

Monthly GAAP Bulletin

May 2021
Volume II





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

Regulatory updates



A. India updates - Effective

Regulatory updates

Companies Act updates

1. Clarification on spending of CSR funds for COVID care facilities

The Ministry of Corporate Affairs (MCA) issued circular dated 23 March 2020 wherein it was clarified that spending of Corporate Social Responsibility (CSR) funds for COVID-19 is an eligible CSR activity.

Click [here](#) for circular dated 23 March 2020.

The MCA has further clarified, vide circular dated 22 April 2021, that spending of CSR funds for **'setting up makeshift hospitals and temporary COVID care facilities'** will be considered as an eligible CSR activity under item no. (i) and (xii) of Schedule VII of the Companies Act 2013 relating to promotion of healthcare, including preventive healthcare and disaster management, respectively.

Click [here](#) for circular.

B. India updates - Proposed

2. Minimum amount of default for matters related to pre-packaged insolvency resolution process

The Central Government, vide notification dated 4 April 2021, had promulgated the Insolvency and Bankruptcy Code (Amendment) Ordinance, 2021, to allow pre-packaged insolvency resolution process for corporate debtors classified as micro, small or medium enterprises under the Micro, Small and Medium Enterprises Development Act, 2006.

Click [here](#) for notification dated 4 April 2021.

Click [here](#) for corrigenda notification dated 5 April 2021.

The MCA has, vide notification dated 9 April 2021, specified the minimum amount of default as INR 10 lakh for matters related to pre-packaged insolvency resolution process of corporate debtor under Chapter III-A of the Insolvency and Bankruptcy Code 2016.

Click [here](#) for notification.

C. International updates – Effective

SEBI updates

1. Relaxation from compliance with certain provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 due to COVID-19 pandemic

Due to the second wave of COVID-19 pandemic and restrictions imposed by various state governments, Securities and Exchange Board of India (SEBI) has decided to grant the following relaxations from compliance with certain provisions of the SEBI (Listing Obligations Disclosure Requirements) Regulations, 2015/other applicable circulars:

Sr. No.	Compliance requirements	Extended deadline for the quarter/ half-year/year ended 31 March 2021
For Entities that have listed their specified securities		
1	Requirement of Annual Secretarial Compliance report for the year ended 31 March 2021 under Regulation 24A	30 June 2021 (earlier 30 May 2021)
2	Requirement to submit quarterly financial results/annual audited financial results under Regulation 33(3)	30 June 2021 (earlier 15 May 2021/30 May 2021)
3	Requirement to submit the statement of deviation or variation in use of funds under Regulation 32(1)	30 June 2021 (earlier 15 May 2021/30 May 2021)
For Entities that have listed their debt securities under the SEBI (Issue and Listing of Debt Securities) Regulations, 2008, SEBI (Issue and Listing of Non-convertible Redeemable Preference Shares Regulations, 2013, and SEBI (Public Offer and Listing of Securitised Debt Instruments) Regulations, 2008		
4	Requirement to submit half-yearly financial results under Regulation 52(1)/annual audited financial results under Regulation 52(2)	30 June 2021 (earlier 15 May 2021/30 May 2021)
5	Requirement to submit the statement of deviation or variation in use of funds under Regulation 52(7)	30 June 2021 (earlier 15 May 2021/30 May 2021)



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For Entities that have listed their bonds under the SEBI (Issue and Listing of Municipal Bonds) Regulations, 2015

6	Requirement to submit annual audited financial results	30 June 2021 (earlier 30 May 2021)
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For Entities that have listed Commercial Paper

7	Requirements to submit half-yearly financial results/annual audited financial results	30 June 2021 (earlier 15 May 2021/30 May 2021)
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Listed Entities are permitted to use digital signature certifications for authentication/certification of filings/submissions made to the stock exchanges under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for all filings until 31 December 2021.

Click [here](#) for circular for specified securities.

Click [here](#) for circular for listed debt securities, bonds and commercial papers.

2. Relaxations relating to procedural matters - issues and listing

SEBI, vide circular dated 6 May 2020, granted one-time relaxations from strict enforcement of certain regulations of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, pertaining to rights issue opening up to 31 July 2020, which were further extended for rights issues opening up to 31 December 2020 vide circular dated 24 July 2020.

Click [here](#) for circular dated 6 May 2020.

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

To ease and facilitate investors, SEBI has now issued circular dated 22 April 2021, extending the relaxation in respect of applying for a rights issue through an optional mechanism (non-cash mode only), instead of Application Supported by Blocked Amount (ASBA) facility and will be applicable for rights issues opening up to 30 September 2021.

