

# Monthly GAAP Bulletin

March 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.

This edition covers updates for February 2022.

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# A. India updates - Effective

a. Accounting updates

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## A. India updates - Effective

### a. Accounting updates

#### 1. Guidelines on accounting with respect to Indian Accounting Standards (Ind AS) for Asset Management Companies

The Securities and Exchange Board of India (SEBI) vide notification dated 25 January 2022 had amended SEBI (Mutual Funds) Regulations, 1996, which, inter-alia, mandated that the Asset Management Companies (AMCs) shall prepare the financial statements and accounts of the mutual fund schemes in accordance with Ind AS with effect from 1 April 2023.

In view of the above, the following guidelines have been released on 4 February 2022:

- Mutual fund schemes to prepare the opening balance sheet as on date of transition and the comparatives as per the requirements of Ind AS
- Mutual fund schemes may not mandatorily restate the previous year's published 'perspective historical per unit statistics' (mentioned in Clause 6 of Eleventh Schedule of MF Regulations that require such scheme-wise disclosure for three years) as per Ind AS for the first two years from first-time adoption subject to additional disclosures being provided as follows:

- Label the previous Generally Accepted Accounting Principle (GAAP) information prominently as not being prepared in accordance with the Ind AS
- Disclose the nature of adjustments that would be required to make it comply with Ind AS. Mutual fund schemes need not quantify those adjustments
- Format for preparation of financial statements has also been prescribed

Further, it is clarified that brokerage and transaction cost of investment incurred for the purpose of execution shall be charged to the schemes as provided under Regulation 52. In case, any payments exceed the specified limits, they may be charged to the scheme within the maximum limit of Total Expense Ratio (TER) as prescribed under the said Regulation.

The circular shall be effective from 1 April 2023.

Click [here](#) for the amended Mutual Fund Regulations.

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

## B. International updates - Effective

### b. Regulatory updates

#### Companies Act updates

#### 1. Companies (Accounts) Amendment Rules, 2022

The Ministry of Corporate Affairs (MCA) vide its notification dated 11 February 2022 has notified that every company covered under the provisions of sub-section (1) to Section 135 of the Companies Act 2013, shall furnish a report on Corporate Social Responsibility in Form CSR-2 (the Form) to the Registrar for the preceding financial year (2020-2021) and onwards as an addendum to Form AOC-4 or AOC-4 XBRL or AOC-4 NBFC (Ind AS), as the case may be.

Form CSR-2 (Report on Corporate Social Responsibility) is available for filing purposes now under MCA Services-Company services-CSR-2 and also has been added in the Annexure to the Companies (Accounts) Rules.

Amongst other items, the Form requires the companies to furnish details of financial information of the Company that triggers applicability of Section 135, details of audit CSR committees, details of amounts required to be spent, amounts spent on ongoing projects, amounts spent on other than ongoing projects, unspent amounts transferred to funds, disclosure in the Board Report, etc.

Click [here](#) for the notification.





## A. India updates - Effective

### 2. Amendments to Acts/Rules applicable to Limited Liability Partnerships

#### Commencement notification for Section 1 to 29 of Limited Liability Partnerships (LLP) Amendment Act 2021

MCA vide notification dated 11 February 2022 has appointed 1 April 2022 as the date on which provisions of Sections 1 to 29 of LLP (Amendment) Act, 2021 will be effective. Click [here](#) for the LLP (Amendment) Act, 2021 notified on 13 August 2021. Click [here](#) for the MCA notification.

#### Amendment to Limited Liability Partnership Rules, 2009

MCA has amended LLP Rules, 2009 vide notification dated 11 February 2022 by issue of LLP (Amendment) Rules, 2022. The amended Rules have inserted the following rules:

- 19A. Allotment of new name to existing LLP under sub-section (3) of Section 17
- 37A. Adjudication of penalties
- 37B. Appeal against order of adjudicating officer
- 37C. Registration of appeal
- 37D. Disposal of appeal by Regional Director

The amended rules have also inserted the following new Forms-

- FORM NO. 16A- Certificate of Incorporation pursuant to change of name due to Order of Regional Director not being complied
- FORM NO. 33 – LLP ADJ – Memorandum of Appeal

The Rules further amended the following rules:

- Rule 5 to include that the National Company Law Appellate Tribunal Rules, 2016 shall be applicable for filing an appeal
- Rule 18 for the proposed name of LLP not to be similar or nearly resemble the name of any other LLP or company
- Rule 19 - LLP/company/proprietor of registered trademarks which already have name similar or name which has near resemblance with name of new/subsequently incorporated LLP to apply with Regional Director for giving directions to change the name of new/subsequently incorporated LLP

All above changes will come into force with effect from 1 April 2022

Click [here](#) for the notification.

