



Monthly GAAP Bulletin

September 2020



Introduction

Dear Reader,

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

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

We would be pleased to receive your valuable feedback. Please write to us at npsg@in.gt.com 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. Conceptual framework for financial reporting under Ind AS

The Institute of Chartered Accountants of India (ICAI) has released a revised conceptual framework for financial reporting under Indian Accounting Standards (Ind AS) (revised framework), which is effective for accounting period beginning from 1 April 2020 for standard-setters. This revised framework is corresponding to International Accounting Standards Board (IASB)'s comprehensive revised framework titled Conceptual Framework for Financial Reporting (Conceptual Framework), issued in March 2018.

The applicability of the conceptual framework for **preparers** of financial statements will be notified separately, when consequential amendments to Ind AS arising from this new conceptual framework are notified following the due process under the Section 133 of the Companies Act, 2013.

Click [here](#) for the announcement.

Click [here](#) for the framework.

2. Revised compendium of Ind AS for financial periods beginning from or after 1 April 2020

The ICAI, on 25 August 2020, released a new compendium of revised Ind AS, updated as on 1 April 2020 and applicable for accounting periods beginning on or after 1 April 2020.

Click [here](#) for the announcement.

For the compendium, click [Volume I](#) and [Volume II](#).

Consequent to the release of new compendium of Ind AS, the updated Part B - containing illustrative examples and implementation guidance and Part C - containing the bases for conclusions of International Financial Reporting Standards (IFRS), relevant for accounting year 2020-2021, have also been released by the ICAI.

Click for the [Part B](#) and [Part C](#)

b. Auditing updates

1. Publication: Review Engagements on Interim Financial Information in the Current Evolving Environment Due to COVID-19

The ICAI has issued a publication - **Review Engagements on Interim Financial Information in the Current Evolving Environment Due to COVID-19**, which highlights key considerations for auditors for performing reviews of interim financial information in accordance with SRE 2410 and **Review of Interim Financial Information Performed by the Independent Auditor of the Entity**, given the unique challenges that may arise in the current environment due to COVID-19.

This document does not amend or override SRE 2410.

Click [here](#) for the publication.



c. Regulatory updates

Companies Act updates

1. Publication: Relaxations from Regulatory Compliances due to the COVID-19 pandemic

Corporate Laws & Corporate Governance Committee of the ICAI has released a publication **Relaxations from regulatory compliances due to the COVID-19 pandemic**. This publication summarises key relaxations and special measures provided by Ministry of Corporate Affairs (MCA) and Securities and Exchange Board of India (SEBI) to reduce compliance burden and other risks for companies and limited liability partnerships (LLPs) in India.

Click [here](#) for the publication.

2. Companies (Corporate Social Responsibility Policy) Amendment Rules, 2020, and amendment to Schedule VII of the 2013 Act

The MCA has issued Companies (Corporate Social Responsibility Policy) Amendment Rules, 2020 (amended rules).

These amended rules have been issued to include research and development activity of new vaccine, drugs and medical devices related to COVID-19 for FY21, FY22 and FY23 by specified companies as permissible CSR activity subject to meeting certain conditions specified in amended rules.

Further, the MCA has also issued amendment to Schedule VII vide its notification dated 24 August 2020. It includes the contribution to the following as an eligible contribution under the CSR:

- Contribution to incubators or research and development projects in the field of science, technology, engineering and medicine, etc. funded by the central government or state government or public sector undertaking or any agency of the central government or the state government; and
- Contributions to publicly-funded universities as mentioned in the notification.

These amended rules and the aforesaid notification came into force on 24 August 2020.

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

Click [here](#) for the notification on Schedule VII.

3. IBBI (Voluntary Liquidation Process) (Second Amendment) Regulations, 2020

The Insolvency and Bankruptcy Board of India (IBBI) has issued the IBBI (Voluntary Liquidation Process) (Second Amendment) Regulations, 2020 (amended regulations) amending IBBI (Voluntary Liquidation Process) Regulations, 2017 (principal regulations).

The principal regulations provided that a corporate person willing to initiate voluntary liquidation process may appoint an insolvency professional to conduct the voluntary liquidation process by a resolution of members or partners, or contributories, as the case may be. However, there can be situations that may require appointment of another resolution professional as the liquidator.

The amended regulations clarify that the corporate person may replace the liquidator by appointing another insolvency professional as liquidator by a resolution of members or partners, or contributories, as the case may be.

These amended regulations were effective from 6 August 2020.

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

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



4. IBBI (Liquidation Process) (Third Amendment) Regulations, 2020

The IBBI has issued IBBI (Liquidation Process) (Third Amendment) Regulations, 2020 (amended regulations) amending IBBI (Liquidation Process) Regulations, 2016 (principal regulations).

