

Monthly GAAP Bulletin

October 2020



Introduction

Dear Reader,

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

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

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

This edition covers updates for September 2020.

Following is the index of updates:



Contents

A. India updates - Effective

a. Regulatory updates

Companies Act updates

1. Companies (Amendment) Act, 2020
2. Extension and relaxations of timelines granted by the MCA under various Acts/schemes
3. Publication: COVID-19 Regulatory Updates Volume 4
4. Suspension of initiation of corporate insolvency resolution process until 31 December 2020

SEBI updates

1. Relaxation with respect to validity of SEBI observations and revision in issue size
2. Amendments to guidelines for preferential issue and institutional placement of units by listed REIT and InvIT
3. Review of debt and money market securities transactions disclosure
4. Relaxation from default recognition due to restructuring of debt and review of provision regarding segregation of portfolio due to the COVID-19 pandemic
5. Circular on asset allocation of multi-cap funds
6. Extension of regulatory measures introduced by SEBI in view of ongoing uncertainty
7. SEBI (Issue of Capital and Disclosure Requirements) (Fourth Amendment) Regulations, 2020
8. Guidelines for investment advisers
9. Write-off of shares held by foreign portfolio investors

Other updates

1. Deferment of provisions of Basel III framework
2. Long Form Audit Report
3. Master Directions on Priority Sector Lending - targets and classification
4. Resolution Framework for COVID-19-related stress - financial parameters
5. Income-tax (21st Amendment) Rules, 2020
6. Code on Social Security, 2020

B. India updates – Proposed

a. Auditing updates

1. Exposure drafts of Standard on Assurance Engagements (SAE) 3410: Assurance Engagements on Greenhouse Gas Statements

b. Other updates

1. Exposure draft on Forensic Accounting and Investigation Standards

C. International updates – Effective

a. IFRS updates

1. Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

b. US GAAP updates

1. ASU 2020-07: Presentation and Disclosures by Not-for-Profit Entities for Contributed Non-financial Assets

c. Auditing updates

1. Non-Authoritative Support Materials: Using Automated Tools & Techniques in Performing Audit Procedures
2. ISA 540 (Revised) Implementation: Illustrative Examples for Auditing Expected Credit Loss Accounting Estimates

D. International updates – Proposed

a. US GAAP updates

1. Proposed ASU: Franchisors - Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient

b. Auditing updates

2. Discussion paper on fraud and going concern in an audit of financial statements



A. India updates - Effective

a. Regulatory updates

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Companies Act updates

1. Companies (Amendment) Act, 2020

The Companies (Amendment) Bill, 2020 was passed by the Lok Sabha on 19 September 2020 and by the Rajya Sabha on 22 September 2020. It received the assent of the President on 28 September 2020 and was enacted on that day. Key highlights of the amendment include:

- **Reduction of penalty/fine/imprisonment:** Decriminalisation of the Companies Act, 2013 is the main feature of the Amendment Act. It removes the imprisonment for various offences, substitutes fine by a penalty in and reduces the amount of payable as penalty across the board. In certain minor omissions, penal consequence has been omitted. Of the total amendments introduced, 45 relate to such changes.
- **Exclusion from definition of listed companies:** To incentivise private companies seeking a listing of their debt securities on a private placement basis, the central government (in consultation with Securities and Exchange Board of India [SEBI]) has been empowered to exempt such companies from the definition of a listed company under the Act.
- **Direct listing in foreign jurisdictions:** At present, the direct listing of the shares of Indian companies on foreign bourses is not permitted and possible options to raise capital from listed options are restricted to American Depositary Receipts (ADRs) and Global Depositary Receipts (GDRs).

Earlier, SEBI had recommended a framework within which such direct listing would be facilitated to explore options so that Indian corporates could access a larger pool of foreign capital. The Act now empowers the government to allow certain classes of public companies to list classes of securities in the foreign jurisdictions. Indian companies would now be allowed to list their shares directly in foreign stock exchanges.

- **Section 129A - Specified unlisted entities to prepare and file periodical financial statements:** New Section 129A has been introduced, which empowers the central government to provide rules and make it compulsory for unlisted companies to prepare and file their periodical financial results at such frequency (audited or limited review) as may be prescribed with the Registrar. This provision is aimed at improving corporate governance.
- **Amendment in Section 149, remuneration to independent directors:** Currently, there is no provision for providing remuneration to non-executive directors and independent directors in case of no or inadequate profits. The amendment has now permitted independent directors to receive remuneration, exclusive of any fees payable under the sub-section (5) of Section 197, in accordance with the provisions of the Section 197 read with Schedule V.
- **Section 143(15), Penalty provision regarding reporting of fraud:** If the Auditor, Company Secretary and Cost Accountant don't comply with the provisions regarding reporting of fraud under Section 143(12) of the Act, the

penalty will be INR 5 lakh and INR 1 lakh in case of listed companies and other companies respectively.

