



# Monthly GAAP Bulletin

November 2019



# Introduction

Dear Reader,

Grant Thornton in India is delighted to present the '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](mailto:npsg@in.gt.com) with your comments, questions or suggestions.

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

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# **A. India updates - Effective**

**a. Accounting updates**

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## a. Accounting updates

### 1. ITFG Clarification Bulletin 22

ITFG of Ind AS Implementation Committee of the ICAI has issued its twenty-second bulletin on 14 October 2019. The key clarifications included in this bulletin pertain to the following matters:

- **Evaluation of recognition exemption for short-term leases in cases:**
  - **where lease term is more than 12 months and either lessor or lessee can prematurely terminate the lease by giving prior notice**
- **where lease term is 12 months and there is no renewal option in the lease agreement but past experience suggests renewal for further 12 months**

The ITFG clarifies that if at the lease commencement it is reasonably certain that the termination option in the lease term will not be exercised by either the lessor or the lessee, the lease term would not be considered as a short-term lease. This determination requires detailed evaluation by the lessee of the facts and circumstances of the case.

Such lease arrangement can be considered a short-term lease notwithstanding the fact that in the past, upon expiry of each 12-month period, the lease has been renewed for another 12 months. In such a scenario, the lessee can avail the exemption of not applying the lease accounting model, and instead account for the lease as per paragraph 6 of Ind AS 116, **Leases**.

- **Accounting of rent escalation clause in lease agreement:** As per the requirements of Ind AS 116, the lessor should recognise operating lease rentals on a straight-line basis over the lease terms (or on another systematic basis if such other basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished), irrespective of the fact that the lease rentals are structured to increase in line with the expected general inflation to compensate for the lessor's expected inflationary cost increases. This is because Ind AS 116 does not carry forward the carve out that Ind AS 17, **Leases**, made from IAS 17, **Leases**.
- **Accounting for promotional activity involving distribution of gifts to parties other than the customers of the company:** The ITFG clarifies that this activity does not fall under the scope of Ind AS 115, **Revenue from Contracts with Customers**. The only benefit of such items to the company is to develop or create brands or customer relationships, which in turn generate revenue. In line with the requirements of Ind AS 38, **Intangible Assets**, the company should recognise the expenditure on items to be distributed as gifts, as an expense when it owns those items, or otherwise has a right to access them regardless of when it distributes such gifts.
- **Manner of preparation of the financial statements by the demerged company and acquirer company, in case of common control business combinations:** Under a common control business

combination transaction, the transferee company is required to prepare its financial statements (including the comparative information presented therein) as if the transfer had occurred, from the beginning of the comparative period presented in the financial statements, notwithstanding the appointed date specified in the scheme. Also, as Appendix C to Ind AS 103, **Business Combinations**, lays down the accounting for a common control business combination only from the perspective of the transferee, its requirement for restatement of comparative information also applies only to the transferee and not the transferor. The transferor should consider whether any disclosures are required to be made by it pursuant to the requirements of Ind AS 105, **Non-current Assets Held for Sale and Discontinued Operations**.

Further, Appendix C to Ind AS 103 requires only restatement of comparative information and does not require a third balance sheet at the beginning of the preceding period (unless the beginning of the preceding period also happens to be the date of transition to Ind AS in a particular case).

- **Accounting of the rights for extraction of minerals obtained under a lease agreement:** The mining lease rights qualify as 'intangible asset' and should be accounted for under Ind AS 38, **Intangible Assets**. Further, such rights should be amortised using an appropriate amortisation method, as suggested by Ind AS 38, which reflects the pattern in which the asset's

future economic benefits are expected to be consumed by the entity.

- **Accounting for waiver of interest on loan taken from a director of the company:** The ITFG clarifies that in accordance with the requirements of Ind AS 1, **Presentation of Financial Statements**, owing to the contractual obligation to pay interest on the loan obtained by it from one of the directors, the company should recognise its obligation for payment of interest as well as waiver thereof, by recognising interest as an expense and the waiver as an item of income. The matter may also require disclosure as part of related party disclosures.

Click [here](#) for clarification bulletin.

