



Monthly GAAP Bulletin

November 2020



Introduction

Dear Reader,

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

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

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

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A. India updates - Effective

a. Accounting updates

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a. Accounting updates

1. Indian Accounting Standards (Ind AS): An Overview

The Institute of Chartered Accountants of India (ICAI) has released the fifth edition of Indian Accounting Standards: An Overview (Revised 2020). The publication gives a glance at the basic aspects of applicable Ind AS in a summarised manner; differences between Ind AS and AS, and Ind AS and IFRS. This publication includes all recent amendments to Ind AS notified by the Ministry of Corporate Affairs, vide notification dated 24 July 2020, as Companies (Indian Accounting Standards) Amendment Rules, 2020, comprising critical amendments to Ind AS, which are applicable for the accounting year beginning on or after April 1, 2020.

Click [here](#) for the announcement.

Click [here](#) for the publication.

2. EAC opinion on Accounting Treatment of Expenditure Incurred for Rejuvenation of Petrochemical Plant

The ICAI has issued an opinion of the expert advisory committee (EAC) in its October 2020 edition of The Chartered Accountant journal, on Accounting Treatment of Expenditure Incurred for Rejuvenation of Petrochemical Plant.

The EAC has opined that:

- a. All major subsequent expenditures incurred, including the cost of replacing various assets of the plant, should be capitalised, provided it is probable that the future economic benefits will flow to the company and the cost of the asset to the company can be measured reliably.
- b. The costs relating to labour and power and fuel can be capitalised only if these are directly attributable to bringing the various asset(s)/plant to the location and condition necessary for it/them to be capable of operating in the manner intended by management. Thus, any fuel and power consumed for checking the serviceability of existing plant and equipment should not be capitalised as this expenditure is not required for bringing the plant to an operating condition.
- c. The expenditure incurred on repairs and maintenance, including replacement costs of small parts and cost of day-to-day servicing of the items, is charged to profit or loss as and when incurred. Any expenditure on regular repairs and maintenance should not be capitalised.

Click [here](#) for the opinion

a. Regulatory updates Companies Act updates

1. Extension of special measures under the Companies Act, 2013 and Limited Liability Partnership Act, 2008 in view of the COVID-19 pandemic

The MCA issued General Circular No. 11/2020, dated 24 March 2020, introducing special measures under the Companies Act, 2013 and Limited Liability Partnership Act, 2008 in view of the COVID-19 pandemic. This circular, inter alia, provides that non-compliance of minimum residency in India for a period of at least 182 days by at least one director of every company, under Section 149 of the Companies Act, 2013, will not be considered a non-compliance for the financial year 2019-20 (FY20).

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

In continuation to above-mentioned circular, the MCA issued circular, dated 20 October 2020, stating that non-compliance with the residency requirement of 182 days in a year by at least one director in every company, under Section 149 of the Companies Act, 2013 will not be considered a non-compliance for FY21 also.

Click [here](#) for the circular dated 20 October 2020.

SEBI updates

1. SEBI (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2020

Securities and Exchange Board of India (SEBI) has issued SEBI (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2020, which, inter alia, provide the following:

- In respect of its listed non-convertible debt securities, the listed entity will maintain 100% asset cover or asset cover as per the terms of offer document/ information memorandum and/or debenture trust deed, sufficient to discharge the principal amount at all times for the non-convertible debt securities issued. Earlier, option to maintain asset cover as per terms of offer document/ information memorandum and/or debenture trust deed was not available.
- In list of information that needs to be shared with debenture trustees, following additional requirements are introduced:
 - i. All covenants of the issue (including side letters, accelerated payment clause, etc.).
 - ii. Half-yearly certificate by statutory auditor is also required for compliance with all the covenants as well in addition to earlier requirement of certifying maintenance of 100% asset cover. Further, earlier exemption from submission of such half-yearly certificates in cases where a listed entity is a bank or non-banking financial company (NBFC) registered with the Reserve Bank of India (RBI) has been removed.

