

Monthly GAAP Bulletin

July 2022





Introduction

Dear reader,

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

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

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

This edition covers updates for June 2022.

Following is the index of updates.





Contents

A. India updates - Effective

a. Accounting updates

1. Accounting of premiums, claims and related expenses on estimation basis

b. Auditing updates

1. Guidance Note on CARO 2020 (revised 2022 edition)

c. Regulatory updates

Companies Act updates

1. Waiver of additional fees for LLP e-forms
2. Further relaxation in paying additional fees in case of delay in filing Form 11 (Annual Return) by Limited Liability Partnership

SEBI updates

1. Extension of facility for conducting meetings of unitholders of REITs and InvITs through VC or through OAVM
2. Circular on modification in cyber security and cyber resilience framework of mutual funds/AMCs
3. Disclosure of holding of specified securities and holding of specified securities in dematerialised form

4. Guidelines for Large Value Fund for accredited investors under SEBI (Alternative Investment Funds) Regulations, 2012 and requirement of compliance officer for managers of all AIFs
5. Reduction of timelines for listing of units of privately placed InvIT

Other regulatory updates

1. Provisioning requirement for investment in SRs

B. International updates - Proposed

a. Auditing updates

1. PCAOB adopts new requirements for lead auditor's use of other auditors



A. India updates - Effective

a. Accounting updates

b. Auditing updates

c. Regulatory updates



A. India updates - Effective

a. Accounting updates

1. Accounting of premiums, claims and related expenses on estimation basis

Insurance Regulatory and Development Authority of India (IRDAI) has issued a circular on 15 June 2022 for foreign reinsurers branches (FRBs) and other reinsurers for governing the accounting and disclosure of premium which is being currently recognised on estimation basis. The circular requires that FRBs/reinsurers should ensure that in the annual financial statements no premium is accrued/accounted on an estimate basis up to the third quarter of each financial year. However, where the statement of accounts have not been received in time from the insurers, the premium, losses and related expenses may be accounted on estimation basis in the fourth quarter of the respective financial year. The disclosures required to be followed annually by such entities have also been prescribed in this circular.

The circular will come into force from financial year 2022-23 onwards.

Click [here](#) for the circular.

b. Auditing updates

1. Guidance Note on CARO 2020 (revised 2022 edition)

The Auditing and Assurance Standards Board (AASB) of the Institute of Chartered Accountants of India (ICAI) had issued the Guidance Note on the Companies (Auditor's Report) Order, 2020 (Guidance Note on CARO 2020) in July 2020 to provide detailed guidance to auditors on reporting requirements of CARO 2020.

Click [here](#) for this publication.

Pursuant to the amendments to Schedule III of the Companies Act, 2013 (the Act) by the Ministry of Corporate Affairs (MCA) vide notification dated 24 March 2021, the AASB of ICAI had undertaken revision and issued the Guidance Note on CARO 2020 (Revised 2022 Edition). The Guidance Note has been revised to align guidance for CARO reporting with the latest provisions of the Act and rules thereunder, including revised disclosure requirements under Schedule III of the Act and other relevant laws and regulations which are referred to in the Guidance Note.

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

B. International updates - Proposed

c. Regulatory updates

Companies Act updates

1. Waiver of additional fees for LLP e-forms

MCA, vide its general circular dated 31 May 2022, has relaxed the payment of additional fees up to 30 June 2022 in case of delay in filing of all the event-based Limited Liability Partnership (LLP) e-forms, which are due on and after 25 Feb 2022 to 31 May 2022, in view of transition from version-2 of MCA-21 to version-3 and to promote compliance on part of LLPs.

Click [here](#) for the MCA circular dated 31 May 2022.

2. Further relaxation in paying additional fees in case of delay in filing Form 11 (Annual Return) by Limited Liability Partnership

MCA, vide its general circular dated 27 May 2022, extended the timeline thereby allowing LLPs to file e-Form 11 (Annual Return) for the FY 2021-22 without paying additional fees up to 30 June 2022.

Click [here](#) for circular dated 27 May 2022.

MCA further extended the timelines allowing LLPs to file e-Form 11 without additional fees up to 15 July 2022 vide circular dated 29 June 2022.