## 2. ITFG Clarification Bulletin 23

ITFG has issued another bulletin on 26 October 2019. The clarifications in this bulletin pertain to the Taxation Laws (Amendment) Ordinance, 2019 (the Ordinance), which came into force immediately upon its publication in the Gazette (i.e., 20 September 2019):

- **Impact of lower tax rate while determining current tax and deferred tax assets or liabilities:** The Ordinance provides an option to domestic companies to pay income tax at a lower rate, depending on the conditions specified in this behalf, instead of the normal rate of 30%. However, a domestic company can avail the lower tax rate only if it opts for not availing certain exemptions or incentives specified in this behalf in the Ordinance. The ITFG clarifies that if a company's intention to opt for the lower tax rate is appropriately evidenced during an interim period, the lower tax rate as per the Ordinance should be given effect to while determining the current tax and deferred tax assets or liabilities for the purpose of presenting interim results/ interim financial statements for the quarter/half-year ended 30 September 2019.

It is further clarified that where a company expects to avail the lower tax rate from future periods, it should apply the lower tax rate in the measurement of deferred taxes only to the extent that the deferred tax assets are expected to be realised or deferred tax liabilities are expected to be settled in the periods during which the company expects to be subject to the lower tax rate.

- **Recognition of resultant differences in amount of deferred tax assets and liabilities (recognised by the entity at the time of first-time adoption of Ind AS or at the time of initial application of Ind AS 115 or Ind AS 116) arising from change in tax rates:** If an entity opts to avail the lower tax rate as per the Ordinance, it needs to be determined (using the entity's current accounting policies) where the items on which the original deferred tax arose would have been recognised if Ind AS had been adopted or Ind AS 115 or Ind AS 116 had been applied in the earlier periods, and accordingly, depending on the nature of an item, the change in the amount of the related deferred tax asset or deferred tax liability resulting from the re-measurement of the same at lower tax rates should be recognised in profit or loss, other comprehensive income or directly in equity.

Click [here](#) for clarification bulletin.

## 3. Ind AS publications issued by ICAI

ICAI has issued the following two publications on Ind AS:

- **Guidance note on Division III - Schedule III to the 2013 Act for NBFC that is required to comply with Ind AS**

In October, 2018, MCA notified Division III to Schedule III to the 2013 Act which contained the format of financial statements as well as disclosure requirements for NBFCs that are required to comply with Ind AS.

ICAI has issued this Guidance Note on Division III to provide guidance on each of the items of the balance sheet and statement of profit and loss. The Guidance Note also includes key differences in Division I and Division III and Division II and Division III to the 2013 Act. Some illustrations have also been included on the application of the principles provided in the Guidance Note.

Click [here](#) for guidance note.

- **Quick Referencer of Ind AS**

This publication will serve as a quick guide to provide basic understanding of Ind AS in a summarised manner. Apart from covering the basic aspects of Ind AS, the publication also includes a list of applicable Ind AS and Ind AS implementation initiatives.

Click [here](#) for announcement.

Click [here](#) for publication.

## 4. ASB meeting updates

In the meeting of the ASB of ICAI held on 7 October 2019, certain accounting aspects were considered. Some of the issues where a decision was taken are as below:

- Presentation of lease liability under Ind AS 116 - It was suggested to present lease liability as a separate line item under the head 'Financial Liabilities'.
- Accounting treatment of accumulated balance of deferred tax asset/liability (DTA/DTL), created earlier under AS 22, **Accounting for Taxes on Income**, prior to grant of exemption vide notification dated 5 February 2018, from the application of Ind AS 12, **Income Taxes**, or AS 22 with effect from 01 April 2017, to certain classes of government companies. ASB has taken a view that prior accumulated balance of deferred taxes should be accounted for as if the exemption from the application of Ind AS 12 or AS 22 is a change in an accounting policy, on account of change in the requirements of the Accounting Standards.

Click [here](#) for meeting update.

## 5. Disclosure of divergence in the asset classification and provisioning by banks

RBI, vide its notifications dated 18 April 2017 and 1 April 2019, mandated banks to disclose certain cases of divergence in the asset classification and provisioning in the Notes to Accounts in the ensuing annual financial statements published immediately following the communication of such divergence by RBI to the banks.

Accordingly, SEBI, vide its circulars dated 18 July 2017 and 17 July 2019, also specified the aforementioned disclosure requirements to all banks which have listed specified securities.

Regulation 30 of SEBI LODR Regulations require a listed entity to disclose to stock exchange(s) all events or information which are material, as soon as reasonably possible and not later than 24 hours from the occurrence of an event or information. These disclosures in respect of divergence and provisioning are in the nature of material events and price sensitive information and hence necessitate immediate disclosure. SEBI has, therefore, now issued a circular dated 31 October 2019 (SEBI circular), requiring listed banks to make disclosures of divergence and provisioning beyond specified threshold, as mentioned in the aforesaid RBI notification, as soon as reasonably possible and not later than 24 hours upon receipt of RBI's Final Risk Assessment Report (RAR) rather than waiting to publish them as part of annual financial statements.