## B. International updates - Effective

### Applicability of provisions of Companies Act, 2013 to LLPs

MCA vide notification dated 11 February 2022, has notified that the provisions of following sections of the Companies Act 2013 will apply to LLPs, except where the context otherwise requires, with modifications specified in the Notification to make it suitable to LLPs.

- Section 90: Register of significant beneficial owners in a company - sub section (1) to sub section (11)
- Section 164: Disqualifications for Appointment of Director - sub section (1) and (2)
- Section 165: Number of Directorships - sub section (1), (3) (4) (5) and (6)
- Section 167: Vacation of Office of Director - sub section (1) to sub section (3)
- Section 206: Power to Call for Information, Inspect Books and Conduct Inquiries - sub section (5)
- Section 207: Conduct of inspection and inquiry - sub section (3)
- Section 252: Appeal to Tribunal - sub section (1) to (3)
- Section 439: Offences to be non-cognisable - sub section (1) to (4)

The aforesaid provisions are applicable to the LLPs from the date of publication of the Notification in the Official Gazette, being 11 February 2022.

Click [here](#) for the notification

### 3. Relaxation on levy of additional fees in filing of e-forms

MCA vide its circular dated 29 December 2021 had granted relaxation directing that no additional fees would be levied for the filing of following e-forms:

- AOC-4: Form for filing financial statements and other documents with the Registrar – up to 15 February 2022
- MGT-7/MGT 7A: Form for filing annual return by a company/OPCs and small company up to 28 February 2022

Keeping in view the various requests received from stakeholders, MCA has issued a notification on 14 February 2022, wherein they decided to extend the relaxation up to 15 March 2022 for filing of AOC-4 and up to 31 March 2022 for MGT-7/MGT-7A in respect of financial year ended 31 March 2021.

Click [here](#) for circular dated 29 December 2021.

Click [here](#) for the notification dated 14 February 2022.

## A. India updates - Effective

### SEBI updates

#### 1. SEBI releases new disclosure format for abridged prospectus

SEBI, vide its circular dated 4 February 2021 has revised the format of abridged prospectus to simplify, provide greater clarity and consistency in the disclosures on the front page of the offer document. Below are some of the salient features of the revised format:

- The front page of the offer document shall contain the name of promoter, details of offer to the public, total issue size, share reservation details, etc.
- Disclosure required for details of the offer for sale by promoter, promoter group and other shareholders
- Indicative timelines for opening and closing of the issue, initiation of refunds, credit of equity shares to Demat accounts of allottees and commencement of trading of equity shares
- The issuer shall insert a quick response (QR) code on the front page of the documents such as front outside cover page, abridged prospectus, price band advertisements, etc., as deemed fit by them, ultimately leading to downloading of the before mentioned documents on the scanning of the QR code.

- Abridged prospectus will be made available on the website of issuer company, lead managers, registrar to an issuer and a link for downloading the prospectus will have to be provided in price band advertisement
- No qualitative statement will be made which cannot be substantiated with key performance indicators

The new framework will be applicable to all issues opening after the date of this circular.

Click [here](#) for the circular

#### 2. SEBI- Schemes of Arrangement by Listed Entities

SEBI, vide its circular dated 16 November 2021 had decided to provide certain clarifications on the processing of draft schemes filed with the stock exchanges and make certain amendments to SEBI Master Circular dated 22 December 2020. Click [here](#) for the SEBI circular dated 16 November 2021.

SEBI has issued a circular dated 1 February 2022 specifying that the No Objection Certificate (NOC) required to be submitted to stock exchanges, should be obtained from the lending scheduled commercial banks/financial institutions and

## B. International updates - Effective

debenture trustees constituting not less than 75% of the secured creditors in value.

This amendment is applicable for all the schemes filed with the stock exchanges after 16 November 2021.

Click [here](#) for the SEBI Circular.