Click [here](#) for the circular dated 29 June 2022.

SEBI updates

1. Extension of facility for conducting meetings of unitholders of REITs and InvITs through VC or through OAVM

The Securities and Exchange Board of India (SEBI), vide circular dated 26 February 2021, had extended the facility to conduct annual meetings of unitholders and other meetings through video conferencing (VC) or through other audio-visual means (OAVM) to 30 June 2022.

Click [here](#) for circular dated 26 February 2021.

In line with MCA's circulars dated 5 May 2022, which has permitted companies to conduct their AGM and EGM through VC or OAVM for meetings to be held on or before 31 December 2022, (click [here](#) for MCA's circular dated 5 May 2022), SEBI has also now extended the facility to conduct annual meetings of unitholders and other meetings through VC or OAVM until 31 December 2022.

Click [here](#) for SEBI circular dated 3 June 2022.



A. India updates - Effective

2. Modification in cyber security and cyber resilience framework of mutual funds/AMCs

SEBI issued a circular on 9 June 2022, modifying the cyber security and cyber resilience framework as follows:

- Mutual funds/asset management companies (AMCs) should conduct a vulnerability assessment and penetration testing (VAPT) at least once in a financial year
- All mutual funds/AMCs should engage only Indian Computer Emergency Response Team (CERT-In) empanelled organisations for conducting VAPT
- The final report on said VAPT should be submitted to SEBI after approval from the technology committee of respective mutual funds/AMCs, within one month of completion of VAPT activity
- Mutual funds/AMCs are mandated to conduct a comprehensive cyber audit at least two times in a financial year
- Mutual funds/AMCs should identify and classify critical assets based on their sensitivity and criticality for business operations, services and data management

- All cyber attacks, threats, cyber incidents and breaches experienced by mutual funds/AMCs should be reported to SEBI within six hours of noticing/detecting such incidents

Mutual funds/AMCs will be required to take necessary steps to put in place systems for implementation of the circular, including modification of internal policies.

This modified framework shall come into force with effect from 15 July 2022.

Click [here](#) for the circular.

3. Disclosure of holding of specified securities and holding of specified securities in dematerialised form

SEBI, vide its circular dated 30 June 2022, amended the previously issued circular dated 30 November 2015 to provide further clarity and transparency in the disclosure of shareholding patterns to the investors in the securities market.

The circular has focused on the following amendments:

- In the disclosure of public shareholding, names of the shareholders holding 1% or more shares of the listed entity are required to be disclosed

B. International updates - Proposed

- Names of the shareholders, who are persons acting in concert, if available, should be disclosed separately
- Revised formats with respect to statement showing a shareholding pattern of the public shareholder and statement showing a shareholding pattern of non-promoter – non-public shareholder
- Listed entities should disclose details pertaining to foreign ownership limits in the format prescribed in the circular

The circular will be effective from the quarter ending 30 September 2022.

Click [here](#) for the circular.

4. Guidelines for Large Value Fund for Accredited Investors under SEBI (Alternative Investment Funds) Regulations, 2012 and requirement of compliance officer for managers of all AIFs

SEBI, vide its circular dated 24 June 2022, has issued guidelines for large value funds (LVFs) for accredited investors.

- Appointment of compliance officer: All alternative investment funds (AIFs) shall ensure that the manager to AIF designates an employee or director as a compliance officer who shall be a person other than the CEO of the manager. The compliance officer shall be responsible for monitoring compliance with the provisions of the SEBI Act, 1992, SEBI AIF Regulations and circulars issued thereunder.
- Filing of LVF schemes with SEBI: While filing the placement memorandum for LVF schemes with SEBI, a duly signed and stamped undertaking by the CEO of the manager to the AIF and the compliance officer of the manager to the AIF should be submitted in the format prescribed by the circular.

