

# Monthly GAAP Bulletin

June 2020



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

This edition covers updates for the month of May 2020.

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# **A. India updates - Effective**

**a. Accounting updates**

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## a. Accounting updates

### 1. Concept paper on 'All About Fair Value'

The Institute of Chartered Accountants of India (ICAI) issued 'ICAI Valuation Standards-2018', which were formulated on the basis of 'Fair Value principles' as per Indian Accounting Standard (Ind AS) 113, Fair Value Measurement, which include various principles, practices and procedures to be followed by registered valuers/valuation professionals in valuation of assets and liabilities.

The Registered Valuers Organisation and Valuation Standards Board of the ICAI has now issued a concept paper on 'All About Fair Value,' which highlights various key aspects of fair value under Ind AS 113, to help registered valuers and make the other stakeholders aware of various concepts of fair valuation.

Click [here](#) for news release.

Click [here](#) for concept paper.

### 2. ICAI COVID-19 FAQs on Ind AS

The Accounting Standards Board of the ICAI has issued certain FAQs (Frequently Asked Questions) on Ind AS. These FAQs provide application guidance in certain areas of accounting (Ind AS) in the context of contraction in economic activity, disruptions in financial markets and a series of actions by the government, monetary and prudential authorities. The guidance included in this publication is applicable for annual financial statements prepared in Ind AS framework for the year ended 31 March 2020.

Click [here](#) for publication.

## b. Auditing updates

### 1. Addendum to the Guidance Note on Audit of Banks, 2020 Edition

The Reserve Bank of India (RBI) had issued detailed instructions to commercial and co-operative banks, financial institutions and non-banking financial companies (NBFCs), including housing finance companies (HFCs) in connection with COVID-19 regulatory package and asset classification and provisioning vide its circulars dated 27 March 2020 and 17 April 2020, respectively.

Click [here](#) for Monthly GAAP Bulletin April 2020 edition.

Click [here](#) for Monthly GAAP Bulletin May 2020 edition.

In response to the above circulars, the ICAI has now issued Addendum to the Guidance Note on Audit of Banks, 2020 edition.

Click [here](#) for Addendum to Guidance Note.





## 2. Advisory for statutory bank branch auditors for conducting remote/online audit under COVID-19 situation

The ICAI has issued specific considerations for the statutory bank branch auditors for conducting distance audit/remote audit/online audit under the current COVID-19 situation, in which it has, inter alia, stated that the methodologies of conducting audit are likely to undergo a change but the objective of the audit will not change and accordingly, it is advisable for the auditor to exercise more professional skepticism while planning and performing the alternate audit procedures to ensure compliance with standards on auditing.

This advisory, inter alia, includes following considerations:

- An audit firm can opt for all the communications by e-mail instead of physical mode wherever necessary and it is suggested that all the communications are initiated by the audit firm from a designated single email id. Further, the audit firm may consider to number such communications in chronological order for having better controls.
- The audit firm can request the bank to provide the data/documents required for the purpose of conducting the audit in soft copy format at mutual convenience of the auditor and auditee.
- In case of non-availability of requisite files/documents at the branch, the audit firm may request either for arrangement of visit to Central Processing Cells (CPCs) to make the files maintained at CPCs available at the branch.

- If sufficient audit evidence is not available, if need be, an auditor may include emphasis of matter/key audit matters/scope limitations/disclaimer of opinion, etc. in the audit report/certificates.
- The auditor should ensure compliance with the provisions of two circulars, dated 27 March 2020 and 17 April 2020, resulting in changes in asset classification, and provisioning norms to certain extent issued by the RBI.

Click [here](#) for advisory.

## c. Regulatory updates Companies Act updates

### 1. Clarification on dispatch of notice by listed companies for rights issues opening up to 31 July 2020

The Securities and Exchange Board of India (SEBI), vide its circular dated 6 May 2020, issued certain relaxations relating to procedural matters in respect of rights issues opening up to 31 July 2020. (Also refer update 5 below under section SEBI updates).

In this regard, Ministry of Corporate Affairs (MCA), vide its circular dated 11 May 2020, has clarified that inability of any listed company to dispatch the notice relating to aforesaid rights issues to the shareholders through registered post or speed post or courier required under Section 62 of the Companies Act 2013 (Act), would not be viewed as violation of the Act, if the listed company complies with the requirements of aforementioned SEBI circular.

Click [here](#) for the circular.