The disclosures are to be made in either or both of the following cases:

- the additional provisioning for NPAs assessed by RBI exceeds 10% of the reported profit before provisions and contingencies for the reference period, and
- the additional gross NPAs identified by RBI exceed 15% of the published incremental gross NPAs for the reference period

The SEBI circular has also reproduced the format prescribed by RBI in which such disclosures are to be made.

This SEBI circular has come into force with immediate effect (i.e., 31 October 2019), and the aforesaid SEBI circulars dated 18 July 2017 and 17 July 2019 stand withdrawn with the issue of this SEBI circular.

Click [here](#) for SEBI circular dated 31 October 2019.

## 6. Preparation of financial statements by life insurers

IRDAI had issued a circular on 20 May 2019, stating directions for the preparation of financial statements by general insurers, health insurers, specialised insurers and reinsurers for FY 2019-20 and onwards. The said circular was issued in order to bring uniformity, comparability and fair presentation of financial statements filed by these insurers.

Click [here](#) for circular dated 20 May 2019.

IRDAI has now issued a circular dated 4 October 2019, stating directions for the preparation of financial statements by life insurance companies for FY 2019-20 and onwards. The directions issued are in respect of:

- **Presentation of excess of expenses of management (EoM):** It is now advised to present the EoM in the financial statements as under:
  - Report the gross amount of operating expenses actually incurred during the period in Schedule 3 and the revenue account, without deducting 'excess of expenses over the allowable limits'.
  - Report the 'contribution from shareholders account towards excess EoM' in excess of the allowable expenses, as income under revenue account under separate sub-line items.
  - Report the 'contribution to policyholders account towards excess EoM' towards the excess of expenses

over the allowable limits, as expense under the profit and loss account under a separate sub-line item, below the line 'expenses other than those directly related to insurance business'

- The contribution towards the remuneration of managing director/CEOs/WTDs over and above the specified limits allowed to be charged to the policyholders account should be shown separately as a line item in the profit and loss account (shareholders account)

- **Strict adherence to the formats specified by the IRDA (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002:**

All insurers are advised to strictly adhere to the formats (including schedules) specified by the aforementioned regulations and the directions issued thereunder by the IRDAI. Any new item, if so warranted to be disclosed separately, may be shown under 'Others' in the revenue account, P&L account and/or the relevant schedule of the financial statements, by giving the details of particulars of each item.

- **Presentation of rewards and remuneration to agents/brokers/other intermediaries:** Rewards and/or remuneration to agents, brokers or other intermediaries will be shown as part of the head 'Commission' in the financial statements. Rewards will be shown as a separate line item in Schedule 2 'Commission', below the line 'Net Commission' in the financial statements.

Click [here](#) for circular dated 4 October 2019.

## b. Regulatory updates

### Companies Act updates

#### 1. Amendments in rules for appointment of independent directors

MCA has issued Companies (Accounts) Amendment Rules 2019 (amended rules 1), vide notification dated 22 October 2019, to amend the Companies (Accounts) Rules, 2014. The amended rules 1 require that the board's report should include a statement regarding the opinion of the board of directors with regard to integrity, expertise and experience (including the proficiency) of the independent directors appointed during the year.

It is also clarified that for the purpose of this clause, the term 'proficiency' means the proficiency of the independent director as ascertained from the online proficiency self-assessment test conducted by the institute notified under section 150(1).

The amended rules 1 will come into force with effect from 1 December 2019.

Click [here](#) for amended rules 1.

MCA has also issued Companies (Appointment and Qualification of Directors) Fifth Amendment Rules, 2019 ('amended rules 2') vide notification dated 22 October 2019, to amend rule 6 of the Companies (Appointment and Qualification of Directors) Rules, 2014.

Prior to the amendment, rule 6 was on the creation and maintenance of a databank of persons offering to become independent directors, for which MCA has now issued a separate set of rules. Post the aforesaid amendment, the said rule 6 is on compliances required by a person eligible and willing to be appointed as an independent director.

Click [here](#) for amended rules 2.

