eligible CSR activities under item no (ii) of Schedule VII of the Companies Act, 2013 pertaining to promotion of education relating to culture.

Click [here](#) for the Circular.

#### SEBI updates

#### 1. Single operational circular for listing obligations and disclosure requirements for non-convertible securities, securitised debt instruments and/or commercial paper

For effective regulation of the corporate bond market and to enable the issuers and other market stakeholders to get access to all the applicable circulars at one place, Securities Exchange Board of India (SEBI) has issued single operational circular dated 2 July 2022 for listing obligations and disclosure requirements for non-convertible securities, securitised debt instruments and/or commercial paper.

- The operational circular is a compilation of the relevant existing circulars, with consequent changes
- Additionally, the operational circular includes the format for submission of a statement indicating the utilisation of issue proceeds of listed non-convertible securities to the stock exchange(s), by the listed entities, as required under Regulation 52(7) of the SEBI Listing Regulations



## A. India updates - Effective

- Further, Chapter XI has been included, containing format for review of rating obtained by the listed entity with respect to its non-convertible securities from credit rating agency(ies) registered with SEBI, as required under Regulation 55 and formats for submissions to be made by listed entity to the stock exchanges for interest/dividend/principal under Regulations 57(1), 57(4) and 57(5) of the SEBI Listing Regulations

The operational circular will come into force from 1 August 2022.

Click [here](#) for the operational circular.

### 2. SEBI (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2022

SEBI has issued SEBI (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2022 (amended regulations) on 25 July 2022 to further amend the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018. The amended regulations have inserted a new chapter X-A – Social Stock Exchange. The provisions of the chapter X-A would be applicable to:

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- Not for profit organisation seeking to only get registered with a social stock exchange
- Not for profit organisation seeking to get registered and raise funds through a social stock exchange
- For profit social enterprise seeking to be identified as a social enterprise under the provisions of this chapter

The chapter X-A also specified eligibility conditions for being identified as a social enterprise.

The amended regulations are effective from 25 July 2022.

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

### 3. Nomination for mutual fund unit holders – Extension of timelines

SEBI vide circular dated 15 June 2022 had mandated submission of nomination details/declaration for opting out of nomination for investors subscribing to mutual fund units on or after 1 August 2022. Based on the representation received from the Association of Mutual Funds in India, SEBI has now extended timelines to 1 October 2022 vide circular dated 29 July 2022.

Click [here](#) for the circular dated 29 July 2022.

## C. International updates - Effective

### Other regulatory updates

#### 1. Frequently asked questions (FAQ) on audit, nomination & remuneration and Stakeholders Relationship Committee while submitting corporate governance XBRL utility at stock exchange

Bombay Stock Exchange (BSE) has vide Notice No. 20220715-31 dated 15 July 2022 clarified that the Audit Committee, Nomination & Remuneration Committee and the Stakeholders. Relationship Committee are to be formed by board members of the company and the intent of the corresponding regulations of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 (SEBI LODR Regulations) is to constitute such committees with the board of directors as the members of the committees.

In case member(s) forming the part of the committee is not a board member(s), it will be deemed that the composition of the above-mentioned committees is not in compliance with the provisions of SEBI LODR Regulations and, accordingly, the actions as per SOP circular dated 22 January 2020 would be initiated from the date of admission of non-board member(s) into the committees.

Click [here](#) for the notice dated 15 July 2022.

## D. International updates - Proposed

#### 2. Master Direction - Lending to micro, small and medium enterprises (MSME) sector

The Reserve Bank of India (RBI) has issued a Master Direction on 29 July 2022, which incorporates number of instructions/guidelines issued to banks relating to lending to the MSME sector.

Click [here](#) for the Master Direction.



# B. India updates – Proposed

## a. Regulatory updates



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### a. Regulatory updates

#### 1. Exposure Draft - Guidance Note on Report u/s 92E of the Income Tax Act, 1961 (Transfer Pricing)

The Committee of International Taxation of ICAI has issued Exposure Draft for Guidance Note on Report u/s 92 E of the Income Tax Act, 1961 (Transfer Pricing). The changes in the Guidance Note have been made to the extent of amendments made by the Finance Act, 2022.

The last date for sending comments was 1 August 2022

Click [here](#) for the Exposure Draft.





# C. International updates - Effective

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### a. Accounting updates

#### 1. ASU 2022-03: Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions by FASB

The Financial Accounting Standard Board (FASB) has issued Accounting Standards Update (ASU), Fair Value Measurement (Topic 820) – ASU 2022-03: Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions.