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

3. Circular on reporting formats for mutual funds

Pursuant to regulatory revamp exercise of SEBI (Mutual Funds) Regulations, 1996 (MF Regulations), SEBI has now, vide circular dated 12 April 2021, issued revised formats for the following reports, which needs to be submitted by the following:

- Reporting by Asset Management Companies (AMCs) to Trustees and SEBI
- Reporting by AMCs to SEBI
- Reporting by Trustees to SEBI

Respective periods from which these revised reports will be issued are specified in the circular.

Click [here](#) for circular.

4. Circular on regulatory reporting by AIFs

In accordance with existing Alternative Investment Funds (AIF) regulatory reporting requirements, AIFs are required to submit periodical reports to SEBI relating to their activity.

SEBI has, vide circular dated 7 April 2021, rationalised the existing regulatory reporting requirement, wherein, all AIFs will now be required

to submit report on their activity as an AIF to SEBI on quarterly basis within 10 calendar days from the end of each quarter in the revised formats as specified in the circular.

Further, Category III AIFs will also submit report on leverage undertaken, on quarterly basis in the revised formats as also specified in the circular.

The modified reporting requirements will be applicable for quarter ending 31 December 2021 onwards.

Further, the circular has specified that AIFs shall intimate the investors and SEBI on a consolidated basis, within one month of the end of the financial year of all the changes made in the private placement memorandum and the documents of the fund/scheme, along with the relevant pages of revised sections/clauses. This requirement of the circular came into effect with date of issue of this circular (i.e., 7 April 2021).

Click [here](#) for circular.



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Other regulatory updates

1. Guidelines for appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of commercial banks, UCBs and NBFCs (including HFCs)

Reserve Bank of India (RBI) vide notification dated 27 April 2021, has issued guidelines for appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of commercial banks (excluding RRBs), Urban Cooperative Banks (UCBs) and Non-Banking Financial Company (NBFCs) [including Housing Finance Companies (HFCs)] (hereinafter referred to as the Entities).

Non-deposit taking NBFCs with asset size below INR 1,000 crore have the option to continue with their extant procedure.

These guidelines will be applicable to the Entities for FY 2021-22. However, since these guidelines will be implemented for the first time for UCBs and NBFCs from FY 2021-22, they shall have the flexibility to adopt these guidelines from second half of FY 2021-22.

Some of the salient features of the guidelines are:

- Auditor eligible criteria specified for performing audit of the Entities
- Joint audit mandatory for all the Entities having an asset size of INR 15,000 crore or more as at the end of the previous year
- Auditors must be rotated every three years with a cooling off period of six years before the next appointment
- In a particular year, auditors shall not be allowed to work concurrently on more than:
 - Four commercial banks
 - Eight UCBs, and
 - Eight NBFCs

Click [here](#) for the guidelines.

2. Extension of date for payment under Vivad Se Vishwas Scheme, 2020

Central Government has extended the time for payment of amount payable under the Direct Tax Vivad se Vishwas Act, 2020, without an additional amount, till 30 June 2021. Earlier, last date of payment was 30 April 2021.

Click [here](#) for notification.

3. Asset classification and income recognition following the expiry of COVID-19 regulatory package

RBI on 7 April 2021, issued a notification requiring the following:

- **Refund/adjustment of 'interest on interest'**

All specified lending institutions to immediately put in place a board-approved policy to refund/adjust the 'interest on interest' charged to the borrowers during the moratorium period, i.e., 1 March 2020 to 31 August 2020. Further, the above relief will be applicable to all borrowers, including those who had availed of working capital facilities during the moratorium period, irrespective of whether moratorium had been fully or partially availed, or not availed. All specified lending institutions will disclose the aggregate amount to be refunded/adjusted in respect of their borrowers based on the above relief in their financial statements for the year ending 31 March 2021.

- **Asset classification**

Asset classification of borrower accounts by all lending institutions will be made in following manner:

- In respect of accounts, which were not granted any moratorium in terms of the COVID-19 regulatory package, asset classification will be as

per the criteria laid out in the **Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances** dated 1 July 2015 or other relevant instructions as applicable to the specific category of lending institutions (**IRAC Norms**).

Click [here](#) for master circular.

- In respect of accounts which were granted moratorium in terms of the COVID-19 regulatory package, the asset classification for the period from 1 March 2020 to 31 August 2020 will be governed in terms of the circular DOR.No.BP.BC.63/21.04.048/2019-20 dated 17 April 2020, read with circular DOR.No.BP.BC.71/21.04.048/ 2019-20 dated 23 May 2020. For the period commencing 1 September 2020, asset classification for all such accounts will be as per the applicable IRAC Norms.