- **Section 117, Filing certain board resolutions with the RoC:** The central government is empowered to exempt any class of non-banking financial company (NBFC) and any class of housing finance company (HFC) from filing of resolutions passed to grant loans or give guarantees or to provide security in respect of loans under Section 179(3) (f) of the Act in the ordinary course of their business. Earlier, only banking companies were exempted.
- **Section 135, Corporate Social Responsibility (CSR):**
 - a. **Exemption from forming CSR committee:** Where the amount of CSR liability does not exceed INR 50 lakh, the constitution of the CSR committee shall not be applicable. In such a scenario, the board of directors of such company will discharge functions of the committee.
 - b. **Set off of excess amount:** If the company spends an amount in excess of the requirements provided under this Section, such excess can be set off against the amount to be spent in the succeeding financial years after complying with prescribed rules.
 - c. **Penalty for non-compliance:** Penalty provision has been amended for non-compliance of provisions of CSR.
- **Chapter XXIA, producer companies:** A producer company is a body corporate having objects or activities

connected with or relatable to any primary produce in this Act or under the Companies Act, 1956. It is a hybrid between a private limited company and a cooperative society. It accommodates the unique elements of cooperative business with a regulatory framework similar to that of a private limited company. Through this amendment, the Act has allowed primary producers to organise themselves to gain a maximum profit from the market-oriented economy in line with the erstwhile Companies Act 1956.

The amendment to different Sections of the Act shall become effective from the dates as notified by the central government in the Official Gazette from time to time.

Further, the Corporate Laws & Corporate Governance Committee of the Institute of Chartered Accountants of India (ICAI), vide announcement dated 29 September 2020, issued the highlights of the amended Act.

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

Click [here](#) for the ICAI announcement.

2. Extension and relaxations of timelines granted by the MCA under various Acts/schemes

The Ministry of Corporate Affairs (MCA), vide various notifications/circulars, has granted the following relaxations/extensions:

- **Extension of time limit for the creation of deposit repayment reserve and debenture redemption reserve**

The MCA issued a circular, dated 24 March 2020, giving certain relaxations in compliance with the requirements of the Companies Act, 2013 due to the ongoing pandemic. Such relaxations include:

- **Rule 18 of the Companies (Share Capital & Debentures) Rules, 2014:** The due date for complying with the requirement to invest/deposit at least 15% of the amount of debentures maturing during the financial year, as per specified methods was extended from 30 April 2020 to **30 June 2020**.
- **Section 73(2)(c) of the 2013 Act:** The due date for complying with the requirement to create the deposit repayment reserve of 20% of deposits maturing during the financial year 2020-21 (FY21) was extended from 30 April 2020 to **30 June 2020**.

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

The MCA then issued another circular on 19 June 2020 extending the time limit of 30 June 2020 (specified above) further to **30 September 2020**.

Click [here](#) for the circular dated 19 June 2020.

The MCA has now issued a circular on 29 September 2020 extending the above-mentioned timelines up to **31 December 2020**.

Click [here](#) for the circular dated 29 September 2020.

- **Extension of Companies Fresh Start Scheme, 2020 and LLP Settlement Scheme, 2020**

The MCA, in March 2020, introduced the Companies Fresh Start Scheme, 2020, which provided a first of its kind opportunity to the companies to make good any filing related defaults, irrespective of the duration of default, and make a fresh start as a fully compliant entity. The scheme came into force on 1 April 2020 and remained in force up to 30 September 2020.

Click [here](#) for the circular dated 30 March 2020.

Amid the COVID-19 pandemic, **the MCA has decided to extend the aforesaid scheme until 31 December 2020**. All other requirements provided in the said circular will remain unchanged.

Click [here](#) for the circular on the extension of the Companies Fresh Start Scheme, 2020.

The MCA, vide its circular dated 4 March 2020, also introduced **LLP Settlement Scheme, 2020**, for allowing a one-time condonation of delay in filing statutorily required documents with the Registrar. The scheme came into force on 16 March 2020 and was in force till 13 June 2020.

Click [here](#) for the circular dated 4 March 2020.