#### 3. Separation of role of Chairperson and MD/CEO for listed entities

During May 2018, SEBI amended SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 to mandate top 500 listed entities to ensure that the Chairperson of the board will:

- be a non-executive director
- not be related to the Managing Director or the Chief Executive Officer as per the definition of the term 'relative' defined under the Companies Act, 2013

The above amendment was originally applicable w.e.f 1 April 2020 which, thereafter, got extended by two years to 1 April 2022.

SEBI, in its Board meeting dated 15 February 2022, has inter-alia decided that this provision may not be retained as a mandatory requirement and instead be made applicable to the listed entities on a 'voluntary basis'.

Click [here](#) for the notification

#### 4. Extension on applicability of swing pricing framework for mutual fund schemes

SEBI vide its circular dated 29 September 2021 had stipulated swing pricing framework for mutual fund schemes to discourage large investors from sudden redemption, which was applicable from 1 March 2022. Click [here](#) for the circular dated 29 September 2021.

Based on the request received from the Association of Mutual Funds of India, SEBI vide circular dated 25 February 2022 has decided to extend the implementation date of the provisions of the aforesaid circular to 1 May 2022.

Click [here](#) for the circular dated 25 February 2022.



## A. India updates - Effective

### 5. Securities and Exchange Board of India (Depositories and Participations) (Amendment) Regulations, 2022

SEBI vide its notification dated 23 February 2022 amended Regulation 35 of the Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018.

As per Regulation 35, the stockbroker who has been granted a certificate of registration by the Board under sub-section 12 of the SEBI Act, shall have a net worth of INR 50 lakh and the aggregate value of portfolio of securities of the beneficial owners held in dematerialised form in a depository through him, shall not exceed hundred times of the net worth of the stockbroker.

The regulation has been amended vide notification dated 23 February 2022, where the stockbroker shall have a net worth of INR three crore (within one year of the date of notification), which shall be increased to INR five crore within two years of the date of notification.

Provided further that a self-clearing member fulfilling the net worth requirements as provided under the Securities and Exchange Board of India (Stockbrokers) Regulations, 1992 shall also be eligible to register as a depository participant.

Click [here](#) for notification.

### 6. Circular on Audit Committee of Asset Management Companies

Currently, in the case of AMCs, the requirement to form an Audit Committee is dependent on the decision of trustees of mutual funds. SEBI vide its circular dated 9 February 2022 has mandated all AMCs of mutual funds to constitute an Audit Committee, in order to protect the interests of investors and to regulate the securities market.

The Audit Committee is required to review the financial reporting processes, the system of internal controls and audit processes for the mutual fund operations of the AMC and also ensure that the rectifications if any suggested by the internal or external auditors, etc., are acted upon.

The composition of Audit Committee shall be in accordance with the details given in the circular and also it shall hold a minimum of four meetings in a financial year subject to the conditions laid in the circular. The role, responsibility, powers and other features of the Audit Committee are detailed in the circular.

This circular will come into force with effect from 1 August 2022.

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

## B. International updates - Effective

### Other regulatory updates

#### 1. New Definition of Micro, Small and Medium Enterprises - Clarification

The RBI has issued clarification in respect to the New Definition of Micro, Small and Medium Enterprises (MSME) in reference to its earlier circular dated 25 June 2021. Click [here](#) for circular dated 25 June 2021.

RBI vide notification dated 18 February 2022 has clarified that the Government of India has amended paragraph 3 of the said circular which would now stand modified and has resulted in:

- Existing Entrepreneurs Memorandum (EM) Part II and Udyog Aadhaar Memorandum (UAM) of the MSMEs obtained till 30 June 2020 now stands extended till 31 March 2022. The previous deadline for the same was 31 December 2021 vide circular as referenced above.
- Further, it is clarified that the validity of documents obtained in terms of RBI circular 13 dated July 2017 for classification of MSMEs up to June is also valid up to 31 March 2022.

