

Monthly GAAP Bulletin

October 2021





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. Regulatory updates



A. India updates - Effective

a. Regulatory updates Companies Act updates

1. Extension of time for holding AGM for financial year (FY) ended on 31 March 2021

Ministry of Corporate Affairs (MCA), Registrar of Companies (ROC) of various states has extended the timeline to hold the annual general meeting (AGM) by two months beyond the due date within which the companies ought to March 2021. Further, MCA has conducted their AGM for the FY 2020-21 ended on 31 March 2021. Further, MCA has clarified that extension granted under this order also covers the following:

- Pending applications filed in form GNL-1 for the extension of AGM for the FY 2020-21, which are yet to be approved.
- Applications filed in form GNL-1 for the extension of AGM for the FY 2020-21, which were rejected.

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- Applications filed in form GNL-1 for the extension of AGM for the FY 2020-21, where the extension approved was for a period less than two months.

Further, it is also clarified that the aforesaid will not affect the applications filed in form GNL-1 for the extension of AGM for the financial year ended on 31 March 2021, where the extension approved was for a period more than two months.

The Institute of Chartered Accountant of India (ICAI) has also issued an announcement in this regard.

Click [here](#) for the ICAI announcement uploaded and orders as issued by the ROCs of various states are available [here](#).

C. International updates – Effective

2. Extension of last date of filing of Cost Audit Report

Rule 6(5) of the Companies (Cost Records and Audit) Rules, 2015, require every cost auditor who conducts an audit of the cost records of a company, to submit its cost audit report to the Board of Directors of the company within 180 days from the closure of the FY to which the report relates.

MCA has extended the last date of filing of cost audit report for FY 2020-21 till 31 October 2021.

Consequently, the cost audit report for the financial year ended on 31 March 2021 can be filed (in e-form CRA-4) within 30 days from the date of receipt of the copy of the cost audit report by the company.

Click [here](#) for the circular.

D. International updates - Proposed

3. Insolvency and Bankruptcy Board of India (Liquidation Process) (Second Amendment) Regulations, 2021

The Insolvency and Bankruptcy Board of India (IBBI Board) has amended the IBBI (Liquidation Process) Regulations, 2016.

This amendment inter-alia has expanded scope and participation of the stakeholders' consultation committee (SCC) in terms of mandatory consultation for sale of assets, appointment of professionals, etc. The amendment also provides the manner of selection of representatives of stakeholders in SCC.

The participation of large number of buyers in the process is key to better realization of value for the stakeholders. Keeping this in view the amendment provides that:



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- Liquidator shall not require payment of any non-refundable deposit or fee for participation in an auction.
- The earnest money deposit shall not exceed ten percent of the reserve price in an auction.

Also, with a view to improve visibility for the liquidation assets, the Board has made available an electronic platform at www.ibbi.gov.in for hosting public notices of auctions of assets pertaining to ongoing liquidation processes.

The Amendment has come into force from the date of its publication in the Official Gazette. Click [here](#) for the amended regulation.

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4. The Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) (Third Amendment) Regulations, 2021

The IBBI Board has issued amendment to the IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016. The amendment seeks to address delays in corporate insolvency resolution process such as repeated issue of expression of interest, numerous modification requests in the resolution plans, even consideration of unsolicited resolution plans. It has specified that such modification shall not be made more than once. This will ensure adherence of timeline envisaged under the IBBI process.

The Amendment has come into force from the date of its publication in the Official Gazette.

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

C. International updates – Effective

SEBI updates

1. Amendments to SEBI LODR Regulations for debt listed entities

Securities and Exchange Board of India (SEBI) has issued a notification dated 7 September 2021 and has amended the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 (SEBI LODR Regulations) in relation to the compliances for 'debt-listed entities' as follows:

Part A: High value debt listed entities

The disclosure obligations and governance requirements (contained in Regulation 16 to Regulation 27) of the SEBI LODR Regulations that were previously applicable only to equity listed entities have now been extended to certain 'high value debt listed entities' (HVDLEs).