### 2. Clarification on holding of annual general meetings (AGMs) through digital means

The MCA, vide its circular dated 21 April 2020, had permitted companies with financial year ending on 31 December 2019 to hold their AGM within a period of 9 months from closure of the financial year (i.e. 30 September 2020).

Click [here](#) for Monthly GAAP Bulletin May 2020 edition.

In view of continuing restrictions, the MCA has now further allowed the companies to conduct their AGMs through video conferencing or other audio visual means, during the calendar year 2020, subject to the fulfillment of specified conditions.

It further states that such companies will ensure that all other compliances associated with holding an AGM, such as making of disclosures, inspection of related documents/registers by members, or authorisations for voting by bodies corporate, etc. as required under the Act and the articles of association of the company are fulfilled electronically.

Click [here](#) for circular.

## SEBI updates

### 1. Disclosure of material impact of COVID-19 pandemic by listed entities under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

The SEBI, vide its circular dated 20 May 2020, has reiterated the need for listed entities to disclose the expected impact of the lockdown on account of COVID-19 pandemic on their business, performance and financials, both qualitatively and quantitatively, in accordance with existing provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR Regulations).

The SEBI has, inter alia, also suggested disclosure of the impact of COVID-19 pandemic, to the extent possible in their financial statements issued under Regulation 33 of the SEBI LODR Regulations.

The circular is applicable with immediate effect (i.e. 20 May 2020).

Click [here](#) for circular.

### 2. Regulatory measures introduced by SEBI to continue in view of ongoing uncertainty

In view of the COVID-19 pandemic and the resultant fear of economic slowdown, the SEBI had introduced various regulatory measures in view of ongoing market volatility for a period of one month with effect from 23 March 2020 and the deadline of the said measures was subsequently extended till 28 May 2020 vide its Press Release dated 20 April 2020.

Further, the SEBI has now extended the deadline till 25 June 2020 for the measures implemented since 23 March 2020, keeping in view the objective of ensuring orderly trading and settlement, effective risk management, price discovery and maintenance of market integrity.

Click [here](#) for SEBI circular.

### 3. Listing of mutual fund schemes that are in the process of winding up

In accordance with existing provisions of SEBI (Mutual Funds) Regulations, 1996 (MF Regulations) and SEBI circular, dated 28 December 2018, every close-ended scheme and units of segregated portfolio will be listed on recognised stock exchanges.

The SEBI, vide its circular dated 20 May 2020, has stated that the units of mutual fund schemes, which are in the process of winding-up in terms of regulation 39(2)(a) of MF Regulations, can be listed on recognised stock exchanges, subject to compliance with listing formalities as stipulated by the stock exchange. However, pursuant to listing, trading on stock exchange mechanism will not be mandatory for investors, rather, if they so desire, may avail an optional channel to exit provided to them.

The circular further directs that the detailed operational modalities for trading and settlement of units in aforesaid cases should be finalised by the concerned stock exchange in consultation with the SEBI.

The circular, inter alia, also pointed out that an asset management company (AMC), its sponsor, employees of AMC and trustee will not be allowed to transact in the units of such schemes that are under the process of being wound up.

The circular is applicable from the immediate effect (i.e. 20 May 2020).

Click [here](#) for the circular.



#### 4. Additional relaxation in relation to compliance with certain provisions of SEBI regulations

In view of the COVID-19 pandemic, the SEBI has granted relaxations with regard to the following:

- **SEBI LODR Regulations 2015**

| S. No. | Compliance requirements  | Relaxation   |
|--------|--|--|
| 1      | Relaxations necessitating out of MCA circulars: <ul style="list-style-type: none"><li>a Requirement of sending physical copies of annwual report to shareholders who have not registered their email addresses</li><li>b Requirement of proxy for general meetings held through electronic mode only</li></ul> | The requirement is dispensed for the listed entities who conduct their AGMs till 31 December 2020  |
| 2      | Requirement of publishing quarterly consolidated financial results under regulation 33(3)(b) of the LODR Regulations for listed entities which are banking and/or insurance companies or having subsidiaries which are banking and/or insurance companies  | Such listed entities may submit consolidated financial results for the quarter ending 30 June 2020 on a voluntary basis, and give reasons in case only standalone financial results are published  |
| 3      | Extension of relaxation from publication of advertisements in the newspapers as required by regulation 47 and regulation 52(8) of the LODR Regulations.  | Exemption granted from publication of advertisements in the newspapers until 15 May 2020 is now extended till 30 June 2020   |
| 4      | Requirement to maintain minimum 25% or higher public shareholding (MPS) for the listed entities under regulation 38 of the LODR Regulations  | <ul style="list-style-type: none"><li>• Relaxation has been granted from the penal provisions for listed entities whose deadline to comply with MPS requirements falls between period from 1 March 2020 to 31 August 2020</li><li>• Penal actions, if any, already initiated by stock exchange from 1 March 2020 to date for such non-compliance may be withdrawn.</li></ul> |