- A new requirement has been introduced in the regulations with respect to forensic audits, which makes it mandatory for listed entities to make the following disclosures to the stock exchanges:
 - i. The fact of initiation of forensic audit along with name of entity initiating the audit and reasons for the same, if available.
 - ii. Final forensic audit report (other than for forensic audit initiated by regulatory/enforcement agencies) on receipt by the listed entity along with comments of the management, if any.

These amended regulations came into force on 8 October 2020.

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

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

SEBI, on 29 October 2020, issued the SEBI (Prohibition of Insider Trading) (Second Amendment) Regulations, 2020 (amended regulations) to, inter alia, introduce additional details to be provided in **voluntary information disclosure form** (the form), which is required to be submitted by informant with SEBI under the above-mentioned regulations relating to an alleged violation of insider trading laws.

These amended regulations have also introduced an explanation to clarify that for the purpose of these regulations, **original information** will be considered as timely only if as on the date of receipt of the duly completed form by SEBI, a period of not more than three years has elapsed since the date on which the first alleged trade constituting violation of insider trading laws was executed.

These amended regulations came into force on 29 October 2020.

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

3. SEBI (Mutual Funds) (Second Amendment) Regulations, 2020

SEBI has issued SEBI (Mutual Funds) (Second Amendment) Regulations, 2020 (amended regulations). These amended regulations, inter alia, provide the following:

- Provisions governing asset management companies (AMCs) are amended to provide that an AMC may become a proprietary trading member for carrying out trades in the debt segment of the recognised stock exchanges on behalf of its mutual fund schemes and may also become a self-clearing member of the recognised clearing corporations to clear and settle trades in the debt segment on behalf of its mutual fund schemes.
- Chief executive officer is directed to ensure that the AMC has adequate systems in place to ensure that the code of conduct for the fund managers and dealers, specified in PART - B of the Fifth Schedule of these Regulations are adhered to in letter and spirit. Any breach of the said conduct will be brought to the attention of the board of directors of the AMC and trustees.
- Fund managers will abide by the code of conduct for fund managers and dealers, specified in PART - B of the Fifth Schedule of these and submit a quarterly self-certification to the trustees that they have complied with the said conduct or list exceptions, if any.

These amended regulations came into force on 29 October 2020.

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

4. SEBI (Alternative Investment Funds) (Amendment) Regulations, 2020

SEBI has issued the SEBI (Alternative Investment Funds) (Amendment) Regulations, 2020 (amended regulations), which prescribe the qualifications required from a key investment team of the manager of Alternative Investment Fund (AIF). It has introduced new sub-regulation, which specifically provides that the manager of an AIF will be responsible for investment decisions, provided the manager may constitute an investment committee (by whatever name it may be called), to approve investment decisions of the AIF, subject to specified conditions.

These amended regulations came into force on 19 October 2020.

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

5. Contribution by issuers of listed or proposed to be listed debt securities towards creation of Recovery Expense Fund (REF)

SEBI on 22 October 2020 has issued a circular on contribution by issuers of listed or proposed to be listed debt securities towards creation of REF. In order to enable the debenture trustee(s) to take prompt action for enforcement of security in case of default in the listed debt securities, a REF will be created that will be used in the manner as decided in the meeting of the holders of debt securities. This circular has laid down the guidance around the following aspects:

- Manner of creation and operation of REF
- Manner of utilisation of REF
- Refund of REF to the issuer

The provision of this circular will come into force with effect from 1 January 2021. All the applications for listing of debt securities made on or after 1 January 2021 will comply with the condition of creation of REF. The existing issuers whose debt securities are already listed on stock exchange(s) will be given additional time-period of 90 days to comply with this circular for creation of REF.

Click [here](#) for the circular.