The separate set of rules mentioned above are the Companies (Creation and Maintenance of Databank of Independent Directors) Rules, 2019, rules 2 and 5 of which will come into force from the date of publication in the Official Gazette, while other provisions have come into force with effect from 1 December 2019.

Click [here](#) for the Companies (Creation and Maintenance of Databank of Independent Directors) Rules, 2019.

#### 2. Companies (cost records and audit) Amendment Rules, 2019, and extension of last date of filing of Form CRA-4 (cost audit report) for FY 2018-19

MCA has issued the Companies (cost records and audit) Amendment Rules, 2019 (amended rules) to amend the Companies (cost records and audit) Rules, 2014, vide a notification dated 15 October 2019.

The amended rules have updated Form CRA-1, **Particulars relating to the items of costs to be included in the books of accounts**, and Form CRA-3, **Form of the Cost Audit Report**. It has also been clarified that the companies who have already filed their cost audit report in Form CRA-4 for FY 2018-19 with the Central Government before the publication of this notification are not required to file their cost audit report for the said FY again.

These amended rules are deemed to have come into force on 1 April 2018.

Click [here](#) for amended rules.

MCA has also issued a circular dated 24 October 2019 to extend the last date of filing of Form CRA-4 (cost audit report), for all eligible companies for FY 2018-19, till 31 December 2019, without levy of additional fee.

This extension is given for the entire process starting from preparation of annexures to the cost audit report to submission of cost audit report by the cost auditor to the company and finally filing of cost audit report by the company with the Central Government.

Click [here](#) for circular.



### 3. Relaxation of additional fees and extension of last date of filing of forms MGT-7 and AOC-4

MCA has issued a circular dated 29 October 2019 to extend the due date for filing of e-forms by companies for the year ended 31 March 2019 – Form AOC-4, Form for filing financial statement and other documents with the Registrar; Form AOC-4 (CFS), **Form for filing consolidated financial statements and other documents with the Registrar**; and Form AOC-4 XBRL, **Form for filing XBRL document in respect of financial statement and other documents with the Registrar**, up to 30 November 2019, and e-form MGT-7, **Form for filing annual return by a company**, up to 31 December 2019, without levy of additional fee.

Click [here](#) for circular.

### 4. ICSI UDIN and eCSIN Guidelines

The ICSI has issued guidelines for UDIN and eCSIN, which have been made mandatory with effect from 1 October 2019.

UDIN Guidelines will now require the generation of a unique number for the identification of documents attested by Company Secretaries in practice at the time of signing the certificate/report which will mandatorily be mentioned in the certificate/report along with the certificate of practice number.

Further, eCSIN, as governed by the eCSIN guidelines, will enable the ICSI to identify the appointments and cessations of Company Secretaries. eCSIN is a system-generated unique number for identification of Company Secretaries employed in a particular company, which will be generated by the Company Secretary at the time of employment as a Company Secretary (key managerial personnel or otherwise), as well as at the time of demitting office in any manner.

Click [here](#) for notification.

### 5. IBBI (Insolvency Professionals) (Second Amendment) Regulations, 2019

IBBI has issued the IBBI (Insolvency Professionals) (Second Amendment) Regulations, 2019 (amended regulations) on 25 October 2019, to amend the IBBI (Insolvency Professionals) Regulations, 2016 (principal regulations).

The amended regulations have introduced the requirement of submission of compliance certificate by an insolvency professional entity in a prescribed form (Form H) to the IBBI for the preceding FY by 15 October of every year, and also provide that compliance certificate for the FY 2018-2019 is required to be submitted by an entity recognised as an insolvency professional as on 31 March 2019, by 31 December 2019.

Further, revised forms Form-A, **Application for registration as an insolvency professional**; Form-C, **Application for recognition as an insolvency professional entity**; and Form-F, **Information of cessation/joining of a Director/ Partner in an insolvency professional entity** are introduced to replace exiting Form A, Form C and Form F, respectively, of the principal regulations.

These amended regulations have come into force on 25 October 2019.

Click [here](#) for amended regulations.



## SEBI updates

### 1. Resignation of statutory auditors from listed entities and their material subsidiaries

In July 2019, SEBI had issued a consultative paper on policy proposals with respect to the resignation of statutory auditors from listed entities, for public comments.

SEBI has now issued a circular dated 18 October 2019 to specify the conditions to be complied with upon resignation of the statutory auditor of a listed entity/material subsidiary with respect to limited review/audit report as per SEBI LODR Regulations.

