



Monthly GAAP Bulletin

January 2020 - Volume 1



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.

This edition covers updates for the month of November 2019. Abbreviations used are explained at the end of the publication.

Following is the index of updates covered in this bulletin:



Contents

a. Auditing updates

- 1 Report on Audit Quality Review (2018-19)

b. Regulatory updates

Companies Act updates

- 1 Companies (Meetings of Board and its Powers) Second Amendment Rules, 2019
- 2 Insolvency and Bankruptcy (Insolvency and Liquidation Proceedings of Financial Service Providers and Application to Adjudicating Authority) Rules, 2019
- 3 Notification of provisions of IBC and corresponding rules and regulations relating to Personal Guarantors to Corporate Debtors
- 4 IBBI (Insolvency Resolution Process for Corporate Persons) (Third Amendment) Regulations, 2019
- 5 Extension of last date for filing Form NFRA-2
- 6 Extension of last date for filing Form PAS 6

SEBI updates

- 1 Disclosures by listed entities of defaults on payment of interest/repayment of principal amount on loans from banks/financial institutions and unlisted debt securities
- 2 FAQs on SEBI (Share Based Employee Benefits) Regulations, 2014
- 3 FAQs on SEBI (PIT) Regulations, 2015
- 4 Enhanced due diligence for dematerialisation of physical securities
- 5 Guidelines for preferential issue of units and institutional placement of units by a listed InvIT and by a listed REIT
- 6 Framework for issue of DRs

Other regulatory updates

- 1 Liquidity risk management framework for NBFCs and CICs

a. Regulatory updates

Companies Act updates

- 1 Draft report of the CLC
- 2 Discussion papers on CIRP and Corporate Liquidation Process

SEBI updates

- 1 Decisions taken in SEBI Board meeting

Other regulatory updates

- 1 Exposure draft of Volume II of the Code of Ethics, 2019 of ICAI

a. IFRS updates

- 1 Guide on 'How to select and apply accounting policies'

b. US GAAP updates

- 1 ASU 2019-11: Codification Improvements to Topic 326, Financial Instruments - Credit Losses
- 2 ASU 2019-08: Codification improvement - Share-based Consideration payable to a Customer

c. Auditing updates

- 1 ISA 540 (Revised) implementation support: Audit Client Briefing



a. US GAAP updates

- 1 Proposed ASU: Codification Improvements to Hedge Accounting: Derivatives and Hedging (Topic 815)
- 2 FASB approves finalisation of guidance to assist in transition away from interbank offered rates to new reference rates
- 3 Proposed ASU: Codification Improvements

b. Auditing update

- 1 Exposure draft on Conforming Amendments to the IAASB International Standards as a Result of the Revised IESBA Code



A. India updates - Effective

a. Auditing updates

b. Regulatory updates

a. Auditing updates

1. Report on Audit Quality Review (2018-19)

The QRB of the ICAI has issued a Report on Audit Quality Review, which includes the key findings in the audit quality review conducted for 51 entities in India for FY 2018-19. The report also gives graphical presentations as to how the non-compliances identified during such audit quality review are spread across the various applicable auditing standards and accounting standards, apart from highlighting the common root causes of such non-compliances.

Click [here](#) for the publication.

b. Regulatory updates Companies Act updates

1. Companies (Meetings of Board and its Powers) Second Amendment Rules, 2019

MCA has issued Companies (Meetings of Board and its Powers) Second Amendment Rules, 2019 (the Amended Rules) to introduce amendments in Companies (Meetings of Board and its Powers) Rules, 2014 (Principal Rules). These amended rules pertain to the revision in threshold limits for entering into related party transactions (RPTs) by a company, beyond which RPTs will require approval of shareholders by way of a resolution.

Refer below the table for the summary of amendments in existing thresholds:

Rule	Prescribed transactions	As per Principal Rules	As per Amended Rules
15(3)(a)(i)	Sale, purchase or supply of any goods or material (directly or through an agent)	10% or more of the turnover of the company or INR 100 crore, whichever is lower	10% or more of the turnover of the company
15(3)(a)(ii)	Selling or otherwise disposing of or buying property of any kind (directly or through appointment of agent)	10% or more of net worth of the company or INR 100 crore, whichever is lower	10% or more of net worth of the company
15(3)(a)(iii)	Leasing of property of any kind	10% or more of the net worth of the company or 10% or more of turnover of the company or INR 100 crore, whichever is lower	10% or more of turnover of the company
15(3)(a)(iv)	Availing or rendering of any services (directly or through appointment of agent)	10% or more of turnover of the company or INR 50 crore, whichever is lower	10% or more of turnover of the company

These amended rules have come into force on 18 November 2019.
Click [here](#) for the amended rules.