As per the amended regulations, HVDLEs are those who have listed their non-convertible securities (NCS) and has an outstanding value of listed NCS Rs. 500 crore and above. Such limit is required to be reckoned on the basis of principal outstanding as on 31 March 2021.

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For such entities meeting the threshold criteria as on 31 March 2021, the compliances are applicable on 'comply/explain' basis until 31 March 2021. Thereafter, it is mandatory for such entities to achieve full compliance.

Further, for those listed entities which become HVDLEs subsequently, such entities will have to ensure compliance within six months from the date of such trigger. However, it would continue to be applicable on 'comply/explain' basis until 31 March 2023.

In case the entities following the approach of 'comply of explain' until 31 March 2023, they will be required to report in the quarterly compliance report to be filed under Regulation 27 of the SEBI LODR Regulations indicating the steps being undertaken/initiated for cases of non-compliance or partial compliance.

A. India updates - Effective

Further, these provisions of the SEBI LODR Regulations once applicable to HVDLEs on the basis of the above threshold limits, shall continue to apply even if the threshold limits fall subsequently.

Part B: Amendments to Chapter V of SEBI LODR Regulations applicable to all debt listed entities (which have listed NCS)

I. Financial results

SEBI amendments have also introduced significant changes to the financial information being submitted by all debt listed entities in terms of its frequency and the manner of submission, which is now amended in line with equity listed entities. The debt listed entities are now required to prepare and submit unaudited or audited

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quarterly and year to date standalone financial results on a quarterly basis instead of the earlier requirement of submission on a half-yearly basis. Further, such quarterly results shall be required to be accompanied by a limited review report by the statutory auditors of the listed entity. Such submission is required within 45 days from the end of the quarter and within 60 days from end of the financial year.

A new clause has been added wherein the statement of assets or liabilities and statement of cash flows as at the end of the half year shall also be furnished by way of a note in the standalone financial results.

New ratios, for example, current ratio, long term debt to working capital, bad debts to accounts receivable etc. have been introduced that are required to be furnished as part of the quarterly results.

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SEBI, has also issued a circular dated 5 October 2021, wherein the format for publishing the financial results has been prescribed. It has also clarified that the corresponding financial results for the quarters ended September 2020, December 2020, March 2021 and June 2021 need not be published. Similar relaxation has been given for corresponding financial information to be published for statement of assets and liabilities and statement of cash flows.

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II. Disclosure obligations

a. Additional disclosures to be hosted on website (Regulation 62)

- Composition of the board of directors
- Financial results including annual report
- All credit ratings obtained for all listed NCS and revisions, if any
- Annual return
- Any change in the content of website should be updated within two working days from the date of such change

b. Additional disclosures to be hosted on website by HVDLEs (Regulation 62)

- Composition of various committees of the board of the directors
- Terms and conditions of appointment of independent directors
- Code of conduct of the board and senior management personnel
- Details of establishment of vigil mechanism/whistle blower policy
- Criteria of making payments to non-executive directors, unless disclosed in the annual report
- Secretarial compliance report
- Policy on dealing with related party transactions and determining material subsidiaries

c. Disclosures to stock exchange

Intimation/submission to stock exchange	Event based disclosures (newly added in Schedule III Part B)
Prior intimation of at least two working days before the board meeting should be given for various matters such as alteration in nature of NCS/rights of holders and in the date of the interest/dividend/redemption payment of NCS; financial results	Disclosure of outcome of board meeting within 30 minutes of the closure of the meeting for decision in relation to fund raising proposed to be undertaken by way of NCS or financial results
Certificate regarding status of payment of interest/dividend/principal should be submitted within 1 working day (earlier two working days)	Fraud/defaults by listed entity or its promoter/KMP/director/employees or arrest of KMP or promoter;
Within five working days prior to the beginning of the quarter, provide details for all NCS for which interest/dividend/principal obligations payable during the quarter	Change in directors, KMP;
Within seven working days from the end of the quarter provide a certificate confirming the payment of obligations for NCS due in that quarter; and the details of all unpaid obligations with respect to NCS at the end of the quarter	Detailed reasons for resignation of auditor;
	One-time settlement with a bank or winding-up petitions
	Proceedings of GMs of the listed entity

