

Monthly GAAP Bulletin

January 2022





Introduction

Dear reader,

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

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

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

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A. India updates - Effective

a. Accounting updates

1. Publication: Indian Accounting Standards (Ind AS): An Overview (Revised 2021)

Ministry of Corporate Affairs (MCA) had notified companies, the Indian Accounting Standards (Ind AS) Amendment Rules, 2021 on 18 June 2021, as comprising critical amendments to Ind AS are applicable for the accounting year beginning on or after 1 April 2021. Click [here](#) for MCA circular dated 18 June 2021.

The Institute of Chartered Accountant of India (ICAI), in the light of the above amendments, has issued the sixth edition of publication Indian Accounting Standards: An Overview (Revised 2021) capturing all the recent amendments made in Ind ASs.

This publication glances upon the basic aspects of applicable standards in a summarised manner, differences between Ind AS, AS and IFRS, while significantly capturing all the recent amendments in Ind AS.

Click [here](#) for the notification.

B. India updates - Proposed

b. Regulatory updates Companies Act updates

1. MCA grants extension for conducting their meetings through VC or OAVM

In continuation of various relaxations provided to companies allowing them to conduct their meetings through VC or OAVM or transact items through postal ballot in accordance with the specified framework.

Click [here](#) for the circular issued by MCA dated 23rd June 2021.

MCA, vide notification dated 8 December 2021 and 14 December 2021, has decided to allow the above relaxation for holding annual general meetings and extra-ordinary general meetings up to 30 June 2022.

It has also been clarified that the above should not be construed as an extension of time limit for holding AGMs prescribed under Companies Act 2013.

Click [here](#) for the circular issued by MCA dated 8 December 2021.

Click [here](#) for the circular issued by MCA dated 8 December 2021.

Click [here](#) for the circular issued by MCA dated 14 December 2021.

C. International updates – Effective

2. MCA relaxes filing of certain e-forms without levy of additional fees

MCA vide its circular dated 29 October 2021 had granted relaxation directing that no additional fees would be levied up to 31 December 2021 for the filing of following e-forms:

- AOC-4: Form for filing financial statements and other documents with the Registrar
- MGT-7/MGT 7A: Form for filing annual return by a company/OPCs and small company

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

Keeping in view the various requests received from stakeholders, the MCA has decided to extend the relaxation as follows in respect of the financial year ended on 31 March 2021:

- Up to 15 February 2022, for filing of e-forms AOC-4, AOC-4 (CFS), AOC-4 XBRL and AOC-4 non-XBRL
- Up to 28 February 2022, for filing of e-forms MGT-7/MGT-7A

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





A. India updates - Effective

SEBI updates

1. SEBI circular on mutual funds

In order to promote development and regulate the securities markets, Securities Exchange Board of India (SEBI) vide circular dated 10 December 2021, has issued a circular on mutual funds to prescribe guidelines on the following aspects:

- **Usage of pool accounts by mutual funds:** SEBI has allowed mutual funds to use pool accounts only for such transactions that are executed at the mutual fund level owing to certain operational and regulatory requirements, subject to certain conditions.
- **Investment in Bill Re-Discounting Schemes (BRDS):** To have uniformity across the industry, SEBI has introduced norms for investments by mutual fund schemes in BRDS instruments, which are generally not rated and for which no separate investment norms were provided earlier.
- **Risk management framework (RMF) for Mutual Funds:** SEBI issued a revised risk management framework for mutual funds with certain mandatory and recommendatory elements in September 2021.

Click [here](#) for the SEBI Circular dated 27 September 2021.

B. India updates - Proposed

The deadline for complying with the aforementioned requirements was 1 January 2022. The applicability date has now been extended up to 1 April 2022.

- **Benchmarking of mutual fund schemes:** SEBI announced a two-tiered benchmarking of certain categories of schemes in October 2021.

Click [here](#) for the SEBI Circular dated 27 October 2021, which was applicable w.e.f. 1 January 2022. The applicability date has now been shifted to 1 April 2022.

Click [here](#) for the circular.

2. Portfolio Management Services to undertake 10% transactions in corporate bonds via Request for Quote platform

To enhance transparency in debt investments by Portfolio Management Services (PMS) in corporate bonds, SEBI, vide circular dated 9 December 2021, has mandated all PMS to undertake at least 10% of their total secondary market trades by value in corporate bonds through the Request for Quote platform of the stock exchanges each month, basis the volume of such trade during the current month and immediately preceding two months on a rolling basis. The above requirement shall come into force with effect from 1 April 2022.

Click [here](#) for the circular.