2. Insolvency and Bankruptcy (Insolvency and Liquidation Proceedings of Financial Service Providers and Application to Adjudicating Authority) Rules, 2019

MCA has issued Insolvency and Bankruptcy (Insolvency and Liquidation Proceedings of Financial Service Providers and Application to Adjudicating Authority) Rules, 2019 (Rules) to provide a framework for insolvency and liquidation proceedings of systemically important financial service providers (FSPs) or categories of FSPs, as will be notified by the Central Government under section 227 of IBC.

These Rules, inter alia, include provisions in respect of the following:

- Initiation of corporate insolvency resolution process of FSPs
- Filing of application and application fee
- Liquidation process
- Voluntary liquidation process

Click [here](#) for the Rules.

In continuation of this, MCA has issued a notification specifying NBFCs (including HFCs) having assets worth at least INR 500 crore or more, as per the latest audited balance sheet as a category of financial service providers that can be taken up for resolution under the 'generic framework' in accordance with aforesaid Rules and the applicable regulations.

Click [here](#) for the MCA notification

3. Notification of provisions of IBC and corresponding rules and regulations relating to Personal Guarantors to Corporate Debtors

MCA has appointed 1 December 2019 as the date on which the following provisions of IBC which relate to personal guarantors to corporate debtors have come into force:

- Section 2(e): **Definition of personal guarantor to corporate debtors**
- Section 78 (except with regard to fresh start process) and section 79: **Insolvency resolution and bankruptcy for individuals and partnership firms**
- Sections 94 to 187 [both inclusive]: **Provisions related to Chapter III, Insolvency Resolution Process**
- Clause (g) to clause (i) and Clause (m) to clause (zc) of sub-section (2) of section 239: **Provisions related to power of Central Government to make rules**
- Clause (zn) to clause (zs) of sub-section (2) of section 240: **Provisions related to power of IBBI to make regulations**
- Section 249: **It provides that Recovery of Debts due to Banks and Financial Institutions Act, 1993 will be amended in the manner specified in the Fifth Schedule of the IBC.**

Further, MCA has issued the following rules relating to personal guarantors to corporate debtors:

- **Insolvency and Bankruptcy (Application to Adjudicating Authority for Bankruptcy Process for Personal Guarantors to Corporate Debtors) Rules, 2019** (Bankruptcy Rules) which will apply to matters relating to bankruptcy of personal guarantors to corporate debtors.
- **Insolvency and Bankruptcy (Application to Adjudicating Authority for Insolvency Resolution Process for Personal Guarantors to Corporate Debtors) Rules, 2019** (Insolvency Rules) which will apply to insolvency resolution process for personal guarantors to corporate debtors.

IBBI has also issued IBBI (Insolvency Resolution Process for Personal Guarantors to Corporate Debtors) Regulations, 2019 (Insolvency Regulations) and IBBI (Bankruptcy Process for Personal Guarantors to Corporate Debtors) Regulations, 2019 (Bankruptcy Regulations) in respect of insolvency resolution process and bankruptcy process respectively for personal guarantors to corporate debtors.

The aforementioned Rules and Regulations have also come into force from 1 December 2019.

Click [here](#) for the notification.

Click [here](#) for the Bankruptcy Rules and [here](#) for the Regulations.

Click [here](#) for the Insolvency Rules and [here](#) for the Regulations.

4. IBBI (Insolvency Resolution Process for Corporate Persons) (Third Amendment) Regulations, 2019

IBBI has issued IBBI (Insolvency Resolution Process for Corporate Persons) (Third Amendment) Regulations, 2019 which, inter alia, have introduced the following amendments in IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016 (principal regulations):

- Sub-regulation (IA) of regulation 26 which provides for voting by authorised representative of specified class of creditors is omitted. Instead, a new regulation 25A, **Voting by Authorised Representative**, has been introduced.
- Restructuring of the corporate debtor, by way of merger, amalgamation and demerger can also be considered as a measure in resolution plan for insolvency of the corporate debtor.
- New, regulation 40B, **Filing of Forms**, is introduced which provides that insolvency professional, interim resolution professional or resolution professional, as the case may be, will file the specified forms, along with the enclosures thereto, on an electronic platform of the IBBI, as per the timelines stipulated for each specified Form. IBBI will make available the specified forms on the electronic platform.

These amended regulations have come into force on 28 November 2019.

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

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

5. Extension of last date for filing Form NFRA-2

MCA has extended the time limit for filing of Form NFRA-2, **Annual Return to be filed by Auditor with the NFRA**, which is required to be filed by the auditor under rule 5 of the NFRA Rules, 2018. Form NFRA-2 can be filed within 90 days from the date of deployment of this form on the website of NFRA. The form was deployed on the NFRA website on 9 December 2019.