Click [here](#) for the amendment notification
Click [here](#) for the circular issued on 5 October 2021

2. Relaxations relating to procedural matters - Right Issues

SEBI vide circular dated 6 May 2020 had granted one time relaxations from strict enforcement of certain regulations under SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, pertaining to Rights Issue opening upto 31 July 2020, Click [here](#) for the SEBI circular dated 31 May 2021, which were further extended up to 31 December 2020 vide circular dated 24 July 2020.

Click [here](#) for the SEBI circular dated 13 August 2021.

One of the relaxations, in respect of applying for the rights issue through an optional mechanism (non-cash mode only) instead of Application Supported by Blocked Amount (ASBA) facility, was again extended for Rights Issues opening up to 30 September 2021 by SEBI vide its circular dated 22 April 2021.

Click [here](#) for the SEBI circular dated 22 April 2021.



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SEBI has further extended the aforesaid relaxation for Rights Issues opening up to 31 March 2022 vide its circular dated 1 October 2021.

However, the issuer company shall be required to conduct a 'Vulnerability Test' for accepting applications for rights issue under such optional mechanism, through an independent IT Auditor, and submit the report to stock exchange(s).

Click [here](#) for the SEBI Circular

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3. Alignment of interest of AMCs' with the Unitholders of the Mutual Fund Schemes

SEBI had issued SEBI (Mutual Funds) (Second Amendment) Regulations, 2021 which requires asset management companies (AMCs) to invest in their own schemes based on risk associated with the schemes as may be specified by the SEBI from time to time.

Click [here](#) for SEBI notification dated 5 August 2021.

Accordingly, SEBI, vide circular dated 2 September 2021, has inter alia quantified the minimum amount that needs to be invested by the AMCs in the scheme basis the risk level as per risk-o-meter.

Click [here](#) for the circular.

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4. Risk Management framework for mutual funds

SEBI, vide circular dated 27 September 2021, has issued revised risk management framework for mutual funds with certain mandatory and recommendatory elements which inter alia provides that AMCs need to perform a self-assessment of their risk management framework and practices and submit a report to SEBI along with the roadmap for implementation of the framework. The aforesaid exercise must be completed and the necessary systems must be in place for the AMCs to be able to comply with the circular with effect from 1 January 2022. Early application is also permissible.

Click [here](#) for framework.

D. International updates - Proposed





A. India updates - Effective

5. Swing pricing framework for mutual fund schemes

SEBI has introduced “swing pricing framework” The mechanism is made applicable to open-ended debt mutual fund schemes (except overnight funds, Gilt funds and Gilt with 10-year maturity funds). Swing pricing mechanism is an adjustment made to the published Net Asset Value or NAV of a mutual fund during extreme circumstances e.g. liquidity crunch, etc..

The mechanism is a hybrid framework with a partial swing during normal times and a mandatory full swing during market dislocation times for high risk open-ended debt scheme.

The framework will be applicable from 1 March 2022.

Click [here](#) for the framework.

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Other regulatory updates

1. CBDT extends due dates for filing of income tax returns and various reports of audit for Assessment Year 2021-22

On consideration of difficulties reported by the taxpayers and other stakeholders in filing of Income Tax Returns and various reports of audit for the Assessment Year 2021-22 under the Income-tax Act, 1961, Central Board of Direct Taxes (CBDT) has decided to further extend the due dates for filing of Income Tax Returns and various reports of audit for the Assessment Year 2021-22.

Click [here](#) for the previous extension by CBDT dated 20 May 2021.