C. International updates – Effective

3. Publishing Investor Charter and disclosure of investor complaints on website

Mutual funds are required to disclose the details of investor complaints on their respective websites as well as on the Association of Mutual Funds of India (AMFI) website on a yearly basis in the prescribed format within two years of the closing of the financial year. Mutual funds are now required to disclose this on a monthly basis, by the 7th of the succeeding month in the format given in an annexure to circular issued by SEBI in this respect.

Further, in order to facilitate awareness of investors about various activities, which an investor deals with, SEBI, vide circular dated 10 December 2021 has prepared and released an Investor Charter for Mutual Funds, which inter-alia, details the services provided to investors, rights of investors, various activities of mutual funds with timelines, dos and don'ts for Investors and Grievance Redressal Mechanism in prescribed format as included in another annexure to this circular, which is required to be brought to the notice of mutual funds' unit holders by publishing it on their websites, making it available at prominent places in the office, etc.

In continuation with the above, SEBI, vide circulars dated 16 and 17 December 2021 has mandated the above disclosure requirements for following entities:

- Merchant bankers: All registered merchant bankers dealing in private placement of units by InvITs propose to be listed
- Custodians and designated depository participants (DDPs): All custodians and DDPs which inter-alia deals with services provided to investors with timelines and general guidance for investors.

The provisions of these circulars have come into effect from 1 January 2022.

Click [here](#) for circular dated 10 December 2021.

Click [here](#) for circular dated 16 December 2021.

Click [here](#) for circular dated 17 December 2021.



A. India updates - Effective

4. Master Circulars for InvITs and REITs

SEBI, vide separate notifications dated 10 December 2021, has issued Master Circular on the following:

- Master Circular on InvITs
- Master Circular on REITs

These Master Circulars are a compilation of relevant circulars issued by SEBI up to 31 October 2021 which are operational as on date of this notification. Circulars providing temporary relaxations with regards to certain compliance requirements for REITs in the wake of the COVID-19 pandemic have not been included in the master circulars.

Click [here](#) for Master Circulars on InvITs.

Click [here](#) for Master Circulars on REITs.

B. India updates - Proposed

5. Operational Circular for issue and listing of non-convertible securities, securitised debt instruments, security receipts, municipal debt securities and commercial paper

SEBI, vide its circular dated 13 August 2021 had issued guidelines on issuance of non-convertible debentures (NCDs) with warrants under SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.

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

Based on feedback from market participants and recent regulatory changes, in order to bring about uniformity in requirements, certain amendments to these guidelines have been introduced vide circular dated 17 December 2021.

The new framework comes into effect immediately.

Click [here](#) for circular.

C. International updates – Effective

6. Meetings of REITs and InvITs through VC or through OAVM

SEBI, in February 2021, permitted REITs/InvITs to conduct their annual meetings through VC/OAVM till 31 December 2021 and other meetings of unitholders through VC/OAVM till 30 June 2021. Further, MCA vide circular dated 8 December 2021, has extended the facility of holding AGMs and EGMs through VC/OAVM till 30 June 2022.

Click [here](#) for the MCA Circular dated 8 December 2021.

Accordingly, SEBI vide its circular dated 22 December 2021, has extended the facility to conduct annual meetings of unit holders through VC or OAVM till 30 June 2022 in accordance with the conditions stipulated in the aforesaid notification.

Click [here](#) for circular.

7. SEBI issues Securities and Exchange Board of India (Vault Managers) Regulations, 2021

SEBI has issued Securities and Exchange Board of India (Vault Managers) Regulations, 2021. These regulations apply to persons engaged in providing vault services (i.e., storage and safekeeping of gold deposited, trading in electronic gold receipts). Any person intending to carry on the business as a vault manager can make an application to SEBI for grant of a certificate of registration under these regulations.

These rules have come into force on the date of their publication in the Official Gazette i.e., 31 December 2021.

Click [here](#) for notification.



A. India updates - Effective

8. Non-compliance with provisions related to continuous disclosures

SEBI, vide its circular dated 13 November 2020 had laid down a uniform structure for imposing fines for non-compliance with continuous disclosure requirements by issuers of listed non-convertible debt securities, non-convertible redeemable preference shares (NCRPS) and commercial papers in the form of SEBI Listing Obligations and Disclosure Requirement (LODR) Regulations and various circulars, similar to the structure applicable to issuers of equity shares and convertible securities.

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

SEBI has now issued a new circular in supersession of the aforesaid circular, for levying penalties for such non-compliances.

The circular shall come into force for the due dates of compliances falling on or after 1 February 2022.

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

B. India updates - Proposed

9. SEBI grants extension of timeline for modified reporting requirements for AIFs

SEBI vide Circular dated 7 April 2021 required all AIFs to submit report on their activity as an AIF to SEBI on quarterly basis within ten calendar days from the end of each quarter in specified formats as per the circular.