Click [here](#) for the circular dated 30 March 2020 introducing modifications to the scheme vide circular dated 4 March 2020.

In view of a large-scale disruption caused by the pandemic, the MCA issued a circular on 28 September 2020 extending the aforementioned scheme until **31 December 2020**.

Click [here](#) for the circular on the extension of LLP Settlement Scheme, 2020.

- **Extension of time - scheme for relaxation of time for filing forms related to creation or modification of charges under the Companies Act, 2013**

Due to the COVID-19 pandemic, the MCA issued a scheme for relaxation of time for filing forms related to the creation or modification of charges under the Companies Act, 2013, extending the time limits for filings related to the creation or modification of charges under **Sections 77**- Duty to Register Charges, etc. and **Section 78**- Application for Registration of Charges, of the Companies Act, 2013 and to condone the delay in filing specified forms subject to applicable fees.

Such a scheme is applicable in respect of filing of Form No. CHG-1 and Form No. CHG-9 by a company or a charge

holder, where the date of creation/modification of charge:

- Is before 1 March 2020 but the timeline for filing such form is not expired under the Section 77; or
- Falls on any date between 1 March 2020 to 30 September 2020 (both dates inclusive)

Click [here](#) for the circular dated 17 June 2020.

The MCA has now extended the scheme until 31 December 2020.

Click [here](#) for the circular dated 28 September 2020.

- **Further extension of time for holding extraordinary general meetings (EGMs) through videoconferencing, etc.**

The MCA, vide circulars dated 8 April 2020 and 13 April 2020, introduced relaxations/clarifications on holding EGMs. Companies were allowed to conduct their EGMs on or before 30 June 2020 through VC/other audio-visual means (OAVM) or transact items through postal ballot in accordance with the framework provided in the aforementioned circulars.

Click [here](#) for the circular dated 8 April 2020.

Click [here](#) for the circular dated 13 April 2020.

The MCA then issued circular dated 15 June 2020 extending the time limit of 30 June 2020 (specified above) to **30 September 2020**.

Amid the pandemic, the MCA has now allowed companies to conduct their EGMs through VC or OAVM or postal ballot up to

31 December 2020. All other requirements provided in the said circulars will remain unchanged.

Click [here](#) for the circular dated 28 September 2020.

- **Companies (Meetings of Board and its Powers) Third Amendment Rules, 2020**

The MCA had issued Companies (Meeting of Board and its Powers) Amendment Rules, 2020 on 19 March 2020, whereby it allowed conducting meetings for approval of annual financial statements, board report, prospectus, matters relating to restructuring, etc. and the audit committee meetings for consideration of financial statements, via VCs or OAVMs till 30 June 2020.

Click [here](#) for the notification dated 19 March 2020.

The MCA then issued Companies (Meeting of Board and its Powers) Second Amendment Rules, 2020 on 23 June 2020 further extending the abovementioned date until 30 September 2020.

Click [here](#) for the notification dated 23 June 2020.

The MCA has now issued Companies (Meetings of Board and its Powers) Third Amendment Rules, 2020 (amended rules) further extending the abovementioned timelines until **31 December 2020**.

These amended rules have come into force from 28 September 2020.

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

- **Extension of the time for holding of annual general meeting (AGM) for FY20**

The MCA, vide its order dated 17 August 2020, permitted companies that are unable to conduct AGM within prescribed time limit under Section 96 of the Companies Act, 2013 for the financial year ended 31 March 2020, to file an application with the concerned RoC on or before 29 September 2020, for seeking an extension of time for holding of such an AGM.

Click [here](#) for the MCA circular issued on 17 August 2020.

Following the directions issued by the MCA on 8 September 2020, the RoC of various states have now permitted the companies to extend the time for holding AGMs for FY20 by three months, without requiring them to file applications under prescribed Form GNL-1.

Click [here](#) for the direction issued by the MCA on 8 September 2020.

Click [here](#) for the ICAI announcement in respect of extension.

- **Relaxations from filing of CRA-4 (cost audit form) for FY20**

The MCA, vide circular dated 10 September 2020, extended the last date for submission of cost audit report (by the cost auditor) to the board of directors for FY20, as prescribed under the Companies (Cost Records and Audit) Rules, 2014, from 30 September 2020 to 30 November 2020.

Consequently, the timeline of 30 days for filing of Form CRA-4 (form for filing of cost audit report) for FY20 will now be counted from the date when the copy of cost audit report

is received by the company.

Click [here](#) for the circular.