Click [here](#) for the circular.

SEBI Updates

6. Extension of last date for filing Form PAS 6

MCA has extended the time limit for filing of Form PAS-6, **Reconciliation of Share Capital Audit Report on Half-yearly basis**, which is required to be filed by every unlisted public company within 60 days from the conclusion of each half-year duly certified by a Company Secretary in practice or Chartered Accountant in practice under rule 9A(8) of the Companies (Prospectus and Allotment of Securities) Rules, 2014. The time limit for filing Form PAS-6 without additional fees for the half-year ended 30 September 2019 will be 60 days from the date of deployment of this Form on the MCA website. The form is yet to be released by MCA.

Click [here](#) for the circular.

1. Disclosures by listed entities of defaults on payment of interest/ repayment of principal amount on loans from banks/financial institutions and unlisted debt securities

SEBI has issued a circular, which is applicable to all listed entities which have listed any of the specified securities (equity and convertible securities), NCDs and NCRPS on any stock exchange, wherein it requires listed entities to disclose any default in repayment of principal or interest on loans, including revolving facilities like cash credit, from banks/ financial institutions and unlisted debt securities.

For the purpose of this circular, 'default' will mean non-payment of the interest or principal amount in full on the date when the debt has become due and payable. Further, it provides that for revolving facilities like cash credit, an entity will be considered to be in 'default' if the outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for more than 30 days.

Timing of disclosure: Disclosure of the above mentioned event will be required to be made promptly, but not later than 24 hours from the 30th day of such default.

In case of unlisted debt securities, i.e., NCDs and NCRPS, the disclosure will be required to be made promptly but not later than 24 hours from the occurrence of the default. This is in line with the existing disclosure requirements specified for listed debt instruments.

SEBI has also prescribed the formats in this circular under which the aforesaid disclosures are required to be made by the listed entities:

- Disclosures which are required to be made for each instance of default
- Disclosures which are required to be made on the last date of any quarter, if:
 - there is any loan including revolving facilities like cash credit from banks/financial institutions where the default continues beyond 30 days, or
 - there is any outstanding debt security under default.

The provisions of the circular will be applicable from 1 January 2020. Further, SEBI circular no. CIR/CFD/CMD/93/2017 dated 4 August 2017 is rescinded with the issue of this circular dated 21 November 2019.

Click [here](#) for the circular.

2. FAQs on SEBI (Share Based Employee Benefits) Regulations, 2014

SEBI has introduced a new FAQ on SEBI (Share Based Employee Benefits) Regulations, 2014 on 18 November 2019 on applicability of SEBI (Share Based Employee Benefits) Regulations, 2014 on the employees' welfare trusts with no share-based benefits, but which are holding/dealing shares of the listed company or shares of listed holding company.

This new FAQ clarifies that 'General Employee Benefits scheme' has been defined as any scheme of a company framed in accordance with these regulations, dealing in shares of the company or the shares of its listed holding company, for the purpose of employee welfare including healthcare benefits, hospital care or benefits, or benefits in the event of sickness, accident, disability, death or scholarship funds, or such other benefit as specified by such company. Hence, any employee welfare scheme mentioned above is covered under the scope of SEBI (Share Based Employee Benefits) Regulations, 2014, including the timelines prescribed thereunder.

Click [here](#) for the FAQs.

3. FAQs on SEBI (PIT) Regulations, 2015

SEBI has released FAQs on SEBI (PIT) Regulations, 2015 clarifying some of the requirements and scope of such regulations. These FAQs, inter alia, include the following:

- Trading of ADRs and GDRs of listed companies is covered under relevant provisions of SEBI (PIT) Regulations, 2015. Employees of such companies, including foreign nationals, who are designated persons, will be required to follow the code of conduct for trading in ADRs and GDRs.
- The listed company should maintain the names of the fiduciary or intermediary with whom they have shared information along with the PAN, or other unique identifier authorised by law in case PAN is not available. The fiduciary/intermediary, will at their end, be required to maintain details as required under Schedule C of SEBI (PIT) Regulations, 2015 in respect of persons having access to unpublished price sensitive information.
- All information which is required to be collected from designated persons should be collected till the date of service of such employees with the company. Upon resignation from service of a designated person, a company/intermediary/fiduciary should maintain the updated address and contact details of such designated person. The company/intermediary/fiduciary should make efforts to maintain updated address and contact details of such persons for one year after resignation from service. Such data should be preserved by the company/intermediary/fiduciary for a period of five years.

Click [here](#) for the FAQs.