6. Issuance, listing and trading of perpetual non-cumulative preference shares and innovative perpetual debt instruments/perpetual debt instruments

SEBI has issued additional framework related to issuance, listing and trading of perpetual non-cumulative preference shares (PNCPS) and innovative perpetual debt instruments (IPDs)/perpetual debt instruments (PDI), commonly referred to as AT1 bonds/instruments, which are proposed to be listed.

This additional framework discusses about the following:

- Manner of issuance
- Investors
- Allotment size
- Trading lot size
- Other requirements including disclosure requirements in Annex I

This circular came into force from 12 October 2020.

Click [here](#) for the circular.

7. Standardisation of timeline for listing of securities issued on a private placement basis

SEBI has issued a circular to standardise the timelines, within which securities issued on a private placement basis under the following regulations need to be listed:

- SEBI (Issue and Listing of Debt Securities) Regulations, 2008
- SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013
- SEBI (Public Offer and Listing of Securitised Debt Instruments and Security Receipts) Regulations, 2008
- SEBI (Issue and Listing of Municipal Debt Securities) Regulations, 2015

This circular provides following timelines:

S. No.	Details of activities	Due date
1.	Closure of issue	T day
2.	Receipt of funds	To be completed by T+2 trading day
3.	Allotment of securities	
4.	Issuer to make listing application to stock exchange(s)	To be completed by T+4 trading day
5.	Listing permission from stock exchange(s)	

The circular will come into force with effect from 1 December 2020.

Click [here](#) for the circular.

8. Extension of facility for conducting extraordinary meeting(s) of unit holders of InvITs and REITs through VC or OAVM

SEBI, vide its circular dated 22 June 2020, permitted Infrastructure Investment Trusts (InvITs)/ Real Estate Investment Trusts (REITs) to conduct meetings of unitholders through videoconferencing (VC) and other audio-visual means (OAVM), subject to compliance with the procedure specified therein. The facility of VC or OAVM was made available for annual meeting of unitholders in terms of regulation 22(3) (a) of SEBI (Infrastructure Investment Trusts) Regulations, 2014 (as amended) and Regulation 22(3) of SEBI (Real Estate Investment Trusts) Regulations, 2014 (as amended), to be conducted during calendar year 2020. For meetings, other than annual meeting of unitholders, the facility for conducting meeting of unitholders through VC or OAVM was provided up to 30 September 2020.

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

SEBI now issued a circular on 8 October 2020 extending the facility for conducting extraordinary meetings of unitholders of REITs and InvITs up to 31 December 2020, subject to compliance with the procedure prescribed in Annexure-I of circular dated 22 June 2020.

Click [here](#) for the circular.

9. FAQs on SEBI (Prohibition of Insider Trading) Regulations, 2015

SEBI has issued revised frequently asked questions (FAQs) to clarify on certain aspects of the SEBI (Prohibition of Insider Trading) Regulations, 2015 (PIT Regulations), with respect to following:

- Whether the requirement of pre-clearance is applicable for exercise of employee stock option?
- Whether trading in depository receipts of companies by employees of Indian companies, who are foreign nationals, is covered under the provisions of PIT Regulations on code of conduct?
- What information should a listed company maintain in its structured digital database under Regulation 3(5), in case the designated person is a fiduciary or intermediary?
- In case a designated person resigns, what information should be collected by the company/intermediary/fiduciary under PIT Regulations?

Click [here](#) for the revised FAQs.

10. SEBI (Debenture Trustees) (Amendment) Regulations, 2020

SEBI has issued SEBI (Debenture Trustees) (Amendment) Regulations, 2020 (amended regulations). These amended regulations, inter alia, provide the following:

- Every debenture trustee will amongst other matters, accept the trust deeds which will contain the matters as prescribed under Section 71 of Companies Act, 2013 and Form No. SH.12, **Debenture Trust Deed**, of the Companies (Share Capital and Debentures) Rules, 2014. Such trust deed should consist of Part A containing statutory/standard information pertaining to the debt issue and Part B containing details specific to the particular debt issue.
- In case where listed debt securities are secured by way of receivables/ book debts, it will:
 - i. **on a quarterly basis** - (a) carry out the necessary due diligence and monitor the asset cover in the manner as may be specified by SEBI from time to time.
 - ii. **on a half-yearly basis** - (a) obtain a certificate from the statutory auditor of the issuer giving the value of receivables/book debts including compliance with the covenants of the offer document/information memorandum in the manner as may be specified by SEBI from time to time.