- One-time relaxation has been granted from strict enforcement of certain regulations of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and SEBI (buyback of securities) Regulations, 2018 in relation to open offers and buyback tender offers opening up to 31 July 2020, subject to fulfilment of certain conditions.
- One-time relaxation from strict enforcement of certain specified requirements of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 pertaining to right issue opening and offer documents filed up to 31 July 2020. The circular is applicable from immediate effect (i.e. 6 May 2020).

These circulars are applicable from the date of publication of respective circular.

Click [here](#) for the circular dated 12 May 2020.

Click [here](#) for the circular dated 14 May 2020 with respect to the MPS requirement.

Click [here](#) for the circular dated 14 May 2020 with respect to the take over and buy back offers.

Click [here](#) for the circular on right issues issued on 6 May 2020.





## Other regulatory updates

### 1. Announcements by the RBI

The RBI Governor in a press conference held on 22 May 2020, had announced various compliance relaxations amidst the COVID-19 pandemic. Post the announcement, the RBI has released notifications which, inter alia, include following relaxations:

| Particulars  | Existing  | Revised  |
|--|---|--|
| Export credit  | Maximum period of pre-shipment and post-shipment export credit sanctioned by banks is one year.<br>Click <a href="#">here</a> for Monthly GAAP Bulletin April 2020 edition  | It has been increased from the existing one year to 15 months for disbursements made up to 31 July 2020  |
| Extension of time for remittances from imports               | Timeline for remittances against normal imports back into India (except in cases where amounts are withheld towards guarantee of performance) is currently six months   | It has been increased from six months to 12 months from the date of shipment for such imports made on or before 31 July 2020   |
| Moratorium on term loan instalments                          | A moratorium period of three months had been granted on payment of instalments in respect of specified loans outstanding as on 1 March 2020.<br>Click <a href="#">here</a> for Monthly GAAP Bulletin April 2020 edition   | It has been extended for another three months (i.e. till 31 August 2020).  |
| Extension of resolution timeline                             | The RBI had earlier permitted that in respect of accounts which were within the review period as on 1 March 2020, the period from 1 March 2020 to 31 May 2020 will be excluded from the calculation of the 30-day timeline for the review period.<br>Click <a href="#">here</a> for Monthly GAAP Bulletin April 2020 edition. | The lending institutions are now permitted to exclude the entire moratorium period from 1 March 2020 to 31 August 2020 from the calculation of 30-day/180-day timeline |
| Limit on group exposures under the large exposures framework | The sum of all the exposure values of a bank towards a group of connected counterparties must not be higher than 25% of the bank's available eligible capital base at all times.  | It has now been increased from 25% to 30% of the eligible capital base of the bank.<br>The increased limit will be applicable up to 30 June 2021.                      |

Click [here](#) for the export credit circular.

Click [here](#) for the import payment circular.

Click [here](#) for the COVID-19 regulatory package.

Click [here](#) for extension of resolution timeline notification.

Click [here](#) for group exposures under the under the Large Exposures Framework.

### 2. Additional time allowed for filing quarterly return - Q4 FY20 - regulatory returns to all insurance intermediaries

Insurance Regulatory and Development Authority of India (IRDAI), vide its circular dated 4 April 2020, had allowed additional time for filing of certain regulatory returns by insurers and insurance intermediaries as at 31 March 2020. Click [here](#) for Monthly GAAP Bulletin May 2020 edition.

IRDAI has now further extended the time allowed by one more month for filing quarterly return of Q4 of FY20 by all insurance intermediaries (i.e. till 31 May 2020).

Click [here](#) for the circular.



### 3. Reduction in rate of tax deduction at source (TDS) and tax collection at source (TCS)

In order to provide more funds for dealing with the economic situation arising out of COVID-19 pandemic, the Central Board of Direct Taxes has reduced the rates of TDS for the specified payments to non-salaried residents and rates of TCS for certain specified receipts by 25%.