The principal regulations mentioned that a fee payable to the liquidator is a percentage of the amount realised and of the amount distributed by the liquidator. Some instances were observed where a liquidator realised the amount while another liquidator distributed the same to stakeholders.

These amended regulations clarify that when a liquidator realises any amount, but does not distribute it, he will be entitled to a fee corresponding to the amount realised by him. In addition, when a liquidator distributes any amount, which is not realised by him, he will be entitled to a fee corresponding to the amount distributed by him.

These amended regulations were effective from 6 August 2020.

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

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

5. IBBI (Insolvency Resolution Process for Corporate Persons) (Fourth Amendment) Regulations, 2020

The IBBI has issued IBBI (Insolvency Resolution Process for Corporate Persons) (Fourth Amendment) Regulations, 2020 (amended regulations) to further amend IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016 (principal regulations). Existing principal regulations and Insolvency and Bankruptcy Code, 2016 provide for appointment of an authorised representative by the adjudicating authority to represent financial creditors in a class. For this purpose, the principal regulations require the interim resolution professional to offer a choice of three insolvency professionals (IPs) in the public announcement, and the creditors in a class to choose one of them to act as their authorised representative.

The principal regulations, inter alia, provided that the committee of creditors will evaluate all compliant resolution plans as per evaluation matrix to identify the best of them.

The amended regulations provide that the three IPs offered by the interim resolution professional should be from the state or Union Territory, which has the highest number of creditors in the class as per records of the corporate debtor.

The amended regulations also provide that after evaluation of all compliant resolution plans as per evaluation matrix, committee of creditors will vote on all compliant resolution plans simultaneously. The resolution plan, which receives the highest votes, but not less than 66 per cent of voting share, will be considered approved.

These amended regulations were effective from 8 August 2020.

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

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

SEBI updates

1. SEBI (Listing Obligations And Disclosure Requirements) (Second Amendment) Regulations, 2020

SEBI has issued SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2020 (amended regulations). These amended regulations have introduced amendment to Regulation 42 of the principal regulations, which deals with record date or date of closure of transfer books to extend the applicability of the regulation for intimation of record date to stock exchanges for all purposes mentioned therein, even where derivatives of the stock of the company are listed

These amended regulations have come into force on 5 August 2020.

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

2. Investor grievances redressal mechanism - Handling of SCORES complaints by stock exchanges and standard operating procedure for non-redressal of grievances by listed companies

SEBI issued a circular dated 22 January 2020 (which superseded the earlier issued SEBI circular dated 3 May 2018), specifying the following:

- Actions in case of non-compliances with the listing regulations (Annexure 1)
- Standard operating procedure (SOP) for suspension and revocation of suspension of trading of specified securities (Annexure 2)

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

SEBI now issued a circular dated 13 August 2020, which lays down the procedure for handling complaints by the stock exchanges as well as SOPs for actions to be taken against listed companies for failure to redress investor grievances.

This circular has come into force on 1 September 2020.

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

Other updates

3. Master circular for mutual funds

The SEBI has released a revised master circular for mutual funds on 24 August 2020, which is a compilation of all the circulars issued by SEBI and are operational as on date of this circular, and it supersedes the previous issued master circular dated 23 March 2020.

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

1. Resolution framework for COVID-19-related stress

The Reserve Bank of India (RBI), vide its notification dated 7 June 2019, issued RBI (Prudential Framework for Resolution of Stressed Assets) Directions, 2019, with a view to providing a framework for early recognition, reporting and time-bound resolution of stressed assets. It provides principle-based resolution framework for addressing borrower defaults under a normal scenario. Any resolution plan implemented under guidelines of prudential framework, which involves granting of any concession on account of financial difficulty of the borrower entails an asset classification downgrade, except when it is accompanied by a change in ownership, which allows the asset classification to be retained as or upgraded to standard, subject to the prescribed conditions.

Click [here](#) for the notification dated 7 June 2019.

The economic fallout of the COVID-19 pandemic has led to significant financial stress for borrowers across the board. The resultant stress can potentially impact the long-term viability of many firms, otherwise having a good track record under the existing promoters, as their debt burden has become disproportionate to their cash flow generation abilities. Such wide spread impact could impair the entire recovery process, posing significant financial stability risks.

Considering the above, with the intent to facilitate revival of real sector activities and mitigate the impact on the ultimate borrowers, the RBI decided to provide a window under the prudential framework to enable the lenders to implement a resolution plan in respect of eligible corporate exposures without change in ownership, and personal loans, while classifying such exposures as standard, subject to specified conditions. The details of the facility are given in the Annexure to the notification dated 6 August 2020. The lending institutions will ensure that the resolution under this facility is extended only to borrowers having stress because of COVID-19.