4. Enhanced due diligence for dematerialisation of physical securities

Regulation 40 of SEBI (LODR) (Fourth Amendment) Regulations, 2018 provide that transfer of securities held in physical mode is not permitted w.e.f. 1 April 2019. Standardised norms with respect to documentation/procedure for transfer of physical securities were issued vide SEBI circular dated 6 November 2018. In respect of this requirement, to augment the integrity of the system in processing of dematerialisation request in respect of the remaining physical shares, the depositories and the listed companies/RTAs have been directed to implement the following due diligence procedures:

- All listed companies or their RTAs will provide data of their members holding shares in physical mode, viz the name of shareholders, folio numbers, certificate numbers, distinctive numbers and PAN, etc., (hereinafter, static database) as on 31 March 2019, to the depositories latest by 31 December 2019.
- Depositories will capture the relevant details from the static database as per the above clause and put in place systems to validate any dematerialisation request received after 31 December 2019. Accordingly, the depository system will retrieve the shareholder name(s) recorded against the folio number and certificate number in static data for each Demat request number (DRN) request received after this date and validate the same against the demat account holder(s) name as available in the records of the depositories.
- In case of mismatch of name on the share certificate(s) vis-à-vis name of the beneficial owner of demat account, the depository system will generate a flag/alert. In instances where such flags/alerts have been generated, the following

additional documents explaining the difference in name will be sought:

- Copy of passport
- Copy of legally recognised marriage certificate
- Copy of gazette notification regarding change in name
- Copy of Aadhaar card
- In the case of complete mismatch of name on the share certificate(s) vis-à-vis name of the beneficial owner of demat account, the applicant may approach the issuer company/RTA for establishing his title/ownership.

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



5. Guidelines for preferential issue of units and institutional placement of units by a listed InvIT and by a listed REIT

SEBI has issued two circulars providing guidelines in respect of guidelines for preferential issue of units and institutional placement of units by listed InvITs and listed REITs, respectively.

These guidelines, inter alia, include the following:

• Condition for issuance:

- A resolution of the existing unitholders approving the issue of units, in accordance with regulation of the InvIT Regulations or REIT Regulations has been passed.
- The InvIT/REIT has obtained in principle approval of the stock exchange(s) for listing of the units proposed to be issued under these guidelines.
- The InvIT/REIT is in compliance with all the conditions for continuous listing and disclosure obligations under the InvIT Regulations/REIT Regulations and circulars issued thereunder.
- The InvIT/REIT will not make any subsequent institutional placement until the expiry of 6 months from the date of the prior institutional placement made pursuant to one or more special resolutions.
- None of the respective promoters or partners or directors of the sponsor(s) or manager or trustee of the InvIT/REIT is a fugitive economic offender declared under section 12 of the Fugitive Economic Offenders Act, 2018.

• Manner of issuance of units:

- The units will be allotted in the dematerialised form only and will be listed on the stock exchange(s) where the units of the InvIT/REIT are listed.
- Any offer or allotment through private placement will not be made to more than 200 investors (excluding institutional investors) in a FY.
- The minimum allotment and trading lot for units issued will be equivalent to the minimum allotment and trading lot as applicable to the units of the same class, under the extant provisions of the InvIT Regulations/REIT Regulations or circulars issued thereunder.
- The InvIT/REIT will file an allotment report with SEBI within 7 days of allotment of the units, providing details of the allottees and allotment made. Placement document, if applicable, will also be filed with the board of directors along with the allotment report.

The earlier circular issued in respect of InvIT dated 5 June 2018 on the same subject matter stands repealed with the issue of the circular on InvIT.

Click [here](#) for the guidelines for InvIT.

Click [here](#) for the guidelines for REIT.

6. Framework for issue of DRs

SEBI had notified a framework for issuance of DRs by a listed company vide circular dated 10 October 2019. Click [here](#) for circular dated 10 October 2019.

The said circular, inter-alia, provided that a listed company in India is permitted to issue permissible securities or their holders may transfer permissible securities, for the purpose of issue of DRs, only in **Permissible Jurisdictions** and said DRs are to be listed on any of the **specified International Exchange(s)** of the permissible jurisdictions.

In this regard, the Central Government vide notification dated 28 November 2019, has now notified the list of Permissible Jurisdictions and International Exchanges for the aforementioned purpose.

Click [here](#) for the SEBI circular dated 28 November 2019.