Some of the directions given in the circular are as mentioned below:

- **All listed entities/material subsidiaries will ensure compliance with the following conditions while appointing/re-appointing an auditor:**
  - **Resignation of auditor within 45 days from the end of a quarter:** Before such resignation, the auditor is required to issue the limited review/audit report for such quarter.
  - **Resignation of the auditor after 45 days from the end of a quarter:** Before such resignation, the auditor is required to issue the limited review/audit report for such quarter as well as the next quarter.
  - If the resigning auditor has **signed the limited review/audit report for the first three quarters of the FY**, then before such resignation, the auditor is required to issue the limited review/audit report for the last quarter as well as the audit report for such FY.

- **Other conditions relating to resignation will include:**

- **Reporting of concerns with respect to the listed entity/its material subsidiary to the Audit Committee**

- In case of any concern with the management of the listed entity/material subsidiary, such as non-availability of information/non-cooperation by the management, which may hamper the audit process, the auditor will approach the chairman of the Audit Committee of the listed entity, and the Audit Committee will receive such concern directly and immediately without specifically waiting for the quarterly Audit Committee meetings.
- In case the auditor proposes to resign, all concerns with respect to the proposed resignation, along with relevant documents, will be brought to the notice of the Audit Committee. In cases where the proposed resignation is due to non-receipt of information/explanation from the company, the auditor will inform the Audit Committee of the details of information/explanation sought and not provided by the management, as applicable.
- On receipt of such information from the auditor relating to the proposal to resign as mentioned above, the Audit Committee/board of directors, as the case may be, will deliberate on the matter and communicate its views to the management and the auditor.

- **Disclaimer in case of non-receipt of information**

- In case the listed entity/its material subsidiary does not provide the information required by the auditor, to that extent, the auditor will provide an appropriate disclaimer in the audit report, which may be in accordance with the Standards of Auditing.

The listed entity/material subsidiary will ensure that the aforementioned conditions are included in the terms of appointment of the statutory auditor at the time of appointing/re-appointing the auditor. In case the auditor has already been appointed, the terms of appointment will be suitably modified to give effect to the aforementioned conditions.

The practicing Company Secretary will certify compliance by a listed entity with the aforementioned conditions in the annual secretarial compliance report.

- **Obligations of the listed entity and its material subsidiary**

- **Format of information to be obtained from the statutory auditor upon resignation:** Upon resignation, the listed entity/its material subsidiary will obtain information from the auditor in the format as specified in Annexure A to the circular. The listed entity will ensure disclosure of the same under sub-clause (7A) of Clause A in Part A of Schedule III under Regulation 30(2) of SEBI LODR Regulations.
- **Co-operation by listed entity and its material subsidiary:** During the period from when the auditor proposes to resign till the auditor submits the report for

such quarter/FY as specified above, the listed entity and its material subsidiaries will continue to provide all such documents/information as may be necessary for the audit/limited review.

- **Disclosure of Audit Committee's views to the stock exchanges:**

Upon resignation of the auditor, the Audit Committee will deliberate upon all the concerns raised by the auditor with respect to its resignation as soon as possible, but not later than the date of the next Audit Committee meeting, and communicate its views to the management. The listed entity will ensure the disclosure of the Audit Committee's views to the stock exchanges as soon as possible but not later than 24 hours after the date of such Audit Committee meeting.

The circular further provides that in case:

- an entity is not mandated to have an Audit Committee, then the board of directors of the entity will ensure compliance of this circular, and
- the auditor is rendered disqualified due to the operation of any condition mentioned in Section 141 of the 2013 Act, the provisions of this circular will not apply.

The circular has come into force with immediate effect, i.e., on 18 October 2019.

Click [here](#) for circular.

## 2. Review of investment norms for mutual funds for investment in debt and money market instruments

SEBI has issued a circular dated 1 October 2019, to enhance transparency and disclosure for investment in debt and money market instruments by mutual funds, wherein, among other things, the following have been introduced:

- Certain restrictions on the investments made by mutual funds:
  - In listed and unrated debt instruments
  - In debt instruments having structured obligations/credit enhancements
- Sector-level and group-level exposure limits

Different applicability dates have been prescribed for different provisions of the circular.

Click [here](#) for circular.

## 3. Framework for listing for commercial paper

SEBI has issued a circular dated 22 October 2019 to introduce a framework applicable for listing of commercial papers (CPs), wherein SEBI has laid down the guidelines which are required to be complied with by the issuers of CPs and stock exchanges at the time of listing and on a continuous basis. The said circular also prescribes, by way of annexures, disclosures to be provided along with the application for listing, and continuous obligations and disclosure requirements for listed CPs.