Click [here](#) for the resolution framework.

2. Micro, small and medium enterprises (MSME) sector - restructuring of advances

The RBI, vide its notification dated 11 February 2020, allowed restructuring of existing loans to MSMEs classified as standard without a downgrade in the asset classification subject to certain specified conditions.

Click [here](#) for the notification dated 11 February 2020.

In view of the continued need of support to MSME entities due to COVID-19 situation, the RBI, via its notification dated 6 August 2020, has decided to extend the scheme permitted in terms of the abovementioned circular. Accordingly, existing loans to MSMEs classified as standard may be restructured without a downgrade in the asset classification, subject to, inter alia, the following conditions:

- The aggregate exposure, including non-fund based facilities, of banks and non-banking financial companies (NBFCs) to the borrower does not exceed INR 25 crore as on 1 March 2020.
- The borrower's account was a standard asset as on 1 March 2020
- The restructuring of the borrower account is implemented by 31 March 2021
- For accounts restructured under these guidelines, banks will maintain additional provision of 5% over and above the provision already held by them

All other instructions specified in notification dated 11 February 2020 will remain applicable.

Click [here](#) for the notification dated 6 August 2020.

3. Clarification on new definition of MSME

The Ministry of Micro, Small and Medium Enterprises (MSMEs), vide its notification dated 26 June 2020, issued a new definition of MSME.

Click [here](#) for the notification dated 26 June 2020.

The RBI, vide its notification dated 21 August 2020, issued certain clarifications in respect of the new definition of MSMEs based on the representations received from Indian Banks' Association (IBA) and banks regarding the applicability of certain aspects under new criteria for classifying the enterprises as MSMEs.

Click [here](#) for the notification.

4. Review of guidelines for core investment companies (CICs)

The RBI had constituted a working group (WG) to review the Regulatory and Supervisory Framework for CICs. The report of the WG was placed in public domain in November 2018 in order to seek comments from the stakeholders. Based on the recommendations of the WG and inputs received from stakeholders, the RBI issued a notification dated 13 August 2020 to lay down the revised guidelines applicable for CICs. These guidelines include the following key aspects:

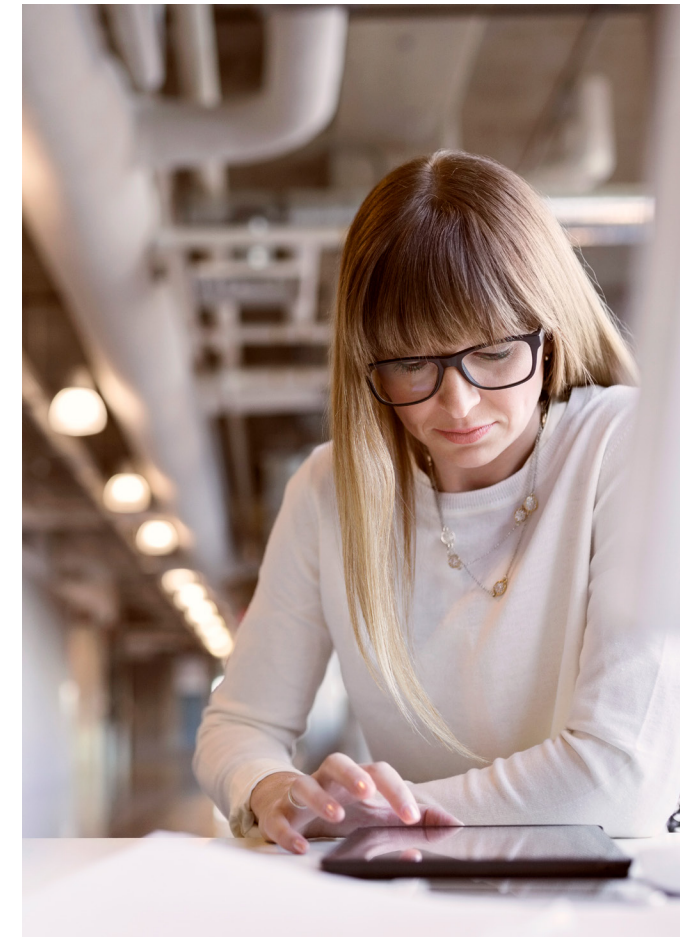
- Definition of adjusted net worth
- Group structure and risk management
- Consolidation of financial statements
- Corporate governance and disclosure requirements

Click [here](#) for the notification.

5. Guidance Note on Report under Section 92E of the Income-Tax Act, 1961

The ICAI has issued the eighth edition of the Guidance Note on Report under the Section 92E of the Income-tax Act, 1961 (Transfer Pricing) (Revised 2020) (Guidance Note). It includes all the amendments made upto Finance Act, 2020.