- Before creating a charge on the security for the debentures, the debenture trustee will exercise independent due diligence to ensure that such security is free from any encumbrance or that it has obtained the necessary consent from other charge-holders if the security has an existing charge, in the manner as may be specified by SEBI from time to time.

These amended regulations came into force on 8 October 2020. Click [here](#) for the amended regulations.



11. Standardisation of procedure to be followed by debenture trustee(s) in case of 'default' by Issuers of listed debt securities

SEBI has issued a circular that prescribes the procedure to be followed by the debenture trustee(s) in case of default by Issuers of listed debt securities including seeking consent from the investor or enforcement of security and/or entering into an Inter-Creditor Agreement (ICA). This circular discusses the following:

- Definition of event of default
- Consent of investors for enforcement of security and for signing the ICA
- Conditions for signing of ICA by debenture trustee(s) on behalf of investors

This circular came into effect from date of its issue (i.e. 13 October 2020).

Click [here](#) for the circular.

12. Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2020

SEBI has issued Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2020 (amended regulations) which, inter alia, introduced the concept of limited purpose clearing corporations (Chapter IV-A).

Limited purpose clearing corporation means an entity that is established to undertake the activity of clearing and settlement of repo transactions. Repo transaction means a transaction in repo and reverse repo in the debt securities that are dealt with or traded on a recognised stock exchange.

These amended regulations came into force on 8 October 2020.

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

13. SEBI (Issue and Listing of Debt Securities) (Amendment) Regulations, 2020

SEBI has issued SEBI (Issue and Listing of Debt Securities) (Amendment) Regulations, 2020, which inter-alia, provide the following:

- Revised definition of private placement introduced. Threshold of less than fifty person from the definition removed. Now, it means an offer or invitation to subscribe or issue of securities to **a select group of persons by a company** (other than by way of public offer) through private placement offer-cum-application, which satisfies the conditions specified in Section 42 of the Companies Act, 2013.
- New regulation on creation of security is introduced. The issuer will give an undertaking in the information memorandum that the assets on which charge is created are free from any encumbrances and in cases where the assets are already charged to secure a debt, the permission or consent to create a second or pari passu charge on the assets of the issuer has been obtained from the earlier creditor.
- It now provides that the issuer will create a Recovery Expense Fund in the manner as maybe specified by SEBI from time to time and inform the debenture trustee about the same.

These amended regulations have come into force on 8 October 2020.

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



Other updates

1. The Foreign Exchange Management (Margin for Derivative Contracts) Regulations, 2020

The Reserve Bank of India (RBI) on 23 October 2020 has issued the Foreign Exchange Management (Margin for Derivative Contracts) Regulations, 2020. Following are the key provisions given under the regulation:

- a. From the date these regulations come into effect, no person can post or collect margin for derivative contracts and pay or receive interest on such margin without the prior permission of the RBI.
- b. Notwithstanding anything contained in any other regulation issued by the RBI under the Act and for the time being in force, and subject to directions issued by the RBI in this regard, authorised dealers may:
 - Post and collect margin, in India and outside, on their own account or on behalf of their customers for a permitted derivative contract entered with a person resident outside India.
 - Receive and pay interest on margin posted and collected on their own account or on behalf of their customers for a permitted derivative contract entered with a person resident outside India.

These regulations came into force on 23 October 2020.

Click [here](#) for the regulations.