Click [here](#) for circular dated 7 April 2021. The circular was applicable for quarter ending 31 December 2021 onwards.

SEBI has now extended the timelines for applicability of modified reporting requirement w.e.f quarter ending 30 September 2022 onwards.

Click [here](#) for circular dated 30 December 2021.

C. International updates – Effective

Other regulatory updates

1. General permission for infusion of capital and retention/repatriation/transfer of profits by Indian banks

In order to provide greater operational flexibility, RBI vide its notification dated 8 December 2021 has decided that no prior approval will be required for:

- Infusion of capital in their overseas branches and subsidiaries; and
- Retention of profits in, and transfer or repatriation of profits from these overseas centres, by banks which meet the regulatory capital requirements (including capital buffers).

Instead, the banks are required to seek approval from their respective boards for above capital infusions/transfers and report all such instances of infusion of capital and/or retention/transfer/repatriation of profits in overseas branches and subsidiaries within 30 days of such action to specified RBI authority.

The notification is applicable to all scheduled commercial banks (other than foreign banks), small finance banks, payment banks and regional rural banks.

Click [here](#) for notification.

2. RBI issues Prompt Corrective Action framework for non-banking financial companies (NBFCs)

A Prompt Corrective Action (PCA) framework is applicable to scheduled commercial banks since April 2017. A framework on similar lines has been put in place for NBFCs to strengthen the supervisory tools vide RBI's notification dated 14 December 2021. This shall apply to:

- All deposit taking NBFCs [excluding government companies]
- All non-deposit taking NBFCs in middle, upper and top layers excluding:
 - NBFCs not accepting/not intending to accept public funds;
 - Government companies,
 - Primary dealers and
 - Housing finance companies

PCA framework is to enable supervisory intervention at appropriate time and require the supervised entity to initiate and implement remedial measures in a timely manner, so as to restore its financial health. The framework for NBFCs shall come into effect from 1 October 2022, based on the financial position of NBFCs on or after 31 March 2022.

Click [here](#) for press release.

Click [here](#) for RBI framework.



A. India updates - Effective

3. Prudential norms on income recognition, asset classification and provisioning pertaining to Advances

The Reserve Bank of India (RBI) has issued a master circular relating to prudential norms on income, recognition, asset clarification and provisioning (IRACP) pertaining to Advances (hereinafter referred to as RBI guidelines). With a view to ensuring uniformity in the implementation of IRACP norms across all lending institutions, RBI, vide circular dated 12 November 2021, has issued clarifications with respect to certain aspects of the extant regulatory guidelines, which will be applicable mutatis mutandis to all lending institutions.

RBI, inter-alia has issued following clarifications:

- **Specification of due date/repayment date:** The RBI guidelines on IRACP norms specify that an amount is to be treated as overdue if it is not paid on the due date fixed by the bank. It is now clarified that the exact due dates for repayment of a loan, frequency of repayment, break up between principal and interest etc. should be clearly specified in the loan agreement.

B. India updates - Proposed

- Clarification regarding definition of “out of order”: Cash credit/overdraft (CC/OD) account is classified as NPA if it is “out of order”. In cases where the outstanding balance is less than the sanctioned limit/drawing power, the existing norms, inter alia, stipulate that the account should be treated as “out of order” if there are no credits continuously for 90 days as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period.

RBI has further clarified that an account shall also be classified as ‘out of order’ if, the outstanding balance in the CC/OD account remains continuously in excess of the sanctioned limit/drawing power for 90 days.

- Upgradation of accounts classified as NPA: RBI has clarified that loan accounts classified as NPAs may be upgraded as ‘standard’ asset only if entire arrears of interest and principal are paid by the borrower.

C. International updates – Effective

- Income recognition policy for loans with moratorium on payment of interest: In cases of loans where moratorium has been granted for repayment of interest, lending institutions are allowed to recognise interest income only for accounts which continue to be classified as standard. In this regard, it is clarified that if loan with moratorium on payment of interest (permitted at the time of sanction of loan) becomes NPA after the moratorium period is over, interest accrued during such moratorium period need not be reversed.
- Consumer education: With a view to increase awareness among the borrowers, RBI has instructed that lending institutions should place consumer education literature on their websites

These instructions shall be complied with at the earliest, but not later than 31 March 2022.

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

4. ICAI issues booklet on valuation standards

The valuation standards board of the ICAI had organised live virtual CPE meetings in August 2021 on following topics:

- Fair value - Purchase price allocation
- Due diligence and valuation
- Valuation of complex securities
- Brand valuation - How is affects value

Based on the questions raised during the webcast, ICAI vide its announcement dated 23 December 2021, has released a booklet for answers to questions raised on aforesaid topics.