- **Companies (Acceptance of Deposits) Amendment Rules, 2020**

In accordance with the Companies (Acceptance of Deposits) Rules, 2014 (principal rules), start-up companies were permitted to raise funds, up to a specified amount, in the form of deposits by way of a convertible note, convertible into equity shares or repayable within a period not exceeding **five years** from the date of issue.

Further, as per the provisions, the start-up private companies (which are start-up for five years) were allowed to accept deposits from its members without any restrictions.

The MCA, vide notification dated 7 September 2020, issued Companies (Acceptance of Deposits) Amendment Rules, 2020, which provides the following:

- Start-up companies are now permitted to accept deposits from their members. Such deposits can either be repaid or converted into equity within prescribed time
- The maximum limit for repayment of deposits, accepted by private companies (both start-up and otherwise), has been extended from five years to ten years from the date of issue.

These amended rules have come into force on 7 September 2020.

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



3. Publication: COVID-19 Regulatory Updates Volume 4

The Institute of Company Secretaries of India (ICSI) has released **Volume 4** of publication titled, **COVID-19 Regulatory Updates**, covering several relief measures announced by the government and various regulators to minimise the impact of the pandemic on financial markets, taxpayers, investors and other stakeholders.

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

Click [here](#) for the publication (volume 4).

Click [here](#) for volume 3 of the publication.

Click [here](#) for volume 2 of the publication.

Click [here](#) for volume 1 of the publication.

4. Suspension of initiation of corporate insolvency resolution process (CIRP) until 31 December 2020

The central government issued Insolvency and Bankruptcy Code (Second Amendment) Act, 2020 on 5 June 2020. This amendment introduced Section 10A, Suspension of initiation of CIRP, which **suspended initiation of CIRP** of a corporate debtor for any default arising on or after 25 March 2020 for a period of six months (i.e. 25 September 2020).

Click [here](#) for the notification dated 5 June 2020.

The central government, vide notification dated 24 September 2020, further extended the relaxation for a period of three months (i.e. up to 25 December 2020).

Click [here](#) for the notification dated 24 September 2020.

SEBI updates

1. Relaxation with respect to validity of SEBI observations and revision in issue size

SEBI, vide its circular dated 21 April 2020, extended the validity for SEBI's Observation (i.e. nod for IPO/right issue) that have already expired as on date of circular or will expire between 1 March 2020 and 30 September 2020, by six months from the date of expiry of such observation.

Further, issuer was permitted to increase or decrease the fresh issue size by up to 50% of the estimated issue size without requiring filing fresh draft offer document with SEBI subject of specified conditions. This relaxation was applicable for issues opening before 31 December 2020.

Click [here](#) for the circular dated 21 April 2020.

SEBI has now extended the validity of the SEBI observations expiring between 1 October 2020 and 31 March 2021 until 31 March 2021. Further, the above mentioned relaxation for revision in issue size up to 50% of the estimated issue size will also continue until 31 March 2021.

This circular has come into force on 1 October 2020.

Click [here](#) for the circular.

2. Amendments to guidelines for preferential issue and institutional placement of units by listed REITs and InvITs

SEBI, vide its circulars dated 27 November 2019, issued a framework in relation to preferential issue and institutional placement of units by listed Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs). These guidelines were subsequently revised in March 2020 vide circulars dated 13 March 2020.

Click [here](#) for the circular dated 27 November 2019 for InvITs.

Click [here](#) for the circular dated 27 November 2019 for REITs.

Click [here](#) for the circular dated 13 March 2020 for InvITs.

Click [here](#) for the circular dated 13 March 2020 for REITs.

In view of the COVID-19 situation, SEBI has granted certain relaxations for raising of equity capital which, inter alia, include:

- Equity capital can now be raised through institutional placement within two weeks from a previous issue. This timeline was earlier six months.
- Changes have been made in relation to pricing norms of units offered for preferential issue.
- A lock-in period of three years is applicable for units allotted on preferential basis

Click [here](#) for the amended guidelines for REITs.

Click [here](#) for the amended guidelines for InvITs.

3. Review of debt and money market securities transactions disclosure

SEBI, vide circular dated 1 September 2020, amended the timelines for disclosing the details of transactions in debt and money market securities of the schemes portfolio on daily basis with a time lag of 15 days instead of the earlier requirement of 30 days for all mutual funds and asset management companies (AMC).

Such disclosure is to be made in revised format as prescribed annexure to the circular.

This circular has come into force on 1 October 2020.

Click [here](#) for the circular.