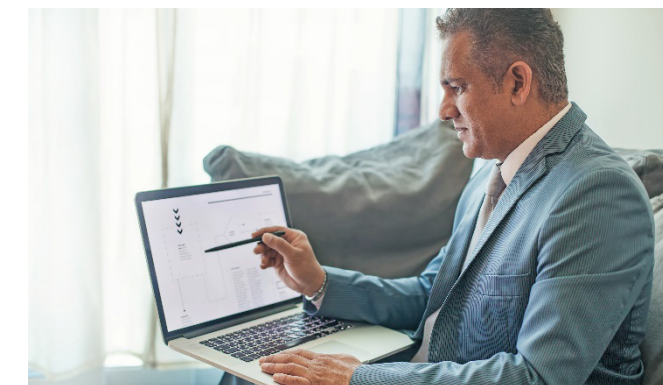
Click [here](#) for the circular.

#### 2. Master Circular - Asset Reconstruction Companies

In order to have all current instructions/guidelines on the subject at one place, the Reserve Bank of India (RBI) has issued Master Circular - Asset Reconstruction Companies on 10 February 2022.

The master circular provides details on the applicability of the guidelines/instructions, registration, net owned fund, permissible business, requirement as to capital adequacy, asset classification, income recognition, disclosures in balance sheet, audit requirements, etc.

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





## A. India updates - Effective

### 3. Publications issued by ICAI

#### Publications issued by Committee on Insolvency and Bankruptcy Code of ICAI

The Committee Insolvency & Bankruptcy Code of ICAI has issued the following publications:

- [Handbook on Pre-packaged Insolvency Resolution Process under The Insolvency and Bankruptcy Code, 2016](#) – 7 February 2022
- [Frequently Asked Questions on The Insolvency and Bankruptcy Code, 2016](#) – 8 February 2022
- [Handbook on Liquidation Process and Voluntary Liquidation Process under The Insolvency and Bankruptcy Code, 2016](#) – 10 February 2022

#### Guidance Note on Audit of Banks (2022 Edition)

The Auditing and Assurance Standards Board of the ICAI has issued the 'Guidance Note on Audit of Banks (2022 Edition)' on 10 February 2022. The Guidance Note is divided into two sections i.e., Section A - Statutory Central Audit and Section B - Bank Branch Audit. The Guidance Note also contains various appendices, such as illustrative formats of the engagement letter, illustrative formats of the auditor's report,

both in case of nationalised banks and banking companies, illustrative formats of management representation letter, the text of master directions, master circulars and other relevant circulars issued by the RBI.

Further the Guidance Note is to be read in conjunction with the following publications issued by ICAI:

- Technical Guide on Audit of Internal Financial Controls in case of Public Sector Banks issued on 19 March 2021 (Click [here](#) for publication)
- Technical Guide on Revised Formats of Long Form Audit Report issued in March 2021 (Click [here](#) for publication)

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

#### Publications on valuation

The Valuation Standards Board and ICAI Registered Valuers Organisation has issued following publications (click on each link below to access the publication):

- [Judicial Pronouncements in Valuation](#) – 11 February 2022
- [Concept Paper on Inventory Valuation](#) – 10 February 2022
- [LIBOR Transition- Valuation Guide](#) – 10 February 2022
- [Concept Paper on Estimating Discount Rates in Valuation](#) - 10 February 2022

## B. International updates - Effective

### 4. Clarifications for prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances

RBI vide its circular dated 12 November 2021, issued clarifications in respect of Master Circular on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances as relevant for non-performing asset (NPA) classification by banks.

Click [here](#) for the circular.

RBI vide another circular dated 15 February 2022, has inter-alia clarified that in the case where borrowers have more than one credit facility from a lending institution, loan accounts will be upgraded from NPA to standard asset category only upon repayment of entire arrears of interest and principle pertaining to all the credit facilities. NBFCs shall have time till 30 September 2022 to put in place the necessary systems to implement this provision. Further, there are clarifications with respect to the definition and determination of 'Out of Order' as covered in the earlier circular.

Click [here](#) for the clarifications.

### 5. Implementation of 'Core Financial Services Solution' by Non-Banking Financial Companies

RBI vide its circular dated 22 October 2021 introduced a revised scale-based regulatory framework for non-banking financial companies (NBFCs), as per which NBFCs with ten and more branches are mandated to adopt Core Banking Solution (CBS). Click [here](#) for the circular dated 22 October 2021.