The amendments in this ASU clarify that a contractual sale restriction on sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. The amendments also clarify that an entity cannot, as a separate unit of account, recognise and measure a contractual sale restriction. The amendments in this ASU require the following disclosures for equity securities subject to contractual sale restrictions:

1. The fair value of equity securities subject to contractual sale restrictions reflected in the balance sheet
2. The nature and remaining duration of the restriction(s)
3. The circumstances that could cause a lapse in the restriction(s)

#### Applicability of amendments:

- For public business entities: Fiscal period beginning after 15 December 2023 and interim periods within those fiscal years
- For all other entities: Fiscal period beginning after 15 December 2024 and interim periods within those fiscal years

Click [here](#) for the ASU.





# D. International updates - Proposed

## a. Accounting updates



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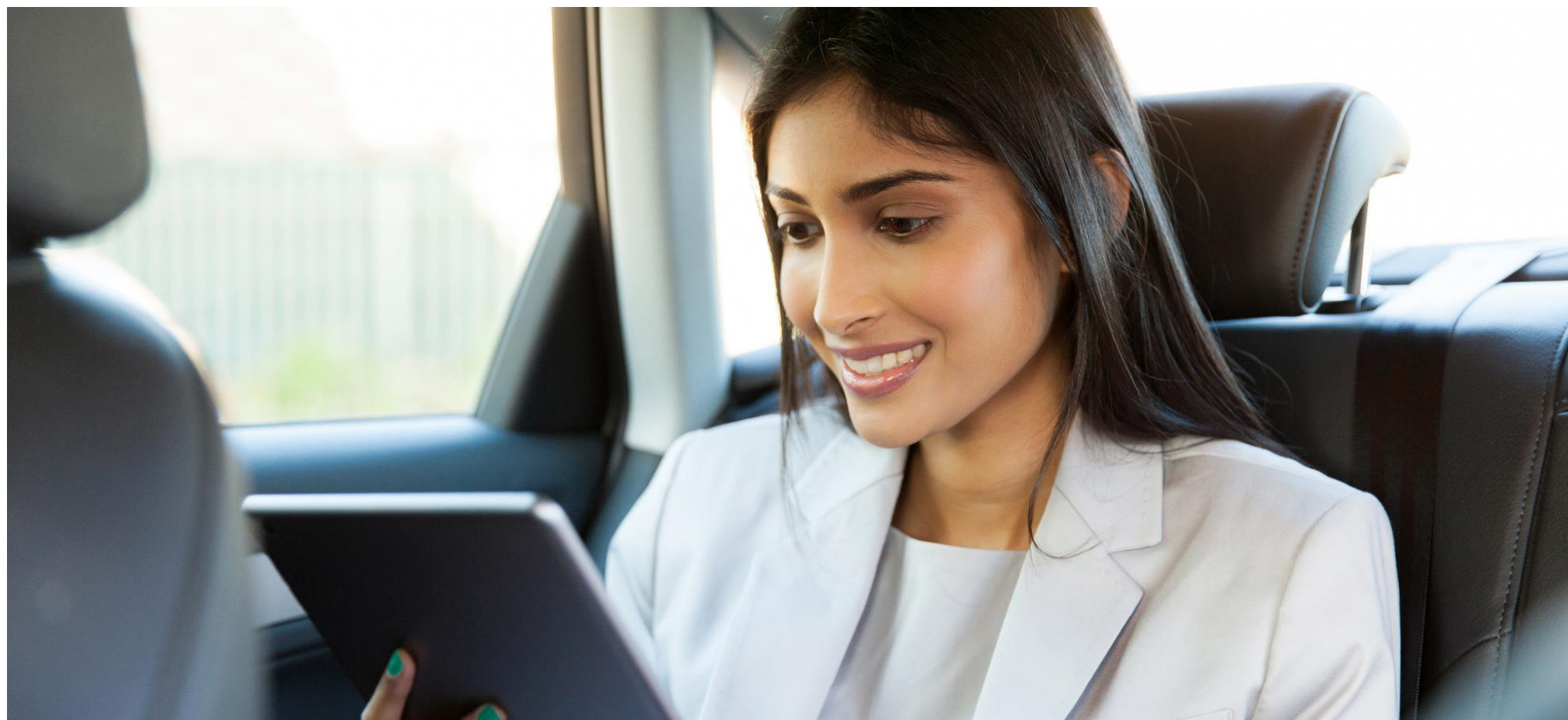
#### 1. FASB issued Exposure Draft of Proposed ASU: Financial Services – Insurance – Transition for Sold Contracts

FASB has issued Exposure Draft of Proposed ASU, Financial Services - Insurance (Topic 944): Transition for Sold Contracts.

The proposed update intends to reduce the implementation cost and complexity associated with the adoption of ASU 2018-12 Financial Services – Insurance (Topic 944): Targeted Improvements to the Accounting for Long Duration Contracts (LDTI) for contracts that have been derecognised because of a sale or disposal of individual or a group of contracts or legal entities before the LDTI effective date.

The last date for sending comments was 8 August 2022

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



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