Click [here](#) for booklets on Fair value - Purchase Price Allocation issued by ICAI.

Click [here](#) for booklets on Due Diligence and Valuation issued by ICAI.

Click [here](#) for booklets on Valuation of Complex Securities issued by ICAI.

Click [here](#) for booklets on Brand valuation - How is affects Value issued by ICAI.



B. India updates - Proposed

a. Accounting updates

b. Regulatory updates



A. India updates - Effective

a. Accounting updates

1. ICAI issues Exposure Draft of Guidance Note on Accounting for Hydropower Industry

The Research Committee of ICAI has issued Exposure Draft of Guidance Note on Accounting for Hydropower Industry. The objective of this Guidance Note is to provide guidance on the accounting issues faced by the hydropower industry, such as accounting for:

- Costs incurred on activities relating to pre-feasibility, pre-construction, construction
- Maintenance and renovation of hydropower plants, decommissioning costs, borrowing costs, depreciation, provisions & contingent liabilities, impairment of assets, leases
- Power purchase agreement in nature of a lease,
- Rate regulated activities,
- Business acquisitions & merger of a subsidiary company with parent company.

Comments can be sent by 27 January 2022.

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

B. India updates - Proposed

2. ICAI issues Exposure Draft of Revised Accounting Standards

In continuation of upgrading the accounting standards for the entities to whom Ind AS is not applicable, Accounting Standards Board of ICAI has published following exposure drafts by taking cognisance of the corresponding Ind ASs, as the base:

- Exposure Draft of AS 103, Accounting for Amalgamations
- Exposure Draft of AS 110, Consolidated and Separate Financial Statements
- Exposure Draft of AS 111, Financial Reporting of Interest in Joint Ventures
- Exposure Draft of AS 28, Accounting for Associates and Jointly Controlled Entities

Last date for submitting comments is 3 February 2022.

Click [here](#) for exposure drafts.

C. International updates – Effective

b. Regulatory updates Companies Act updates

1. MCA proposes changes to the Corporate Insolvency Resolution and Liquidation Framework under Insolvency and Bankruptcy Code, 2016 (Code)

Insolvency Law Committee of the MCA, vide notification dated 23 December 2021 has invited public comments on various amendments proposed to the insolvency law, including provisions related to the time period for approval of resolution plans as well as avoidable transactions and wrongful trading.

Last date for submission of comments was 13 January 2022.

Click [here](#) for the notification.



C. International updates - Effective

a. Accounting updates

b. IASB updates

c. US GAAP updates



A. India updates - Effective

a. Auditing updates

1. New technology focused FAQs on ISA 300

The technology working group of the International Auditing and Assurance Standards Board (IAASB), on 7 December 2021, has released non-authoritative support material to help auditors understand how to plan an audit under International Standard on Auditing (ISA) 300, planning an audit of financial statements, when using automated tools and techniques.

The publication does not amend or override the ISAs.

Click [here](#) for the news.

Click [here](#) for the publication.

B. India updates - Proposed

b. IASB updates

1. IASB amends transition requirements for applying IFRS 17

The International Accounting Standards Board (IASB), vide press release dated 9 December 2021, has issued a narrow-scope amendment to the transition requirements in IFRS 17 Insurance Contracts, providing insurers with an option aimed at improving the usefulness of information to investors on initial application of the new standard.

The amendment will help insurers to avoid these temporary accounting mismatches by providing insurers with an option for the presentation of comparative information about financial assets.

IFRS 17 including the amendment is effective for annual reporting periods starting on or after 1 January 2023.

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

Click [here](#) for the narrow scope amendment.

C. International updates – Effective

c. US GAAP updates

1. FASB issues two new chapters of its conceptual framework

The Financial Accounting Standards Board (FASB), vide media advisory dated 22 December 2021 issued two new chapters of its conceptual framework. The conceptual framework is a body of interrelated objectives and fundamentals that provides the FASB with a foundation for setting standards and concepts for it to use as tools for resolving accounting and reporting questions. A statement of financial accounting concepts is non-authoritative and does not establish or change generally accepted accounting standards. The two new chapters are:

- FASB Concepts Statement No. 8, Conceptual Framework for Financial Reporting - [Chapter 4, Elements of Financial Statements](#) (supersedes Concepts Statement No. 6, Element of Financial Statements)
- FASB Concepts Statement No. 8, Conceptual Framework for Financial Reporting - [Chapter 7, Presentation](#) (supersedes portions of Concepts Statement No. 5, Element of Financial Statements, Recognition and Measurement in Financial Statements of Business Enterprises)

Click [here](#) for the media advisory.



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