2. Extension of due date of furnishing of income tax returns (ITRs) and audit reports (ARs)

In view of the challenges faced by taxpayers in meeting the statutory and regulatory compliances due to the COVID-19 pandemic, the Central Board of Direct Taxes (CBDT) has decided to further extend the due date for furnishing of ITRs and various ARs as under:

Nature of report/return	Nature of assessee	Extended due date
ITRs	Accounts required to be audited	31 January 2021
ITRs	Reporting for international/specified domestic transactions applicable	31 January 2021
ITRs	Other tax payers	31 December 2020
ARs	All assessee	31 December 2020

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

3. Extension of due dates for annual return and reconciliation statement for FY19

The GST Council has further extended due date for filing annual return (Form GSTR-9) and reconciliation statement (Form GSTR-9C) for FY19 on the grounds of the COVID-19 pandemic related lockdown and restrictions. The normal operation of businesses have still not been possible in several parts of the country from 31 October 2020 to 31 December 2020.

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

4. The Income-tax (22nd Amendment) Rules, 2020

CBDT, vide its notification dated 1 October 2020, had published the Income-tax (22nd Amendment) Rules, 2020 which has notified changes in Form No 3CEB, Form 3CD and ITR6. Key amendments include:

- a. Allowance under Section 32(1)(ii) in respect of depreciation of any block of assets entitled to more than 40% will be restricted to 40% on the written down value for assesses who have opted for concessional rates.
- b. A new Form 10-IE has been inserted which pertains to application for exercise/withdrawal of option under Section 115BAC(5)(i) of the Income Tax Act, 1961.
- c. Certain changes in Form 3CD and Form 3CEB for reporting by assesses who have opted for concessional rates.

Click [here](#) for the notification.



5. Review of regulatory framework for housing finance companies (HFCs)

The RBI, on 22 October 2020, issued a notification on review of regulatory framework for HFCs.

The aforementioned revised regulatory framework for HFCs has provided changes in the following subject matters:

- Principal business and housing finance i.e. the definition of an HFC
- Net owned fund (NOF) requirements
- Applicability of directions issued by the RBI
- Exposure of HFCs to group companies engaged in real estate business

Click [here](#) for the circular.

6. Scheme for grant of ex-gratia payment of difference between compound interest and simple interest for six months to borrowers in specified loan accounts

In view of the unprecedented and extreme COVID-19 situation, the government announced a major relief for individuals and micro, small and medium enterprise (MSME) borrowers by waiver of the compound interest on specified loans for six months period i.e. 1 March 2020 to 31 August 2020. The loans eligible under the scheme include MSME loans, education loans, housing loans, consumer durable loans, credit card dues, automobile loans, personal loans to professionals, consumption loans.

Click [here](#) for the notification.

Click [here](#) for the scheme.

7. Interest Subvention Scheme for MSMEs - co-operative banks

The Ministry of Micro, Small and Medium Enterprises (MSMEs), Government of India announced the Interest Subvention Scheme for MSMEs 2018 on 2 November 2018. The scheme was first announced for scheduled commercial banks and was available for two financial years FY19 and FY20. However, keeping in view the COVID-19 pandemic, the government has decided to extend the scheme to co-operative banks also, which have become eligible lending institutions effective from 3 March 2020. Further, the government has also extended the scheme until 31 March 2021.

Click [here](#) for the circular.

8. Individual housing loans - rationalisation of risk weights

Recognising the critical nature of real estate sector in the economic recovery, the RBI has decided, as a counter-cyclical measure, to rationalise the risk weights by linking them only with loan to value ratio for all new housing loans sanctioned up to 31 March 2022. Such loans will attract a risk weight of 35% where loan-to-value (LTV) is less than or equal to 80%, and a risk weight of 50% where LTV is more than 80% but less than or equal to 90%. This measure is expected to give a fillip to bank lending to the real estate sector.

Click [here](#) for the notification.