4. Relaxation from default recognition due to restructuring of debt and review of provision regarding segregation of portfolio due to COVID-19 pandemic

Amid COVID-19 pandemic, SEBI, vide its circular dated 30 March 2020, provided relaxation to credit rating agencies (CRA) from recognition of default owing to moratorium permitted by the Reserve Bank of India (RBI). Further, the RBI had issued a resolution framework for COVID-19-related stress.

SEBI, vide circular dated 31 August 2020, allowed CRAs to not consider default, if basis its assessment it is of the view that the restructuring by the lenders/investors is solely due to the COVID-19 related stress or under the aforementioned RBI framework.

Click [here](#) for the circular dated 31 August 2020.

Further, SEBI, vide circular dated 2 September 2020, also provided that for the purpose of creation of segregated portfolio (reflecting a downgrade in credit rating), the date when proposal for restructuring of debt is received, will be treated as the trigger date.

The above-mentioned relaxation will be in force until 31 December 2020.

Click [here](#) for the circular dated 2 September 2020.

5. Circular on asset allocation of multi-cap funds

SEBI has issued a circular, wherein it has announced new set of portfolio allocation rules for multi-cap mutual funds and has made it mandatory for the multi cap funds to invest a minimum of 25% of their portfolio each in large-cap stocks, mid-caps and small-cap companies by January 2021.

Click [here](#) for the circular dated 11 September 2020.

Further, SEBI has issued a press release on 13 September 2020, wherein it has clarified that apart from rebalancing the portfolio in the multi-cap schemes, mutual funds can, inter alia, facilitate switch to other schemes by unitholders, merge the multi-cap scheme with the large-cap scheme or convert the multi-cap scheme to another scheme category, for instance large-cum-mid-cap scheme.

Click [here](#) for the clarification dated 13 September 2020.

6. Extension of regulatory measures introduced by SEBI in view of ongoing uncertainty

Keeping in view the objective of ensuring orderly trading and settlement, effective risk management, price discovery and maintenance of market integrity, SEBI had introduced certain regulatory measures vide press release dated 20 March 2020

Click [here](#) for the press release dated 20 March 2020.

In view of ongoing uncertainty, SEBI has now decided that regulatory measures introduced vide the above-mentioned press release will continue to be in force until 29 October 2020.

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

7. SEBI (Issue of Capital and Disclosure Requirements) (Fourth Amendment) Regulations, 2020

SEBI, vide press release dated 23 September 2020, issued SEBI (Issue of Capital and Disclosure Requirements) (Fourth Amendment) Regulations, 2020 (amended regulations), amending SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (principal regulations).

The purpose of these amended regulations is to rationalise eligibility criteria and disclosure requirements for rights issues with an objective to make fundraising through this route, easier, faster and cost-effective. The key amendments include:

- Issuer shall be eligible to make truncated disclosures in terms of Part B (Disclosures in Letter of Offer) of aforesaid Regulations, where:
 - it has been filing periodic reports/statements/information in compliance with SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 (as amended) as applicable, for last one year instead of last three years as required earlier; and
 - three years have passed to the change in management pursuant to a change in control or listing of the entity.
- Disclosure requirements under Part B have been rationalised to avoid duplication of information in letter of offer, especially the information that is already available in public domain.

- Threshold to trigger the need to file a draft letter of offer with SEBI for its observations in case proposed rights issue, has been increased from INR 10 crore to INR 50 crore.
- The minimum subscription criteria of 90% for right issue shall not be applicable to those issuers who satisfy the following condition:
 - when the object of the issue involves financing other than financing of capital expenditure for a project, and
 - the promoters and promoter group of the issuer undertake to fully subscribe to their portion of rights entitlement
- The issuer will be eligible to make fast-track rights issue for pending show-cause notices and audit qualification, provided that necessary disclosures are made in the letter of offer along with potential adverse impact on the issuer.

These amended regulations came into force on 28 September 2020.

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

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

8. Guidelines for investment advisors

SEBI, vide its notification dated 3 July 2020, issued SEBI (Investment Advisers) (Amendment) Regulations, 2020 (amended regulations).

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

SEBI, vide circular dated 23 September 2020, has further issued these guidelines for the investment advisors (IAs), which, inter alia, include the following:

- IAs are required to enter into investment advisory agreement with its clients, including the existing clients latest by 1 April 2021 and submit a report confirming the same to SEBI by 30 June 2021.
- IAs to ensure the segregation of advisory and distribution activities at the client level.
- Cap on fee that IAs can charge from clients has also been fixed as 2.5 per cent of AUA or INR 1,25,000 per annum per client across all services offered by IA as the case may be.
- A procedural framework pertaining to record keeping for the activities carried out by IA has put in place. Also, every IA is required to get its accounts audited within six months from the end of each financial year, starting with the financial year ending 31 March 2021.