Other regulatory updates

1. Liquidity risk management framework for NBFCs and CICs

RBI has released final circular on '**Liquidity risk management framework for NBFCs and CICs**' (RBI Circular). The key highlights of the RBI circular are as follows:

- **Introduction of liquidity coverage ratio (LCR):** In a phased manner, the LCR regime would be introduced in all deposit-taking NBFCs and non-deposit taking banks with an asset size of INR 10,000 crore and above. Further, the RBI circular states that NBFCs with assets of INR 10,000 crore and above will have to maintain a minimum of 50% of LCR as high quality liquid assets, while those with assets of INR 5,000-10,000 crore will have to maintain a 30% LCR.
- **Implementation:** To ensure a smooth transition from the current to the LCR regime, RBI proposed that implementation will be done in a calibrated manner by a glide path over a period of four years starting from December 2020 and till December 2024.
- **Binding condition:** LCR requirement would be binding on NBFCs from 1 December 2020 with minimum LCR of 50% that will be progressively increased in equal steps till it reaches the required level of 100% by 1 December 2024.
- **Asset-liability management support group:** This group will consist of the NBFC's top management and should be responsible for ensuring adherence to risk tolerance and limits set by board and for implementing NBFC's liquidity risk management strategy.
- **Contingency funding plan (CFP):** A CFP will be required to be formulated by NBFCs for responding to severe disruptions which may affect an NBFC's ability to fund some or all of its activities in a timely manner and at a reasonable cost.

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

B. India updates - Proposed

a. Regulatory updates

a. Regulatory updates Companies Act updates

1. Draft report of the CLC

MCA had constituted CLC in September 2019, inter alia, to further decriminalise the provisions of the 2013 Act based on gravity of the offences and to take other ancillary measures to provide further ease of doing business for corporates in the country.

CLC has submitted its report on 18 November 2019 (draft report), which has been placed on the MCA website for inviting comments on the recommendations of the CLC.

This draft report, inter alia, includes the following recommendations:

Chapter I: Decriminalising Certain Compoundable Offences

- Re-categorising of 23 offences out of the 66 which are in the category of compoundable offences to an in-house adjudication framework wherein defaults will be subject to a penalty levied by an adjudicating officer.
- Omitting 7 compoundable offences, limiting 11 compoundable offences to fine only (i.e. removing the imprisonment part) and recommending 5 offences to be dealt with in an alternate framework (including through exercise of contempt powers by the NCLT).
- No change suggested in respect of any of the non-compoundable offences.

Chapter II: Ease of Living Related Changes

- Power to exclude certain class of companies from the definition of listed company in consultation with SEBI
- Allowing payment of remuneration to non-executive directors in case of inadequacy of profit by aligning the same with the provisions for remuneration to executive directors in such cases
- Reducing timelines for speeding up right issues under section 62 of the 2013 Act, Further Issue of Capital
- Exempting certain private placement requirements for qualified institutional placements after due consultation with SEBI
- Enabling power to modify the thresholds which trigger applicability of corporate social responsibility provisions
- Revising provisions on disqualification of directors after due consultation and examination
- Reviewing provisions in respect of debarment of audit firms after due consultation and examination
- Reviewing penalty for delay in filing the annual returns and financial statements

Last date for submission of comments was 25 November 2019.

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

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

ICAI has also requested comments from its members on such draft report.

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



2. Discussion papers on CIRP and Corporate Liquidation Process

IBBI has released the following discussion papers for comments:

- **Discussion paper on CIRP (Discussion Paper 1):** This discussion paper deals with two issues, namely, essential supplies and the fee payable to insolvency professionals in a CIRP.

It proposes to provide that where the insolvency resolution professional or resolution professional, as the case may be, determines that any particular goods or service is essential for continuing the corporate debtor as a going concern, he may submit an application before the Adjudicating Authority for declaring such goods or services as essential supplies and directing that they will not be terminated or suspended or interrupted during moratorium period.

It further proposes to provide that the above-mentioned application will be accompanied with a statement by the insolvency resolution professional or resolution professional, as the case may be, that payment for such essential supplies provided after insolvency commencement date shall be made in full as insolvency resolution process cost.

The last date for submission of comments was 25 November 2019.

- **Discussion paper on Corporate Liquidation Process (Discussion Paper 2):** This discussion paper deals with the following two issues relating to liquidation process under the

IBC.

- Relinquishment of security interest in corporate liquidation process
- Applicability of section 29A of the IBC to Compromise and Arrangement

It proposes to provide that where a secured creditor proceeds to realise its security interest, it will pay as much towards the amount payable under section 53 of IBC as it would have shared in case it had relinquished the security interest within 90 days from the liquidation commencement date.

Further, it proposes to provide that where a secured creditor proceeds to realise its security interest as above, it will pay the excess of realisable value of the security over the admitted claim amount of such secured creditor, if any, not later than 180 days from the liquidation commencement date.

The last date for submission of comments was 24 November 2019.