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



B. India updates - Proposed

a. Companies Act updates

b. SEBI updates

a. Companies Act updates

1. Report of the Committee on Business Responsibility Reporting and SEBI consultation paper on the format for Business Responsibility and Sustainability Reporting

The MCA has issued the report of the Committee on Business Responsibility Reporting (BRR), constituted for preparing BRR formats for listed and unlisted companies. The Committee, inter alia, has proposed two formats for disclosures: A comprehensive format and a lite version and recommends that BRR may be called as Business Responsibility and Sustainability Report (BRSR) to better reflect the intent and scope of the reporting requirements.

Pursuant to the release of the aforementioned report, SEBI, on 18 August 2020, issued a consultation paper on the format for BRSR for seeking public comments. Annex 1 of this consultation paper has formats recommended by the Committee and Annex 2 has guidance note developed by the Committee to define and interpret the scope of each question in BRSR.

SEBI has proposed that the format for BRSR will be applicable to the top 1000 listed entities by market capitalisation. It is also proposed that to begin with, the new format will be adopted by such listed entities on a voluntary basis for FY21 (for those who choose not to adopt the new format, the existing format will apply) and mandatorily from FY22.

Last date for submission of comments is 18 September 2020.

Click [here](#) for the report.

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

b. SEBI updates

1. Consultation paper on recalibration of threshold for minimum public shareholding norms, enhanced disclosures in Corporate Insolvency Resolution Process (CIRP) cases

SEBI has issued consultation paper on recalibration of threshold for minimum public shareholding norms, enhanced disclosures in CIRP cases. The objective of the consultation paper is to seek public comments and views from the public and market intermediaries on recalibration of threshold for minimum public shareholding norms (MPS) in companies, which undergo CIRP and seek relisting of its shares pursuant to implementation of the approved resolution plan. Last date for submission of comments is 18 September 2020.

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



C. International updates – Effective

α. US GAAP updates

a. US GAAP updates

1. ASU 2020:06 - Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging-Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update 2020:06 (ASU), which is expected to improve financial reporting associated with accounting for convertible instruments and contracts in an entity's own equity.

The ASU simplified accounting for convertible instruments by removing major separation models required under current generally accepted accounting principles. Consequently, more convertible debt instruments will be reported as a single liability instrument and more convertible preferred stock as a single equity instrument with no separate accounting for embedded conversion features. This ASU has removed certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception and simplified the diluted earnings per share (EPS) calculation in certain areas. This would permit more equity contracts to qualify for the exception.

This ASU is effective for public business entities that meet the definition of a Securities and Exchange Commission (SEC) filer, excluding entities eligible to be smaller reporting companies, as defined by the SEC, for financial years beginning after 15 December 2021, including interim periods within those financial years. For all other entities, the standard will be effective for financial years beginning after 15 December 2023, including interim periods within those financial years. Early adoption is permitted.

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

Click [here](#) for the ASU.



D. International updates - Proposed

a. US GAAP updates

b. Auditing updates

a. US GAAP updates

1. Proposed ASU: Compensation-Stock Compensation (Topic 718): Determining the Current Price of an Underlying Share for Equity-Classified Share-Option Awards

FASB has issued a proposed Accounting Standards Update (proposed ASU) which proposes to reduce cost and complexity for private companies when determining the fair value of the shares underlying a share-option award on its grant date or modification date.

The proposed ASU proposes to allow a non-public entity to determine the current price of a share underlying an equity-classified share-option award using a valuation method performed in accordance with specific regulations of the U.S. Department of the Treasury that provide acceptable methodologies to comply with the “presumption of reasonableness” requirements of Section 409A of the U.S. Internal Revenue Code.

Last date for submission of comments is 1 October 2020.

Click [here](#) for the news.

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

b. Auditing updates

1. Exposure draft on ‘Proposed Statement on Auditing standard’ based on ISA 315, Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement

The American Institute for Certified Public Accountants has issued an exposure draft of Proposed Statement on Auditing Standards (SAS), which is based on the International Auditing and Assurance Standards Board (IAASB)’s project to revise International Standard on Auditing (ISA) 315, **Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement**. (Proposed SAS).

The proposed ASU proposes to introduce following new concepts and definitions and significantly enhanced the related requirements:

- Inherent risk factors (New definition)
- Relevant assertions
- Significant class of transactions, account balance, or disclosure (New definition)
- Spectrum of inherent risk

This proposed SAS proposes to supersede SAS No. 122, Statements on Auditing Standards: Clarification and Recodification, as amended, section 315, Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement (AU-C Section 315).

Last date for submission of comments is 25 November 2020.

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



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