Click [here](#) for the guidelines.

9. Write-off of shares held by foreign portfolio investors

SEBI, vide circular dated 21 September 2020, by way of an amendment to SEBI (Foreign Portfolio Investors), Regulations 2019, has permitted the foreign portfolio investors (FPIs) to write-off shares of all companies, which they are unable to sell. Earlier, a write-off was permitted only for shares of unlisted/illiquid/suspended/delisted companies.

Click [here](#) for the circular.



Other updates

1. Deferment of provisions of Basel III framework

In two separate notifications, the RBI has deferred the timelines for the following, by six months (i.e. up to 31 December 2020) due to uncertainties relating to the COVID-19 pandemic:

- The capital conservation buffer (CCB) is designed to ensure that banks build up capital buffers during normal times that can be drawn down as losses are incurred during a stressed period. The RBI, vide its circular dated 27 March 2020 on Basel III Capital Regulations - Review of transitional arrangements, earlier determined the deadline for final stage of 0.625% for CCB up to 30 September 2020
- The net stable funding ratio (NSFR) ensures reduction in funding risk over a longer time horizon by requiring banks to fund their activities with sufficiently stable sources of funding. This is intended to mitigate the risk of future funding stress. The implementation of these guidelines (issued vide circular dated 27 March 2020) is deferred for further period of six months. These guidelines will now come into effect on 1 April 2021.

Click [here](#) for the notification on capital conservation buffer.

Click [here](#) for the notification on NSFR guidelines.

2. Long Form Audit Report

The RBI, vide circular dated 17 April 2012 issued Long Form Audit Report (LFAR).

The RBI, vide circular dated 5 September 2020, revised the format of LFAR and the circular dated 17 April 2012 stands repealed.

The revised LFAR formats will be applicable for period covering FY21 and onwards. The scope of the audit will be in accordance with the revised LFAR format and if the auditor feels a need for any material additions, etc., this may be done if there is a specific justification and with the prior intimation to the bank's audit committee of board.

Click [here](#) for the notification.

3. Master Directions on Priority Sector Lending - targets and classification

The RBI has issued revised Master Directions on Priority Sector Lending (PSL) to harmonise various instructions issued to commercial banks, small finance banks (SFBs), regional rural banks (RRBs), primary (urban) co-operative banks (UCBs) and local area banks (LABs) to align the priority sector guidelines with emerging national priorities and help achieve sustainable development goals.

These revised directions also took into account the recommendations made by the Expert Committee on Micro, Small and Medium Enterprises (Chairman: U.K. Sinha) and the Internal Working Group to Review Agriculture Credit (Chairman: M. K. Jain) apart from discussions with all stakeholders.

These directions encompass the revised guidelines on PSL for all commercial banks, RRBs, SFBs, UCBs and LABs and accordingly, supersede the earlier master directions on PSL issued separately for scheduled commercial banks, RRBs, SFBs and guidelines issued for UCBs, respectively.

Click [here](#) for the master directions.

4. Resolution Framework for COVID-19-related stress - financial parameters

In August 2020, the RBI had constituted an expert committee to make recommendations on the required financial parameters to be factored in the resolution plans under the Resolution Framework for COVID-19-related stress.

The RBI, vide notification dated 7 September 2020, now defined, basis the recommendations submitted by the expert committee, the financial parameters to be considered in the restructuring of loans impacted by COVID-19 pandemic, which include aspects related to leverage, liquidity and debt serviceability. Accordingly, the RBI has specified five financial ratios and the sector-specific thresholds for each ratio in respect of 26 sectors to be taken into account while finalising the resolution plans.

Click [here](#) for the notification.



5. Income-tax (21st Amendment) Rules, 2020

Central Board of Direct Taxes has issued the Income-tax (21st Amendment) Rules, 2020 (amended rules) wherein, it has permitted insurance companies to submit an application in Form 15C for a certificate under Section 195(3) of the Income-tax Act, 1961 for receipt of interest and other sums without deduction of tax. Earlier, only the banking companies were eligible to submit such application.

These amended rules came into force on 22 September 2020.

Click [here](#) for amended rules.

6. Code on Social Security, 2020

The Lok Sabha on 22 September 2020, has passed the Social Security Code (Code) wherein, it has proposed to amalgamate the nine labour laws, including the Employees' State Insurance Act, 1948 (ESIC) and the Employees Provident Fund and Miscellaneous Provisions Act, 1952 (EPFO). The Code on Social Security, 2020 (Code) has received the assent of the President on 28 September 2020.