RBI vide its circular dated 23 February 2022 has decided that middle and upper layer NBFCs - with 10 and more 'fixed point service delivery units' will mandatorily implement Core Financial Services Solution (CFSS), (which is akin to the CBS currently implemented by banks) on or before 30 September 2025. However, the NBFC-upper layer shall ensure that the CFSS is implemented at least in 70% of 'Fixed point service delivery units' on or before 30 September 2024.

A quarterly progress report on the implementation of CFSS, along with various milestones as approved by the Board/Committee of the Board, shall be furnished by the NBFC to the Senior Supervisory Manager (SSM), Office of the Reserve Bank, starting from the quarter ending 31 March 2023.

Click [here](#) for the circular.



# B. International updates - Effective

Auditing updates

## A. India updates - Effective

### Auditing updates

#### 1. First-time Implementation Guide for ISA 220, Quality Management for an Audit of Financial Statements

In December 2020, the International Auditing and Assurance Standards Board (IAASB) released ISA 220 (revised), Quality Management for an Audit of Financial Statements, along with two new quality management standards that strengthen and modernise the audit firm's approach to quality management.

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

The suite of standards includes:

- International Standard on Quality Management (ISQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements. Click [here](#) for ISQM 1
- ISQM 2, Engagement Quality Reviews. Click [here](#) for ISQM 2
- International Standard on Auditing 220 (Revised), Quality Management for an Audit of Financial Statements. Click [here](#) for ISA 220 (revised)

The IAASB on 17 February 2022 released the First-time Implementation Guide for ISA 220 (revised). The guide will help stakeholders understand the standard and properly implement IAASB's suite of quality management standards.

The suite of standards was released in December 2020 and will come into effect on 15 December 2022.

Click [here](#) for the guide.

## B. International updates - Effective



# Contact us



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<b>NEW DELHI</b> National Office, Outer Circle, L 41, Connaught Circus, New Delhi - 110001 T +91 11 4278 7070	<b>NEW DELHI</b> 6th Floor, Worldmark 2, Aerocity, New Delhi - 110037 T +91 11 4952 7400	<b>AHMEDABAD</b> Unit No - 603 B, 6th Floor, Brigade International Financial Center, GIFT City Gandhinagar, Ahmedabad - 382355	<b>BENGALURU</b> 5th Floor, 65/2, Block A, Bagmane Tridib, Bagmane Tech Park, CV Raman Nagar, Bengaluru - 560093 T +91 80 4243 0700	<b>CHANDIGARH</b> B-406A, 4th Floor, L&T Elante Office Building, Industrial Area Phase I, Chandigarh - 160002 T +91 172 4338 000
<b>CHENNAI</b> 9th Floor, A Wing, Prestige Polygon, 471 Anna Salai, Mylapore Division, Teynampet, Chennai - 600035 T +91 44 4294 0000	<b>DEHRADUN</b> Suite No 2211, 2nd Floor, Building 2000, Michigan Avenue, Doon Express Business Park, Subhash Nagar, Dehradun - 248002 T +91 135 2646 500	<b>GURGAON</b> 21st Floor, DLF Square, Jacaranda Marg, DLF Phase II, Gurgaon - 122002 T +91 124 462 8000	<b>HYDERABAD</b> Unit No - 1, 10th Floor, My Home Twitza, APIIC, Hyderabad Knowledge City, Hyderabad - 500081 T +91 40 6630 8200	<b>KOCHI</b> 6th Floor, Modayil Centre Point, Warriam Road Junction, MG Road, Kochi - 682016 T +91 484 406 4541
<b>KOLKATA</b> 10C Hungerford Street, 5th Floor, Kolkata - 700017 T +91 33 4050 8000	<b>MUMBAI</b> 11th Floor, Tower II, One International Center, SB Marg Prabhadevi (W), Mumbai - 400013 T +91 22 6626 2600	<b>MUMBAI</b> Kaledonia, 1st Floor, C Wing, (Opposite J&J Office), Sahar Road, Andheri East, Mumbai - 400069 T +91 22 6176 7800	<b>NOIDA</b> Plot No 19A, 2nd Floor, Sector - 16A, Noida - 201301 T +91 120 485 5900	<b>PUNE</b> 3rd Floor, Unit No 309-312, West Wing, Nyati Unitree, Nagar Road, Yerwada Pune - 411006 T +91 20 6744 8800

For more information or for any queries, write to us at [npsq@in.gt.com](mailto:npsq@in.gt.com)



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