Extensions given by CBDT amongst others include the following:

C. International updates – Effective

A. Audit reports for FY 2020-21

Particulars	Existing revised due date	New due date
Tax audit report	31 October 2021	15 January 2022
Accountant's report under Section 92E of the Act (in Form 3CEB)	30 November 2021	31 January 2022

B. Income-tax returns for AY 2021-22

Particulars	Existing revised due date	New due date
Return of income in case of Transfer Pricing (TP) audit	31 December 2021	28 February 2022
Return of income in case of Company, Person (other than a company) whose accounts are required to be audited, Partner of a firm whose accounts are required to be audited	30 November 2021	15 February 2022
Tax return in case of any other taxpayer not covered above	30 September 2021	31 December 2021
Belated/Revised tax return	31 January 2022	31 March 2022

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

A. India updates - Effective

2. Aligning the time limit of generating UDIN from 15 days to 60 days

In order to align the time limit for generating Unique Document Identification Number (UDIN) with the Standards on Auditing and Standard on Quality Control, ICAI, has decided that the time limit of generating UDIN would be 60 days from the date of the signing of certificates/reports/document instead of 15 days currently.

Furthermore, UDIN must be provided by the member for documents where the respective regulator(s) or other stakeholders request it immediately upon signing or within a set time frame.

Also, UDIN so generated has to be communicated to 'Management' or 'Those Charged with Governance' for disseminating it to the stakeholders from their end.

Click [here](#) for ICAI announcement.

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3. Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances

The Reserve Bank of India (RBI) had earlier consolidated all instructions/guidelines issued to banks till 30 June 2015 on matters relating to prudential norms on income recognition, asset classification and provisioning pertaining to advances vide its Master Circular dated 1 July 2015. [Refer Master Circular dated 1 July 2015.](#)

RBI has now issued an updated Master Circular containing instructions/ amendments and other clarifications released on the above subject.

Click [here](#) for the master circular dated 1 October 2021.

Other updated master directions issued by RBI include:

Click [here](#) for Master Direction – RBI (Securitisation of Standard Assets) Directions, 2021.

Click [here](#) for Master Direction – RBI (Transfer of Loan Exposures) Directions, 2021.

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B. India updates - Proposed

a. Accounting updates

b. Regulatory updates



A. India updates - Effective

a. Accounting updates

1. Exposure Draft of Revised AS 36, Impairment of Assets

In continuation of upgrading the accounting standards for the entities to whom Ind AS is not applicable, Accounting Standards Board (ASB) of the ICAI has published an exposure draft on revised AS 36, Impairment of Assets, by taking Ind AS 36, Impairment of Assets, notified by the MCA as the base.

Last date for submitting comment was 30 September 2021.

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

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2. Exposure Draft of Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to Ind AS 12

In May 2021, International Accounting Standards Board (IASB) had issued targeted amendments to International Accounting Standards (IAS 12), Income Taxes, to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations.

Click [here](#) for the news release on 7 May 2021.

The ICAI has also now issued exposure draft of amendments in Ind AS 12, Income Taxes corresponding to IASB's amendments. Last date for sending comments is 25 October 2021.

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

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3. Exposure draft of Revised Guidance note on Schedule III to the Companies Act, 2013

MCA has notified amendments to Schedule III to the Companies Act, 2013 (Act 2013) applicable from financial year starting 1 April 2021.

Click [here](#) for the announcement dated 24 March 2021.

Consequently, ICAI has issued following exposure drafts in response to such amendments:

- Revised Guidance Note on Division I – Non Ind AS Schedule III to the Act 2013. Click [here](#) for exposure draft.
- Revised Guidance Note on Division II – Ind AS Schedule III to the Act 2013. Click [here](#) for exposure draft.
- Revised Guidance Note on Division III – Schedule III to the Act 2013 for Non-Banking Financial Company (NBFC) that is required to comply with Ind AS. Click [here](#) for exposure draft.

Last date for sending comments was 10 September 2021.