The Code, inter alia, include the following changes:

- **Gratuity:** While the regular and permanent employees will get gratuity after five years, the gratuity threshold for working journalists will be three years instead of five. Further, gratuity for fixed-term workers will be linked to their tenure of work while gratuity for seasonal workers will be equivalent to salary for seven days for every season of work undertaken.
- **Extending reach of ESIC:** The establishments working in hazardous sectors will mandatorily be linked with ESIC, even if there is only one worker working in it.

Option for becoming member of ESIC will also be available for establishments with less than 10 workers.

The facility of ESIC will be provided in all 740 districts. At present, this facility is being given in 566 districts only.

- **Extending reach of EPFO:**
 - The coverage will be applicable on all establishments having 20 workers and option to join EPFO will be available to establishments having less than 20 workers.
 - Schemes would be formulated for bringing workers coming under the category of self-employed or falling under any other category under the aegis of EPFO.

- A provision has been introduced to formulate various schemes for providing comprehensive social security to workers in **unorganised sector**. A **Social Security Fund** will be created on the financial side in order to implement these schemes.

The Code will come into force on such date as the central government may, by notification in the Official Gazette, appoint; and different dates may be appointed for different provisions of this Code.

Click [here](#) for the Code.



B. India updates - Proposed

a. Auditing updates

b. Other updates

a. Auditing updates

1. Exposure draft on Standard on Assurance Engagements (SAE) 3410: Assurance Engagements on Greenhouse Gas Statements

The ICAI, vide announcement dated 24 September 2020, issued an exposure draft on SAE 3410, which deals with assurance engagements to report on an entity's Greenhouse Gas (GHG) statement. SAE will also apply to situations where assurance engagement covers other information in addition to GHG statement e.g. GHG statement being part of overall sustainability report.

This proposed SAE applies to assurance procedures performed with respect to the GHG statement other than when the GHG statement is a relatively minor part of the overall information subject to assurance; and

Last date for submission of comments is 6 November 2020.

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

b. Other updates

1. Exposure drafts on Forensic Accounting and Investigation Standards

Digital Accounting Assurance Board (DAAB) of the ICAI issued below mentioned exposure drafts of Forensic Accounting and Investigation Standards (FAIS). This will result in process standardisation across the board.

- Click [here](#) for the exposure draft on preface to the FAIS.
- Click [here](#) for the exposure draft on Framework Governing FAIS.
- Click [here](#) for the exposure draft on Basic Principles of FAIS.

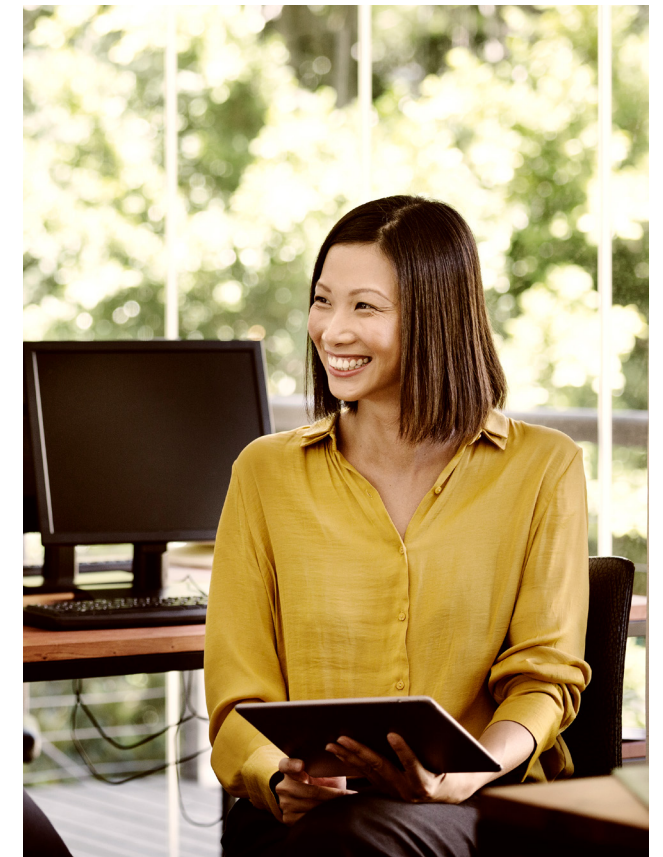
Last date for submission of comments was 30 September 2020.