B. India updates - Proposed

a. Accounting updates

a. Accounting updates

1. Exposure draft on Interest Rate Benchmark Reform - Phase 2 (Amendments to Ind AS 109, Ind AS 107 and Ind AS 116)

International Accounting Standards Board (IASB) issued amendments to certain IFRS Standards in August 2020 to address issues affecting financial statements, when changes are made to contractual cash flows and hedging relationships as a result of interest rate benchmark reform. IASB had amended specific requirements of IFRS Standards, namely, IFRS 9, **Financial Instruments**, IAS 39, Financial Instruments: Recognition and Measurement, IFRS 7, **Financial Instruments: Disclosures**, IFRS 4, **Insurance Contracts** and IFRS 16, **Leases**, relating to modifications of financial assets and financial liabilities and lease liabilities; hedge accounting; and disclosures.

The amendments to these IFRS Standards assist companies in providing useful information to investors about the effects of interest rate benchmark reform on financial statements.

Accounting Standards Board of the ICAI has now issued exposure draft, which proposes to amend the specific requirements in Ind AS 109, Financial Instruments, Ind AS 107, Financial Instruments: Disclosures, and Ind AS 116, Leases, corresponding to afore-mentioned amendments in IFRS 9, IFRS 7 and IFRS 16 issued by the IASB relating to interbank offered rates.

Last date for submission of comments was 30 November 2020.

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

2. Exposure drafts on Forensic Accounting and Investigation Standards

The Digital Accounting and Assurance Board of the Institute of Chartered Accountants of India has issued exposure drafts on following Forensic Accounting and Investigation Standards (FAIS):

- Exposure Draft on FAIS 210: Engagement Objectives - Click [here](#)
- Exposure Draft on FAIS 240: Engaging with Agencies - Click [here](#)
- Exposure Draft on FAIS 310: Planning the Assignment - Click [here](#)
- Exposure Draft on FAIS 320: Evidence and Documentation - Click [here](#)
- Exposure Draft on FAIS 330: Conducting Work Procedures - Click [here](#)
- Exposure Draft on FAIS 340: Conducting Interviews - Click [here](#)
- Exposure Draft on FAIS 350: Review and Supervision - Click [here](#)

Last date for submission of comments was 9 November 2020.



C. International updates – Effective

a. Auditing updates

b. US GAAP updates

a. Auditing updates

1. Publication: COVID-19 and reporting in times of uncertainty - a look forward

The Financial Reporting Lab (Lab) of the Financial Reporting Council of United Kingdom has issued following two short guides, which cover some critical areas of focus for 2020 year-ends for financial reporting under COVID-19 situation.

- Resources, action, the future (publication 1)
- Going concern, risk, and viability (publication 2)

These guides look back at key elements highlighted in the Lab's previous work, considers current practice, including examples of current disclosure practices and takes a look forward at how reporting is developing.

Click [here](#) for publication 1.

Click [here](#) for publication 2.

b. US GAAP updates

1. FASB Staff Educational Paper - Topic 470 (Debt): Borrower's Accounting for Debt Modifications

Financial Accounting Standards Board (FASB) has released a FASB staff educational paper that provides stakeholders with a summary and overview of a debtor's application of guidance on debt restructurings and modifications. The FASB staff educational paper provides an overview of the accounting guidance for debt restructurings and modifications and provides examples of common restructurings and modifications.

Click [here](#) for the news.

Click [here](#) for the staff educational paper.

2. ASU 2020-08: Codification improvements to Subtopic 310-20, Receivables - Non-refundable Fees and Other Costs

FASB has issued Accounting Standards Update (ASU) 2020-08 to introduce codification improvements to Subtopic 310-20, **Receivables - Non-refundable Fees and Other Costs**. This ASU clarifies that an entity should re-evaluate whether a callable debt security is within the scope of Paragraph 310-20-35-33 for each reporting period.

The amendments in ASU are intended to make codification easier to understand and easier to apply by eliminating inconsistencies and providing clarifications.

The amendments in this ASU affect the guidance in ASU No. 2017-08, **Receivables - Non-refundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities**. The effective date of ASU 2017-08 varies depending on the type of entity.