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b. Regulatory updates Companies Act updates

1. NFRA Consultation Paper on Statutory Audit and Auditing Standards for Micro, Small and Medium Companies

National Financial Reporting Authority (NFRA) has issued a consultation paper and sought public comments on whether micro, small and medium companies (MSMCs) — depending upon some criteria and threshold — should be exempted from mandatory statutory audit which is currently mandatory for all companies. The focus of the analysis is companies with net worth below INR 250 crore.

Last date for sending comments is 10 November 2021.

Click [here](#) for NFRA consultation paper.



A. India updates - Effective

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SEBI updates

1. SEBI Board meeting

SEBI, in its meeting dated 28 September 2021, inter alia, took the following decisions:

Review of regulatory provisions on Related Party Transactions (RPTs)

SEBI has proposed to amend SEBI LODR Regulations. Key amendments approved in the meeting are as follows:

- Expanded the definition of related party and related party transactions
- Expanded the scope of shareholder's approval of Related Party Transactions (RPTs).
- Audit committee oversight has been rationalised, but only in certain cases
- Increased frequency of giving disclosure of information related to RPTs.

These amendments would come into force from 1 April 2022 unless otherwise specified.

Review of delisting framework pursuant to open offer:

SEBI has proposed to amend the existing regulatory framework for delisting of equity shares pursuant to open offer as provided under the extant Regulation 5A of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (Takeover Regulations). The revised framework aims to make merger and acquisition transactions for listed companies a more rational and convenient exercise, balancing the interest of all stakeholders.

Review of certain provisions related to superior voting rights shares framework:

Relaxed the eligibility requirements related to superior voting rights (SR) shares framework that will allow give more flexibility to the founders of new-age companies when it comes to raising capital and taking their company public.

Click [here](#) for the SEBI's Board Meeting update.

2. Consultation paper on review of the SEBI (Settlement Proceedings) Regulations, 2018

SEBI has issued a consultation paper seeking comments on the amendments proposed in SEBI (Settlement Proceedings) Regulations, 2018 that suggests significant changes in the existing regulations on settlement proceedings. The proposals are aimed at reducing delays and rationalising the settlement terms.

Last date for sending comments was 14 October 2021.

Click [here](#) for SEBI consultation paper.

3. Consultation Paper for review of net worth criteria of Trading Member (TM) /Clearing Member (CM)/Professional Clearing Member (PCM)/Depository Participant (DP)

SEBI has issued a consultation paper seeking comments on review of net worth criteria applicable to TM/CM/PCM/DP, etc. The proposal is aimed to develop risk-based capital adequacy norms for the intermediaries and gradually increase the net worth threshold in a phased manner, to provide reasonable comfort regarding loss-absorption capacity of the intermediaries and mitigate the risk of spill over of losses to non-defaulting clients.

Last date for sending comments was 18 October 2021.

Click [here](#) for SEBI consultation paper.



C. International updates – Effective

a. Auditing updates

b. IFRS updates

A. India updates - Effective

a. Auditing updates

1. 2020 Handbook of International Quality Control, Auditing, Review, Other Assurance, And Related Services Pronouncements

International Auditing and Assurance Standards Board (IAASB) has issued latest edition of **Handbook of International Quality Control, Auditing, Review, Other Assurance, And Related Services Pronouncements**. This handbook contains the complete set of IAASB standards on quality control, quality management, auditing, review, other assurance and related services, as well as the non-authoritative International Auditing Practice Notes. It also includes a preface to the IAASB's pronouncements, a glossary of terms, and other non-authoritative material. This 2020 edition of the IAASB Handbook replaces the 2018 edition of the IAASB Handbook.

Click [here](#) for handbook.

B. India updates - Proposed

b. IFRS updates

1. IASB issued September IFRIC update

IASB released International Financial Reporting Standards (IFRS) Interpretations Committee Update for the month of September 2021 and following are the list of topics discussed and decided by the Committee:

Committee's agenda decisions

- Non-refundable value added tax on lease payments (IFRS 16 Leases)
- Accounting for warrants that are classified as financial liabilities on initial recognition (IAS 32 Financial Instruments: Presentation)

Committee's tentative agenda decisions

- Demand deposits with restrictions on use (IAS 7 Statement of Cash Flows)

Click [here](#) for the IFRIC update.