DAAB has now issued and invited comments on exposure drafts on following new FAIS:

- Click [here](#) for the exposure draft on FAIS 110 - Understanding the Nature of Engagement.
- Click [here](#) for the exposure draft on FAIS 120 - Understanding Fraud Risk.
- Click [here](#) for the exposure draft on FAIS 130 - Laws and Regulations.

- Click [here](#) for the exposure draft on FAIS 140 - Applying Hypotheses.
- Click [here](#) for the exposure draft on FAIS 220 - Engagement Acceptance and Appointment (**last date for comments 30 October 2020**).
- Click [here](#) for the exposure draft on FAIS 230 - Using the work of an expert.

Last date for submission of comments for aforementioned exposure drafts was 18 October 2020 except specifically mentioned above.



C. International updates – Effective

a. IFRS updates

b. US GAAP updates

c. Auditing updates

a. IFRS updates

1. Interest Rate Benchmark Reform-Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The International Accounting Standards Board (the Board) had earlier proposed amendments to IFRS to assist companies in providing useful information to investors about the effects of Interest Rate Benchmark Reform (IBOR) on financial statements.

In line with the above, on 27 August 2020, the board has now issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to:

- **Changes to contractual cash flow:** A company will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate
- **Hedge accounting:** A company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and
- **Disclosures:** A company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

These amendments are effective for annual reporting periods beginning on or after **1 January 2021**, with early adoption permitted.

Click [here](#) for the news.

Click [here](#) for the amendment.

b. US GAAP updates

1. ASU 2020-07: Presentation and Disclosures by Not-for-Profit Entities for Contributed Non-financial Assets

Financial Accounting Standard Board (FASB) on 17 September 2020 has issued Accounting Standard Update (ASU) 2020-07, intended to improve transparency in the reporting of contributed non-financial assets (i.e. gifts-in-kind), for not-for-profit organisations.

The ASU requires a not-for-profit organisation to present contributed non-financial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets.

These amendments are effective from, annual reporting periods beginning after 15 June 2021, and interim periods with annual reporting periods beginning after 15 June 2022, with early adoption permitted.

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

Click [here](#) for the ASU.

c. Auditing updates

1. Non-Authoritative Support Materials: Using automated tools and techniques in performing audit procedures

International Auditing and Assurance Standards Board (IAASB) on 28 September 2020 has issued a publication to assist auditors in understanding whether a procedure involving automated tools and techniques may be both a risk assessment procedure and a further audit procedure. It also provides specific considerations when using automated tools and techniques in performing substantive analytical procedures in accordance with ISA 520, **Analytical procedures**.

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

Click [here](#) for publication.

2. ISA 540 (Revised) Implementation: Illustrative Examples for Auditing Expected Credit Loss Accounting Estimates

ISA 540 (Revised) Implementation Working Group of the IAASB has prepared illustrative examples for auditing expected credit loss (ECL), to specifically address audit considerations relating to different characteristics of an ECL estimate, in accordance with the IFRS 9.

These examples do not constitute an authoritative pronouncement of the IAASB, nor do they 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.



D. International updates - Proposed

a. US GAAP updates

b. Auditing updates

a. US GAAP updates

1. Proposed ASU: Franchisors - Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient

FASB, on 21 September 2020, issued a proposed Accounting Standard Update (ASU) that would provide a practical expedient that simplifies how franchisors would analyse certain activities when determining their performance obligations in a franchise agreement.

The proposed practical expedient would permit certain pre-opening services listed within the guidance to be accounted for as a single bundled, separate performance obligation if it is probable that the continuing fees in the franchise agreement would be sufficient to cover the franchisor's continuing costs plus a reasonable profit.

Last date for submission of comments is 5 November 2020.

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

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

b. Auditing updates

1. Discussion paper on Fraud and Going Concern in an Audit of Financial Statements

IAASB on 15 September 2020 has invited comments on discussion paper issued on **Fraud and Going Concern in an Audit of Financial Statements: Exploring the Differences between Public Perceptions about the Role of the Auditor and the Auditor's Responsibilities in a Financial Statement Audit.**

The purpose of discussion paper is to gather perspectives from various stakeholders about the role of auditors in case of fraud and going concern in an audit of financial statements on whether the auditing standards related to fraud and going concern need to be updated to reflect the rapidly evolving external reporting landscape, and, if so, in what areas.

Last date for submission of comments is 12 January 2021.

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

Click [here](#) for the discussion paper.



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