Click [here](#) for the Discussion Paper 1 and click [here](#) for the Discussion Paper 2.

SEBI updates

1. Decisions taken in SEBI Board meeting

SEBI Board in its meeting dated 20 November 2019, inter alia, took the following decisions:

- **Review of Right Issues:**

SEBI has approved proposals with respect to rights issue process and consequential amendments to the ICDR Regulations 2018 and SEBI LODR Regulations with an objective to significantly reduce the timeline for the completion of the Rights Issue, as well as introduce the dematerialisation and trading of rights entitlements.

- **Extension of Business Responsibility Reporting**

SEBI has now decided to extend the applicability of Business Responsibility Reporting to top 1,000 listed entities by market capitalisation. As per existing provisions of SEBI LODR Regulations, top 500 listed entities based on market capitalisation are required to include Business Responsibility Reporting as part of their annual report.

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

Other regulatory updates

1. Exposure draft of Volume II of the Code of Ethics, 2019 of ICAI

The Ethical Standards Board (ESB) of the ICAI has issued an exposure draft of Volume II of the Code of Ethics, 2019 corresponding to the existing Part B of Code of Ethics, 2009. Part B deals with domestic provisions of India governing Chartered Accountants.

The changes shown in track mode in Part-B consist of the following:

- Amendments/changes/modifications since 2008 in Chartered Accountants Act, 1949, Chartered Accountants Regulations, 1988, Council Guidelines, 2008, Accounting and Auditing Standards, Companies Act, 2013, etc.
- Council Decisions and Clarifications given by ESB and other Committees (having ethical repercussions) since 2008
- Changes due to ICAI Code of Ethics, 2019 (based on IESBA Code of Ethics, 2018)
- Decisions of courts on issues relevant from the point of view of Code of Ethics
- Miscellaneous changes
- Changes pursuant to decisions of the Council

Last date for submission of comments was 21 December 2019.

Click [here](#) for the announcement.

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

C. International updates – Effective

a. IFRS updates

b. US GAAP updates

c. Auditing updates

a. IFRS updates

1. Guide on how to select and apply accounting policies

IASB has issued a '**Guide to Selecting and Applying Accounting Policies - IAS 8**' (the Guide) to help companies determine their accounting policies when preparing IFRS financial statements.

IAS 8, **Accounting Policies, Changing in Accounting Estimates and Errors**, specifies the requirements for selecting and applying accounting policies. However, in case of any transaction for which there is no specific standard in IFRS, management uses its judgement in developing and applying an accounting policy that results in information that is reliable and relevant to an investor's economic decision-making needs.

The Guide presents the following three-step process for developing accounting policies:

- **Step 1:** Consider whether an IFRS standard specifically applies to the transaction, other event or condition
- **Step 2:** Consider whether IFRS standards deal with similar and related issues
- **Step 3:** Refer to and consider the applicability of the **Conceptual framework for financial reporting**

An illustrative example accompanies each step to help explain when a company might apply that step.

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

Click [here](#) for the guide.

b. US GAAP updates

1. ASU 2019-11: Codification Improvements to Topic 326, Financial Instruments - Credit Losses

FASB has issued ASU 2019-11, **Codification Improvements to Topic 326, Financial Instruments - Credit Losses**, which addresses issues raised by stakeholders during the implementation of ASU 2016-13, **Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments**.

Among other narrow-scope improvements, this ASU clarifies guidance around how to report expected recoveries. '**Expected recoveries**' describes a situation in which an organisation recognises a full or partial write-off of the amortised cost basis a financial asset but then later determines that the amount written off, or a portion of that amount, will in fact be recovered.

This ASU also permits organisations to record expected recoveries on assets that had already shown credit deterioration at the time of purchase and reinforces existing guidance that prohibits organisations from recording negative allowances for available-for-sale debt securities.

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

Click [here](#) for the ASU.

2. ASU 2019-08: Codification improvement - Share-based Consideration payable to a Customer

FASB has issued ASU 2019-08 that simplifies and increases comparability of accounting for non-employee share-based payments, specifically those made to customers.

This ASU will affect companies that issue share-based payments (for example, options or warrants) to their customers covered within the scope of ASU 606, **Revenue from Contracts with Customers**. Similar to issuing a cash rebate to a customer, issuing a share-based payment to a customer can incentivise additional purchases. The share-based payments can also serve a strategic purpose by aligning the interests of a supplier and its customer, because the customer's additional purchases increase its investment in the supplier.