The reduced rates are applicable from 14 May 2020 to 31 March 2021.

It is further stated that there shall be no reduction in rates of TDS or TCS, where the tax is required to be deducted or collected at higher rate due to non-furnishing of PAN/ Aadhaar.

Notification amending the legislation on above-mentioned changes will be published in due course.

Click [here](#) for press release.



# **B. India updates - Proposed**

**Companies Act update**



## Companies Act update

### 1. Draft procedure for submission of audit files to NFRA

National Financial Reporting Authority (NFRA) has issued the draft procedures to be followed by audit firms and chartered accountants (entities) covered under their jurisdiction as laid down, vide Section 132 of the Companies Act, 2013, read with NFRA Rules 2018 for submission of audit files to NFRA.

The draft procedures form a baseline that sets out minimum requirements to be complied with by entities while submitting their audit files to NFRA for any purpose.

Last date for submission of comments was 31 May 2020.

Click [here](#) for draft procedures.





# **C. International updates – Effective**

**a. IFRS updates**

**b. Auditing updates**

## a. IFRS updates

### 1. Amendments to the IFRS Standards

The International Accounting Standards Board (IASB) has issued narrow scope amendments to the following standards and certain annual improvements to clarify the wording or correct minor consequences, oversights or conflicts between requirements in the standards.

- **IFRS 3, Business Combinations:** Updation of references in IFRS 3 in respect of new Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- **IAS 16, Property, Plant and Equipment - proceeds before intended use:** Proceeds from selling of any item produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by the management will not be deducted from the cost of such property, plant and equipment. Such proceeds along with related cost will be recognised in profit or loss in accordance with applicable standards.
- **IAS 37, Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - cost of fulfilling a contract:** Clarification provided on which costs a company will include while assessing whether a contract will be loss-making/onerous. It states that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Such cost consists of both:
  - incremental costs of fulfilling that contract - for example, direct labour and materials; and
  - an allocation of other costs that relate directly to fulfilling contracts - for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract among others.

- **Annual improvements** making minor amendments to IFRS 1, **First-time Adoption of International Financial Reporting Standards**, IFRS 9, **Financial Instruments**, IAS 41, **Agriculture** and the Illustrative Examples accompanying IFRS 16, **Leases**.

These amendments are effective from 1 January 2022. Earlier application is permitted.

Click [here](#) for news release.

Click [here](#) for the amendments to IFRS 3.

Click [here](#) for the amendments to IAS 16.

Click [here](#) for the amendments to IAS 37.

Click [here](#) for annual improvements.

### 2. COVID-19-related rent concessions: Amendment to IFRS 16

The IASB had issued an exposure draft which proposed to amend IFRS 16, **Leases**, to make it easier for lessees to account for COVID-19 related rent concessions such as rent holidays and temporary rent reductions.

Click [here](#) for Monthly GAAP Bulletin May 2020 edition.

It has now issued an amendment to IFRS 16, which provides the following:

- It permits lessees, as a practical expedient, not to assess whether particular COVID-19-related rent concessions are lease modifications. Instead, lessees that apply the practical expedient will account for those rent concessions as if they were not lease modifications.
- Above-mentioned practical expedient applies 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); and
  - there is no substantive change to other terms and

conditions of the lease.

- Requires lessees that apply the practical expedient to disclose that fact.

It applies to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2021.

This amendment is effective for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in the financial statements not authorised for issue on 28 May 2020.

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

Click [here](#) for the amendment.



## b. Auditing updates

### 1. ISA 540 (Revised) Illustrative examples for auditing simple and complex accounting estimates

The Implementation Working Group of the International Auditing and Assurance Standards Board (IAASB) has released illustrative examples for auditing accounting estimates.

These examples are designed to illustrate how an auditor could address certain requirements of International Standards on Auditing (ISA) 540 (Revised), **Auditing Accounting Estimates and Related Disclosures**, and have been developed to assist the auditor in understanding how ISA 540 (Revised) may be applied to:

- Simple accounting estimate - provision on inventory impairment
- Complex accounting estimate - provision on property, plant and equipment impairment

Further, IAASB has clarified that these examples are intended to be read together with ISA 540 (Revised) and it will not amend, extend or override the ISAs or other of the IAASB's International Standards.

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

Click [here](#) for the illustrative examples of ISA 540.



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