For public business entities, the amendments in ASU 2017-08 are effective for fiscal years, and interim periods within those fiscal years, beginning after 15 December 2018, and for all other entities for fiscal years beginning after 15 December 2019, and interim periods within fiscal years beginning after 15 December 2020. If an entity early adopted the amendments in ASU 2017-08 in an interim period, any adjustments will have been reflected as of the beginning of the fiscal year that includes that interim period. For public business entities, the amendments in ASU 2020-08 are effective for fiscal years, and interim periods within those fiscal years, beginning after 15 December 2020. Early application is not permitted.

For all other entities, the amendments in ASU 2020-08 are effective for fiscal years beginning after 15 December 2021, and interim periods within fiscal years beginning after 15 December 2022. Early application is permitted for all other entities for fiscal years, and interim periods within those fiscal years, beginning after 15 December 2020. All entities should apply the amendments in this ASU on a prospective basis as of the beginning of the period of adoption for existing or newly purchased callable debt securities.

Click [here](#) for the ASU.



D. International updates - Proposed

α. US GAAP updates

a. US GAAP updates

1. Proposed ASU: Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Forwards and Options

FASB has issued a proposed ASU on **Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Forwards and Options**, which proposes amendments in following standards:

- Earnings Per Share (Topic 260)
- Debt - Modifications and Extinguishments (Subtopic 470 - 50)
- Compensation - Stock Compensation (Topic 718)
- Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40)

The proposed ASU proposes to clarify an issuer's accounting for certain modifications or exchanges of freestanding equity-classified forwards and options (for example, warrants) that remain equity classified after modification. The proposed ASU proposes to provide guidance on how an issuer would measure and recognise the effect of these transactions. Specifically, it would provide a principles-based framework to determine whether an issuer would recognise the modification or exchange as an adjustment to equity or an expense.

Last date for submission of comments is 28 December 2020.

Click [here](#) for the news.

Click [here](#) for the proposed ASU.

2. Proposed ASU: Scope Refinement - Reference Rate Reform (Topic 848)

The FASB also issued **proposed ASU: Scope Refinement - Reference Rate Reform (Topic 848)**, which proposes to clarify the scope of Topic 848 on reference-rate reform guidance.

The proposed ASU proposes to clarify that certain optional expedients and exceptions in Topic 848 for contract modifications and hedge accounting apply to contracts that are affected by the discounting transition. Amendments in this proposed ASU to the expedients and exceptions in Topic 848 are included to capture the incremental consequences of the proposed scope refinement and to tailor the existing guidance to derivative instruments affected by the discounting transition.

Last date for submission of comments was 13 November 2020.

Click [here](#) for the news.

Click [here](#) for the proposed ASU.

3. Proposed ASU: Targeted improvements - Leases (Topic 842)

The FASB has issued a proposed, which intends to improve following three areas of the leases guidance:

- **Sales-type leases with variable lease payments - lessor only**

For lessors, it proposes to amend lease classification requirements for leases, in which the lease payments are predominantly variable by requiring lessors to classify and account for those leases as operating leases. In doing so, the risk of lessors recognising losses at lease commencement for sales-type leases that are expected to be profitable would be mitigated and the resulting financial reporting is expected to more faithfully represent the economics underlying the lease.

- **Option to remeasure lease liability - lessee only**

For lessees, it proposes to provide the option to remeasure lease liabilities for changes in a reference index or a rate affecting future lease payments at the date that those changes take effect; that option would be available as an entity-wide accounting policy election.

- **Modifications reducing the scope of a lease contract**

For both lessees and lessors, it proposes to change the requirements when there is an early termination of some leases within a contract that does not economically affect the remaining leases in that contract. In those circumstances, entities would be exempt from applying modification accounting to the remaining leases.

Last date for submission of comments is 4 December 2020.

Click [here](#) for the news.

Click [here](#) for the proposed ASU.



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