The amendments in this ASU require that an entity measure and classify share-based payment awards granted to a customer by applying the guidance in ASU 718, **Compensation - Stock Compensation**. The amount recorded as a reduction of the transaction price is required to be measured on the basis of the grant-date fair value of the share-based payment award in accordance with ASU 718. The grant date is the date at which a grantor (supplier) and a grantee (customer) reach a mutual understanding of the key terms and conditions of a share-based payment award. The classification and subsequent measurement of the award are subject to the guidance in ASU 718 unless the share-based payment award is subsequently modified and the grantee is no longer a customer.

The effective date for this ASU will be either 15 December 2019 or 15 December 2020, as given in the ASU.

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

Click [here](#) for the ASU.

c. Auditing updates

1. ISA 540 (Revised) implementation support: Audit Client Briefing

ISA 540 (revised) working group has prepared an Audit Client Briefing based on the Canadian Auditing Standard Audit Client Briefing of the Chartered Professional Accountants of Canada, published in October 2019.

The purpose of this publication is to make chief financial officers, other senior management responsible for financial statement preparation, and staff directly involved in determining accounting estimates aware of matters to consider in preparing for the auditor's requests pertaining to ISA 540 (Revised), **Auditing Accounting Estimates and Related Disclosures**.

This publication provides an overview of:

- Management's responsibilities in determining when accounting estimates are needed
- Management's responsibilities regarding the main components of an estimation process, and
- The impact on management because of changes to the auditor's responsibilities, including broad questions auditors are likely to ask those involved in the detailed aspects of the estimation process

This Briefing does not constitute an authoritative pronouncement of the IAASB, nor does it amend, extend or override the ISAs or any of the other IAASB's International Standards. It is not meant to be exhaustive, and reading this Briefing is not a substitute for reading the ISAs.

Click [here](#) for the publication.

D. International updates – Proposed

a. US GAAP updates

b. Auditing updates

a. US GAAP updates

1. Proposed ASU: Codification Improvements to Hedge Accounting: Derivatives and Hedging (Topic 815)

FASB has issued a proposed ASU to clarify certain sections of its 2017 hedge accounting standard for comments.

The proposed ASU primarily addresses the change in hedged risk in a cash flow hedge. The 2017 guidance allowed the risk causing variability in cash flows of the forecasted transaction to change (for example, from one variable interest rate to another variable interest rate or from one commodity index to a different index for the same commodity) if certain criteria are met. The proposed ASU proposes to clarify whether that change can happen both prospectively (that is, before the forecasted transaction occurs) and retrospectively (that is, after the forecasted transaction occurs) and, if so, how hedge accounting guidance should be applied in those instances.

Last date for submission of comments was 13 January 2020.

Click [here](#) for news release.

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

2. FASB approves finalisation of guidance to assist in transition away from interbank offered rates to new reference rates

FASB has approved an ASU to provide temporary, optional guidance to ease the potential burden in accounting for, or recognising the effects of, reference rate reform on financial reporting. **Final ASU is expected to be issued in early 2020.**

The final ASU will provide optional expedients and exceptions for applying generally accepted accounting principles to contract modifications and hedge accounting relationships affected by reference rate reform, facilitating a smoother transition to new reference rates. For a contract that meets certain criteria, a change in that contract's reference interest rate will be accounted for as a continuation of that contract rather than the creation of a new contract. This provision applies to loans, debt, leases and other arrangements.

The guidance will apply only to contracts or hedge accounting relationships that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform.

Click [here](#) for news release.

3. Proposed ASU: Codification improvements

FASB has issued an exposure draft of proposed ASU on codification improvements. The **amendments in this proposed ASU will affect a wide variety of topics in the codification.** A chart identifying the topics, paragraphs and the nature of amendment being proposed is provided under 'Amendments to the FASB Accounting standards codifications' section of the proposed ASU.

The amendments in this proposed ASU will apply to all reporting entities within the scope of the affected accounting guidance.

Last date for submission of comments was 26 December 2019.

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

b. Auditing updates

1. Exposure draft on Conforming Amendments to the IAASB International Standards as a Result of the Revised IESBA Code

IAASB has issued an exposure draft on **Conforming Amendments to the IAASB International Standards as a Result of the Revised IESBA Code** which proposes limited amendments to the IAASB's international standards in response to the **revised IESBA's International Code of Ethics for Professional Accountants (including International Independence Standards)** (IESBA Code). The revised IESBA Code was effective from 15 June 2019.

IAASB's international standards refer to the IESBA Code in various ways, ranging from simple references to the title of the IESBA Code to detailed references to specific paragraphs in the IESBA Code as it existed before April 2018. This exposure draft is intended to ensure that the IAASB's international standards can continue to be applied together with the IESBA Code.

Last date for submission of comments was 10 January 2020.

Click [here](#) for the news.