Click [here](#) for circular.

## 4. Framework for issue of depository receipts

SEBI has issued a circular dated 10 October 2019 to lay down a detailed framework for issue of depository receipts (DRs), wherein it has been clarified that only a company incorporated in India and listed on a recognised stock exchange in India (listed company) may issue permissible securities, or their holders may transfer permissible securities, for the purpose of issue of DRs.

The circular lays down the following:

- Eligibility criteria for listed companies to issue permissible securities and existing holders to transfer permissible securities for the purpose of issue of DRs
- Obligations of a listed company
- Voting rights on permissible securities
- Pricing terms for issue or transfer of permissible securities for the purpose of issue of DRs by a foreign depository
- Other requirements that need to be complied with for the issue of DRs

The provisions of this circular have come into force from 10 October 2019 and will be applicable only to DR issuance by listed companies after the effective date.

Click [here](#) for circular.

## Other regulatory updates

### 1. Guidelines on compensation of WTDs/CEOs/Material Risk Takers and Control Function Staff

RBI has issued a notification dated 4 November 2019 to lay down the guidelines on compensation of WTD/CEO/material risk takers and control function staff (the guidelines), which are applicable for pay cycles beginning from or after 1 April 2020.

Private sector banks, foreign banks operating under the wholly owned subsidiary mode, and foreign banks operating in India under the branch mode are required to obtain regulatory approval for the grant of remuneration (i.e., compensation) to WTDs/CEOs in terms of section 35B of the Banking Regulation Act, 1949.

These Guidelines will supersede the instructions issued by RBI issued vide its circular dated 13 January 2012, with effect from 1 April 2020.

Click [here](#) for notification.

### 2. Clarifications in respect of option exercised under section 115BAA of the IT Act, inserted through the Taxation Laws (Amendment) Ordinance, 2019

A new section 115BAA has been inserted in the IT Act, with effect from 1 April 2020, vide The Taxation Laws (Amendment) Ordinance, 2019, dated 20 September 2019, which inter alia provides an option to companies to pay tax at a lower rate, subject to certain conditions.

CBDT vide its circular dated 2 October 2019 has issued clarifications on the following issues in respect of exercise of option under section 115BAA of the IT Act:

- **Allowability of brought-forward loss on account of additional depreciation:** A domestic company exercising the option for availing benefit of lower tax rate will not be allowed to claim set-off of any brought-forward loss on account of additional depreciation for the assessment year for which the option has been exercised and for any subsequent assessment year.
- **Allowability of brought-forward MAT credit:** Tax credit of MAT paid by the domestic company exercising the option of availing the benefit of lower tax rate will not be available consequent to exercising such option.

It has, however, been clarified that since there is no time limit to exercise the option under section 115BAA, a domestic company having brought forward losses on account of additional depreciation, and/or having credit of MAT may exercise the option after set-off of the losses so accumulated and after utilising the said credit against the regular tax payable.

Click [here](#) for circular.

### 3. Lending by banks to InvITs

RBI had issued a circular dated 18 April 2017 on 'Banks' Investment in Units of InvITs' according to which banks are allowed to invest in units of InvITs subject to the specified conditions.

On 14 October 2019, RBI has issued another circular to permit banks to lend to InvITs subject to the following conditions:

- Banks will put in place a policy approved by the board of directors on exposures to InvITs, which will inter alia cover the appraisal mechanism, sanctioning conditions, internal limits, monitoring mechanism, etc.
- Banks will lend to only those InvITs where none of the underlying SPVs which have existing bank loans is facing 'financial difficulty' as defined in the RBI circular on Prudential Framework for Resolution of Stressed Assets, dated 7 June 2019.
- Without prejudice to generality, banks will undertake an assessment of all critical parameters including sufficiency of cash flows at the InvIT level to ensure timely debt servicing. The overall leverage of the InvITs and the underlying SPVs put together will be within the permissible leverage as per the board-approved policy of the banks. Banks will also monitor the performance of the underlying SPVs on an ongoing basis, as the ability of the InvITs to meet their debt obligation will largely depend on the performance of these SPVs. As InvITs are trusts, banks will have to keep in mind the legal provisions in respect of these entities, especially those regarding enforcement of security.