Click [here](#) for notification.

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Other regulatory updates

4. External Commercial Borrowings (ECB) Policy - Relaxation in the period of parking of unutilised ECB proceeds in term deposits

RBI issued Master Direction on External Commercial Borrowings, Trade Credits and Structured Obligations which, inter alia, requires ECB borrowers to park ECB proceeds in term deposits with AD Category-I banks in India for a maximum period of 12 months cumulatively.

Click [here](#) for master direction dated 26 March 2019.

RBI, vide notification dated 7 April 2021, has now granted a one-time relaxation to the ECB borrowers affected by the COVID-19 pandemic, to park the unutilised ECB proceeds drawn down on or before 1 March 2020 in term deposits with AD Category-I banks in India prospectively for an additional period up to 1 March 2022 (instead of maximum period of 12 months).

Click [here](#) for notification dated 7 April 2021.





B. India updates - Proposed

Accounting updates

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Accounting updates

1. Exposure draft of COVID-19 related rent concessions beyond 30 June 2021 (Amendments to Ind AS 116)

In March 2021, International Accounting Standards Board (IASB) extended the application period of the practical expedient in IFRS 16, Leases, to help lessees accounting for COVID-19-related rent concessions by one year to 30 June 2022. This amendment is effective for annual reporting periods beginning on or after 1 April 2021.

Click [here](#) for news.

Click [here](#) for amendment.

Considering that Indian Entities preparing Ind AS based financial statements will also face similar challenges and situations such as the international scenario and to remain converged with IFRS standards, the Accounting Standards Board (ASB) of the Institute of Chartered Accountants of India (ICAI) has issued an exposure draft of proposed amendments to Ind AS 116, Leases, for public comments. This exposure draft proposes to introduce amendments corresponding to aforesaid amendments issued by IASB.

Last date for submission of comments was 17 April 2021.

Click [here](#) for the announcement.

Click [here](#) for exposure draft.





C. International updates – Effective

Auditing updates

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Auditing updates

1. Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Extended External Reporting (EER) Assurance Engagements

The International Auditing and Assurance Standards Board (IAASB) on 6 April 2021 has published Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Extended External Reporting (EER) Assurance Engagements.

The guidance responds to ten key stakeholder-identified challenges commonly encountered in applying International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information.

The guidance promotes consistent high-quality application of ISAE 3000 (Revised) in extended external reporting assurance engagements to:

- Strengthen the influence of such engagements on the quality of extended external reporting;
- Enhance trust in the resulting assurance reports; and
- Increase the credibility of extended external reports so that they can be trusted and relied upon by their intended users.

Click [here](#) for news.

Click [here](#) for guidance.





D. International updates - Proposed

IFRS updates

A. India updates - Effective

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IFRS updates

1. Exposure draft - Lack of Exchangeability: Proposed amendments to IAS 21

IASB on 20 April 2021 has issued an exposure draft on proposed amendments to IAS 21, The Effects of Changes in Foreign Exchange Rates. The proposed amendments aim to help companies determine whether a currency can be exchanged into another currency, and what accounting to apply if the currency cannot be exchanged.

Existing IAS 21 does not set out the exchange rate to use when there is no observable exchange rate the company can use, such as when a currency cannot be converted into a foreign currency.

The proposed amendments intend to help companies identify if this situation applies to them and the accounting to apply in such situations. It also aims to improve the usefulness of the information provided to investors by requiring a consistent approach to determining whether a currency is exchangeable into another currency and, when it is not, determining the exchange rate to use and the disclosures to provide.

Last date for submission of comments is 1 September 2021.

Click [here](#) for news.

Click [here](#) for exposure draft.

ASB of the ICAI, with the aim to provide an opportunity to the various stakeholders in India to raise their concerns at the initial international standard-setting stage itself, has also invited comments on the exposure draft issued by the IASB.

Last date for submission of comments with the ICAI is 30 July 2021.

Click [here](#) for announcement.



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
T +91 124 462 8000

BENGALURU

5th Floor, 65/2, Block A,
Bagmane Tridib, Bagmane Tech Park,
CV 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

9th Floor, A Wing, Prestige Polygon,
471 Anna Salai, Mylapore Division, Teynampet,
Chennai - 600035
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, MG Road,
Kochi - 682016
T +91 484 406 4541

KOLKATA

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

MUMBAI

11th Floor, Tower II,
One International Center,
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 - 400069
T +91 22 6176 7800

NOIDA

Plot No 19A, 2nd Floor,
Sector - 16A,
Noida - 201301
T +91 120 485 5900

PUNE

3rd Floor, Unit No 309-312, 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 npsq@in.gt.com



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