A. India updates - Effective

- Extension of tenure beyond two years: SEBI has laid down conditions in relation to the extension of tenure beyond two years of an LVF which has been permitted under the AIF Regulations. These conditions include:
 - The placement memorandum, contribution agreement or other fund documents of LVF should lay down terms and conditions for the extension of the tenure beyond two years
 - LVF is required to obtain approval from its trustee/board of directors/designated partners for extending the tenure beyond two years, at least one month before the expiration of the fund tenure or extended tenure
 - In case requisite conditions specified in the placement memorandum, contribution agreement or other fund documents of LVF for extension of tenure beyond two years are not fulfilled, LVF will be required to be liquidated and wound up in accordance with SEBI AIF Regulations and circulars issued thereunder

Click [here](#) for the circular dated 24 June 2022.

5. Reduction of timelines for the listing of units of privately placed InvIT

SEBI (Infrastructure Investment Trusts) regulations, 2015 currently provide that the listing of privately placed units of infrastructure investment trust (InvIT) shall be done within 30 working days from the date of allotment. SEBI, vide its circular dated 24 June 2022, has decided to reduce the time taken for allotment and listing of units of privately placed InvIT, after the closure of an issue to six working days as against the present requirement of 30 working days.

The provisions of this circular shall be applicable to the listing of units of privately placed InvIT under the SEBI (Infrastructure Investment Trusts) regulations, 2014, which opens on or after 1 August 2022.

Click [here](#) for the circular dated 24 June 2022.

B. International updates - Proposed

Other regulatory updates

1. Provisioning requirement for investment in SRs

In furtherance to the Master Direction on Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021 (MD-TLE) dated 24 September 2021 (Click [here](#) for MD-TLE), Reserve Bank of India (RBI) has now, vide its circular dated 28 June 2022, issued provisioning requirement for investment in security receipts (SRs).

In respect of the valuation of investment in SRs outstanding on the date of issuance of MD-TLE (i.e., 24 September 2021), the difference between the carrying value of such SRs and the valuation arrived at on the next financial reporting date after the issuance of MD-TLE may be provided over a five-year period starting with FY 2021-22 to FY 2025-26. Subsequent evaluations of investments in such SRs on an ongoing basis should be strictly in terms of the provisions of the MD-TLE.

The provision made in each financial year in compliance with the above should not be less than one-fifth of the required provisioning.

Click [here](#) for the circular dated 28 June 2022.





B. International updates - Proposed

a. Auditing updates

A. India updates - Effective

a. Auditing updates

1. PCAOB adopts new requirements for lead auditor's use of other auditors

On 21 June 2022, the Public Company Accounting Oversight Board (PCAOB) adopted amendments to its auditing standards to strengthen requirements that apply to audits involving multiple audit firms.

The amendments improve PCAOB standards principally by:

- Specifying certain procedures for the lead auditor to perform when planning and supervising an audit that involves other auditors
- Applying a risk-based supervisory approach to the lead auditor's oversight of other auditors for whose work the lead auditor assumes responsibility
- In this regard, PACOB is adopting amendments to its standards, interpretations, rules and forms that:

1. Revise:

- AS 1015, due professional care in the performance of work
- AS 1105, audit evidence
- AS 1201, supervision of the audit engagement
- AS 1215, audit documentation
- AS 1220, engagement quality review
- AS 2101, audit planning

2. Rescind AS 1205, part of the audit performed by other independent auditors and AI 10, part of the audit performed by other independent auditors: auditing interpretations of AS 1205
3. Adopt AS 1206, dividing responsibility for the audit with another accounting firm
4. Make additional conforming amendments.

The amendments apply to all audits conducted under PCAOB standards. Subject to approval by the Securities and Exchange Commission, the amendments will take effect for audits of financial statements for fiscal years ending on or after 15 December 2024

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

B. International updates - Proposed



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 Unit No - 603 B, 6th Floor, Brigade International Financial Center, GIFT City Gandhinagar, Ahmedabad - 382355	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 Unit No - 1, 10th Floor, My Home Twitza, APIIC, Hyderabad Knowledge City, Hyderabad - 500081 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 310-312, 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



Follow us @GrantThorntonIN

© 2022 Grant Thornton Bharat LLP. All rights reserved.

“Grant Thornton Bharat” means Grant Thornton Advisory Private Limited, the sole member firm of Grant Thornton International Limited (UK) in India, and those legal entities which are its related parties as defined by the Companies Act, 2013, including Grant Thornton Bharat LLP.

Grant Thornton Bharat LLP, formerly 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.