- Bank finance to InvITs for acquiring equity of other entities shall be subject to the conditions given in the RBI Master Circular- Loans and Advances – Statutory and Other Restrictions, dated 1 July 2015.
- The Audit Committee of the board of banks will review the compliance with the above conditions on a half-yearly basis.

Click [here](#) for notification dated 14 October 2019.

# **B. India updates - Proposed**

## **a. Accounting updates**

## a. Accounting updates

### 1. Exposure Draft - Interest Rate Benchmark Reform - Amendments to Ind AS 109 and Ind AS 107

In May 2019, the IASB had published proposed changes to the old and new financial instruments standards, IAS 39, **Financial Instruments: Recognition and Measurement**, and IFRS 9, **Financial Instruments**, in light of the interest rate benchmark reform, i.e., market-wide replacement of an existing interest rate benchmark with an alternative interest rate. The proposed amendments were aimed at addressing issues affecting financial reporting in the period before the said replacement (or pre-replacement issues).

The ASB of ICAI has now issued an Exposure Draft of Interest Rate Benchmark Reform (Amendments to Ind AS 109, **Financial Instruments**, and Ind AS 107, **Financial Instruments: Disclosures**), in line with IFRS 9 and IAS 39.

The last date for submission of comments was 8 November 2019.

Click [here](#) for exposure draft.



# **C. International updates – Effective**

**a. IFRS updates**

**b. US GAAP updates**

**c. Auditing updates**

## a. IFRS updates

### 1. Compilation of Agenda Decisions published by IFRS Interpretations Committee

The IFRS Foundation has issued its first bi-annual publication on ‘**Compilation of Agenda Decisions**’ on 18 October 2019, which is a compilation of all the agenda decisions published by the IFRS Interpretations Committee from January to September 2019. These agenda decisions are organised in this publication by the IFRS Standard to which they relate, and are aimed at addressing questions about the application of IFRS Standards.

Click [here](#) for news release.

Click [here](#) for publication.

## b. US GAAP updates

### 1. FASB delays certain effective dates for credit losses, leases, hedging and long-duration insurance standards

FASB had issued proposed ASUs on the following topics:

- Financial instruments: Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates. This proposed ASU was issued on 15 August 2019 to propose to grant private companies, not-for-profit organisations and certain small public companies various effective date delays on its credit losses (CECL), leases and hedging standards.

Click [here](#) for proposed ASU.

- Financial services: Insurance (Topic 944): Effective Date. The proposed ASU was issued on 21 August 2019 to delay effective dates of its long-duration insurance standard for all insurance companies that issue long-duration contracts, such as life insurance and annuities.

Click [here](#) for proposed ASU.

FASB has now approved these proposals, and issued two new ASUs to finalise these effective date delays.

- 1. ASU No. 2019-10, Financial Instruments — Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates**, finalises various effective date delays for private companies, not-for-profit organisations and certain smaller reporting companies applying the credit losses (CECL), leases and hedging standards.

- 2. ASU No. 2019-09, Financial Services — Insurance (Topic 944): Effective Date**, finalises insurance standard effective date delays for all insurance companies that issue long-duration contracts, such as life insurance and annuities.

The chart below details all effective date changes

Standard	Public interest entities		Private and all others
	SEC filers	All other public business entities (PBEs)	
Hedging	January 2019 <sup>#</sup>	January 2019 <sup>#</sup>	January 2020 January 2021
Leases	January 2019 <sup>#</sup>	January 2019 <sup>#*</sup>	January 2020 January 2021
CECL	January 2020 <sup>#</sup> (Excludes smaller reporting companies as defined by the SEC)	January 2021 January 2023 (Includes smaller reporting companies as defined by the SEC)	January 2021 January 2023
Insurance	January 2021 January 2022 (Excludes smaller reporting companies as defined by the SEC)	January 2021 January 2024 (Includes smaller reporting companies as defined by the SEC)	January 2022 January 2024

<sup>#</sup> No change in effective date

<sup>\*</sup> Also includes employee benefit plans and not-for-profit conduit bond obligors that file or furnish financial statements with or to the SEC.

Click [here](#) for news release.

Click [here](#) for ASU 2019-10 and [here](#) for ASU 2019-09.



## c. Auditing updates

### 1. New interpretation to AU-C Section 700A

AICPA Auditing Standards Board issued a new interpretation that provides guidance on how an auditor complies with AU-C Section 700A, **Forming an Opinion and Reporting on Financial Statements**, in the AICPA Professional Standards, when the communication of critical audit matters as described in PCAOB standards is required.