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

Abbreviations used in this publication

2013 Act	Companies Act, 2013 (as amended)
ADR	American depositary receipt
ASU	Accounting Standards Update
CICs	Core investment companies
CIRP	Corporate Insolvency Resolution Process
CLC	Company Law Committee
DR	Depository receipt
FAQ	Frequently asked question
FASB	Financial Accounting Standards Board
FY	Financial year
GAAP	Generally Accepted Accounting Principle
GDR	Global depositary receipt
HFC	Housing Finance Companies
IAASB	International Auditing and Assurance Standards Board
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IBBI	Insolvency and Bankruptcy Board of India
IBC	Insolvency and Bankruptcy Code, 2016
ICAI	Institute of Chartered Accountants of India
ICDR Regulations 2018	SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018
IESBA	International Ethics Standards Board for Accountants'

IFRS	International Financial Reporting Standards
InvIT	Infrastructure investment trust
InvIT Regulations	SEBI (Infrastructure Investment Trusts) Regulations, 2014
ISA	International Standard on Auditing
LIBOR	London Inter-bank Offered Rate
LODR	Listing Obligations and Disclosure Requirements
MCA	Ministry of Corporate Affairs
NBFC	Non-banking financial company
NCDs	Non-convertible debts
NCLT	National Company Law Tribunal
NCRPS	Non-convertible redeemable preference shares
NFRA	National Financial Reporting Authority
PAN	Permanent Account Number
PIT	Prohibition of Insider Trading
QRB	Quality Review Board
RBI	Reserve Bank of India
REIT	Real Estate Investment Trust
REIT Regulations	SEBI (Real Estate Investment Trusts) Regulations, 2014
RPTs	Related-party transactions
RTA	Registered transfer agent
SEBI	Securities and Exchange Board of India



Contact us

To know more, please visit www.grantthornton.in or contact any of our offices as mentioned below:

NEW DELHI

National Office
Outer Circle, L-41 Connaught Circus
New Delhi 110001
T +91 11 4278 7070

NEW DELHI

6th floor
Worldmark 2 Aerocity
New Delhi 110037
T +91 11 4952 7400

AHMEDABAD

7th Floor,
Heritage Chambers,
Nr. Azad Society, Nehru Nagar,
Ahmedabad - 380015

BENGALURU

5th Floor, 65/2, Block A,
Bagmane Tridib, Bagmane Tech Park,
C V Raman Nagar, Bengaluru - 560093
T +91 80 4243 0700

CHANDIGARH

B-406A, 4th Floor, L&T Elante Office Building
Industrial Area Phase I
Chandigarh 160002
T +91 172 4338 000

CHENNAI

7th Floor, Prestige Polygon
471, Anna Salai, Teynampet
Chennai - 600 018
T +91 44 4294 0000

DEHRADUN

Suite no. 2211, 2nd floor Building 2000,
Michigan Avenue, Doon Express Business Park
Subhash Nagar, Dehradun - 248002
T +91 135 2646 500

GURGAON

21st Floor, DLF Square
Jacaranda Marg
DLF Phase II, Gurgaon 122002
T +91 124 462 8000

HYDERABAD

7th Floor, Block III
White House, Kundan Bagh, Begumpet
Hyderabad 500016
T +91 40 6630 8200

KOCHI

6th Floor, Modayil Centre point
Warriam road junction
M. G. Road, Kochi 682016
T +91 484 406 4541

KOLKATA

10C Hungerford Street
5th Floor
Kolkata 700017
T +91 33 4050 8000

MUMBAI

16th Floor, Tower II, Indiabulls Finance Centre
SB Marg, Prabhadevi (W)
Mumbai 400013
T +91 22 6626 2600

MUMBAI

Kaledonia, 1st Floor,
C Wing (Opposite J&J office)
Sahar Road, Andheri East,
Mumbai -400 069

NOIDA

Plot No. 19A, 7th Floor
Sector - 16A
Noida 201301
T +91 120 4855 900

PUNE

3rd Floor, Unit No 309 to 312
West Wing, Nyati Unitree Nagar Road,
Yerwada, Pune- 411006
T +91 20 6744 8800

For more information or for any queries, write to us at npsg@in.gt.com



Follow us @GrantThorntonIN

© 2020 Grant Thornton India LLP. All rights reserved.

"Grant Thornton in India" means Grant Thornton India LLP, a member firm within Grant Thornton International Ltd, and those legal entities which are its related parties as defined by the Companies Act, 2013.

Grant Thornton India LLP is registered with limited liability with identity number AAA-7677 and has its registered office at L-41 Connaught Circus, New Delhi, 110001.

References to Grant Thornton are to Grant Thornton International Ltd (Grant Thornton International) or its member firms. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by the member firms.