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D. International updates - Proposed

a. Auditing updates

b. US GAAP updates

A. India updates - Effective

a. Auditing updates

1. Supplemental guidance & mapping documents issued by IAASB

The IAASB has published new documents related to exposure draft on a new Standard for Audit of Less Complex entities (LSE) issued in July 21.

Click [here](#) for exposure draft issued on 23 July 2021.

The new documents are as follows:

- Proposed supplemental guidance on auditor reporting to provide further guidance on modifications and other changes to the auditor's report when using the proposed standard; and
 - 'Mapping' documents to help users navigate between existing, equivalent International Standards on Auditing and the requirements in the newly proposed International Standard on Auditing for LSE.
- Click [here](#) for supplemental guidance
Click [here](#) for Mapping document 1
Click [here](#) for Mapping document 2.

B. India updates - Proposed

b. US GAAP updates

1. FASB issued proposed accounting standard update - Fair Value measurement (Topic 820) - Fair value measurement of equity securities subject to contractual sale restrictions

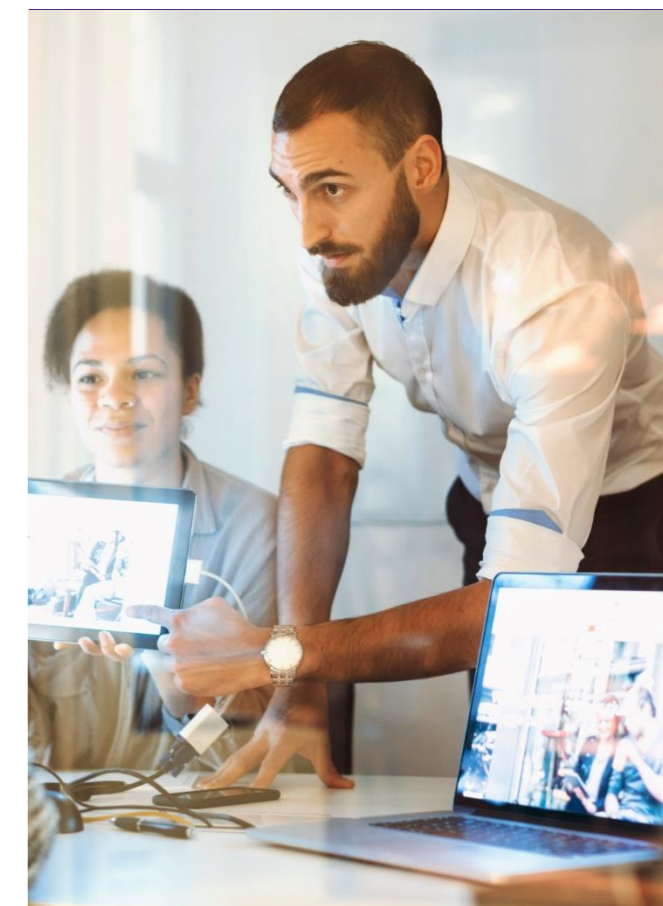
Presently, there is diversity in practice on whether the effects of a contractual restriction that prohibits the sale of an equity security should be considered in measuring that equity security's fair value. Some stakeholders apply a discount to the price of an identical equity security that is not subject to a contractual sale restriction, whereas other stakeholders consider the application of a discount to be inappropriate under the principles of Topic 820.

To address this issue, Financial Accounting Standards Board (FASB) has issued proposed update to clarify the guidance in Topic 820, Fair Value Measurement, on measuring the fair value of an equity security and to amend an example that addresses contractual restrictions that prohibit the sale of an equity security.

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The amendments in this proposed update would clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. Such proposed update is open for sending comments by 14 November 2021. Click [here](#) for proposed Accounting Standards Update (ASU).

D. International updates - Proposed



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