The guidance is contained in Auditing Interpretation No. 5, **Communicating Critical Audit Matters When Reporting on Audits Conducted in Accordance With Auditing Standards Generally Accepted in the United States of America and the Standards of the PCAOB**, to Section 700A.

Further, this new interpretation builds on Auditing Interpretation No. 4, Reporting on Audits Conducted in Accordance With Auditing Standards Generally Accepted in the United States of America and the Standards of the PCAOB, to Section 700A. Interpretation No. 4 provides guidance on how an auditor complies with AUC-Section 700A in the context of PCAOB Auditing Standard (AS) 3101, **The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion**.

Interpretation 5 discusses whether the auditor is required to communicate critical audit matters when performing an audit in accordance with both GAAS and AS 3101, and notes that an auditor should apply all the requirements for critical audit matters set forth in AS 3101 unless it is determined by management that the entity is not subject to critical audit matters reporting.

Click [here](#) for news article.

Click [here](#) for interpretation.

### 2. Guidance provided on SAS No. 134 implementation

The AICPA has issued a new Technical Question & Answer (TQA) to provide non-authoritative guidance on implementing the AICPA Auditing Standards Board's new standard on auditor reporting.

The TQA covers the circumstances where a continuing auditor is engaged to perform an audit of comparative financial statements in the first year of implementation of SAS No. 134, **Auditor Reporting and Amendments, Including Amendments Addressing Disclosures in the Audit of Financial Statements**, and discusses whether the continuing auditor is permitted to express an opinion on all periods presented in one report, in accordance with the aforesaid Standard.

Click [here](#) for news article.

Click [here](#) for TQA.



## Abbreviations used in this publication

<b>2013 Act</b>	Companies Act, 2013 (as amended)
<b>ACTIVE</b>	Active Company Tagging Identities and Verification
<b>AICPA</b>	American Institute of Certified Public Accountants
<b>ASB</b>	Accounting Standards Board
<b>ASU</b>	Accounting Standards Update
<b>CBDT</b>	Central Board of Direct Taxes
<b>CEO</b>	Chief executive officer
<b>DIN</b>	Director Identification Number
<b>eCSIN</b>	Employer Company Secretary Identification Number
<b>FASB</b>	Financial Accounting Standards Board
<b>FEMA</b>	Foreign Exchange Management Act
<b>FSB</b>	Financial Stability Board
<b>FY</b>	Financial year
<b>GAAP</b>	Generally Accepted Accounting Principles
<b>GAAS</b>	Generally Accepted Auditing Standards
<b>IAS</b>	International Accounting Standard
<b>IASB</b>	International Accounting Standards Board
<b>IBBI</b>	Insolvency and Bankruptcy Board of India
<b>IBC</b>	Insolvency and Bankruptcy Code, 2016
<b>ICAI</b>	Institute of Chartered Accountants of India
<b>ICDR Regulations 2018</b>	SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018
<b>ICSI</b>	Institute of Company Secretaries of India

<b>IFRS</b>	International Financial Reporting Standards
<b>Ind AS</b>	Indian Accounting Standard(s)
<b>InvIT</b>	Infrastructure Investment Trust
<b>IRDAI</b>	Insurance Regulatory and Development Authority of India
<b>IT Act</b>	Income-tax Act, 1961
<b>ITFG</b>	Ind AS Technical Facilitation Group
<b>MAT</b>	Minimum alternate tax
<b>MCA</b>	Ministry of Corporate Affairs
<b>NBFC</b>	Non-banking financial company
<b>NCLAT</b>	National Company Law Appellate Tribunal
<b>NCLT</b>	National Company Law Tribunal
<b>NPA</b>	Non-performing assets
<b>PCAOB</b>	Public Company Accounting Oversight Board
<b>Q&amp;A</b>	Question and answer
<b>RBI</b>	Reserve Bank of India
<b>SAS</b>	Statement on Auditing Standards
<b>SEBI</b>	Securities and Exchange Board of India
<b>SEBI LODR Regulations</b>	SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended)
<b>SEC</b>	U.S. Securities and Exchange Commission
<b>SPV</b>	Special purpose vehicle
<b>UDIN</b>	Unique Document Identification Number
<b>WTD</b>	Whole time director



# Contact us

To know more, please visit [www.grantthornton.in](http://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](mailto:npsg@in.gt.com)



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