

Quarterly GAAP Bulletin

July-September 2026



Introduction

Dear reader,

Grant Thornton Bharat is delighted to present the 'Quarterly GAAP Bulletin', which summarises significant accounting, auditing, and regulatory updates. We compiled this publication for dynamic Indian businesses. It covers key developments in India and around the world.

Access the original source through the link 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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India updates – Effective

A. Accounting updates

1. MCA notifies Companies (Indian Accounting Standards) Amendment Rules, 2026

On 12 August 2026, the Ministry of Corporate Affairs (MCA) issued the Companies (Indian Accounting Standards) Amendment Rules, 2026, amending the Companies (Indian Accounting Standards) Rules, 2015. The amendments are effective for annual reporting periods beginning on or after 1 April 2026. The key amendments in the Indian Accounting Standards (Ind AS) are summarised below:

A. Derecognition of financial instruments when an electronic payment system is used

New guidance has been added to Ind AS 109, Financial Instruments (Ind AS 109), to specifically address when a financial liability should be derecognised upon settlement through electronic payment. Previously, an entity was generally required to wait until the transaction's settlement date to discharge the liability. However, the new guidance allows for the liability to be discharged before the settlement date if:

- The payment cannot be withdrawn, stopped, or cancelled;
- The entity no longer has the practical ability to access the cash, and
- The settlement risk associated with the electronic payment system is insignificant.

B. Classification of financial assets and enhanced disclosures for financial instruments

- Additional guidance, supported by illustrative examples, has been introduced in Ind AS 109 to assess whether financial assets with contingent features, including those linked to environmental, social, and governance (ESG) matters, meet the solely payments of principal and interest (SPPI) criterion and are consistent with a basic lending arrangement. The amendments also clarify the assessment of non-recourse features and contractually linked instruments, promoting greater consistency in the application of the SPPI requirements.
- Enhanced disclosures have been introduced under Ind AS 107, Financial Instruments: Disclosures (Ind AS 107) for financial instruments with contingent features (such as those linked to the achievement of ESG targets) and equity instruments designated at fair value through other comprehensive income (FVTOCI).



C. Contracts referencing nature-dependent electricity

- New guidance has been introduced in Ind AS 109 on the application of the 'own-use exception' for nature-dependent electricity contracts (e.g., solar and wind power arrangements), requiring entities to assess whether they remain net purchasers of electricity based on reasonable and supportable information about past, present, and future electricity transactions over a reasonable period.
- Specific provisions included under Ind AS 109 for hedge accounting permit the entity to designate a variable nominal amount of forecast electricity transactions as a hedged item, aligned with the variable amount of nature-dependent electricity expected to be delivered by the generation facility, as referenced in the hedging instrument.
- New disclosures have been introduced under Ind AS 107 for nature-dependent electricity contracts to enable the users of the financial statements to understand the impact of such contracts on an entity's future cash flows, including their amounts, timing, and uncertainty, as well as on its financial performance.

D. Transitional provisions

The amendments to Ind AS 109 and Ind AS 107 shall be applied retrospectively in accordance with Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors (Ind AS 8). However, entities are permitted to restate comparative information only where possible without using hindsight; otherwise, the transition impact as of the date of the initial application shall be recognised in the opening equity at the beginning of that reporting period. The hedge accounting amendments for nature-dependent electricity contracts shall apply prospectively to new hedging relationships, and the entities shall have the option to designate qualifying contracts as eligible for the own-use exception at FVTPL on the date of initial application. In addition, if the amendments result in a change in the measurement category of financial assets, entities must disclose the measurement category and the carrying amount immediately before and after applying the amendments.

E. Annual improvements to Ind AS (2024)

The MCA has also notified certain narrow-scope amendments to Ind AS corresponding to the 'Annual Improvements to IFRS Accounting Standards, Volume 11', as part of its regular standard-setting and maintenance process. These amendments primarily include clarifications, simplifications, and editorial changes aimed at improving consistency and application of several Ind AS, such as Ind AS 101, First-time Adoption of Indian Accounting Standards, Ind AS 107, Ind AS 109, Ind AS 110, Consolidated Financial Statements, and Ind AS 7, Statement of Cash Flows (Ind AS 7).



[Click here to access the MCA notification](#)





2. ICAI's technical publications and educational literature on Ind AS 117

The Accounting Standards Board (ASB) of the Institute of Chartered Accountants of India (ICAI), as part of its capacity-building initiatives to ensure the smooth implementation of Ind AS in the insurance sector, has issued technical publications and educational literature on Ind AS 117, Insurance Contracts (Ind AS 117), comprising background material, case studies, and multiple-choice questions (MCQs), each published in two-volume sets.

Such publications provide comprehensive guidance on the recognition, measurement, modification, derecognition, presentation, and disclosure of insurance contracts under Ind AS 117, supplemented by case studies and multiple-choice questions designed to translate the principles of the standard into practical application and facilitate effective learning and self-assessment.

Click below to access the ASB publications on Ind AS 117:

- A. **Background Material:** Click [here](#) for Volume I and [here](#) for Volume II
- B. **Case studies:** Click [here](#) for Volume I and [here](#) for Volume II
- C. **MCQs:** Click [here](#) for Volume I and [here](#) for Volume II

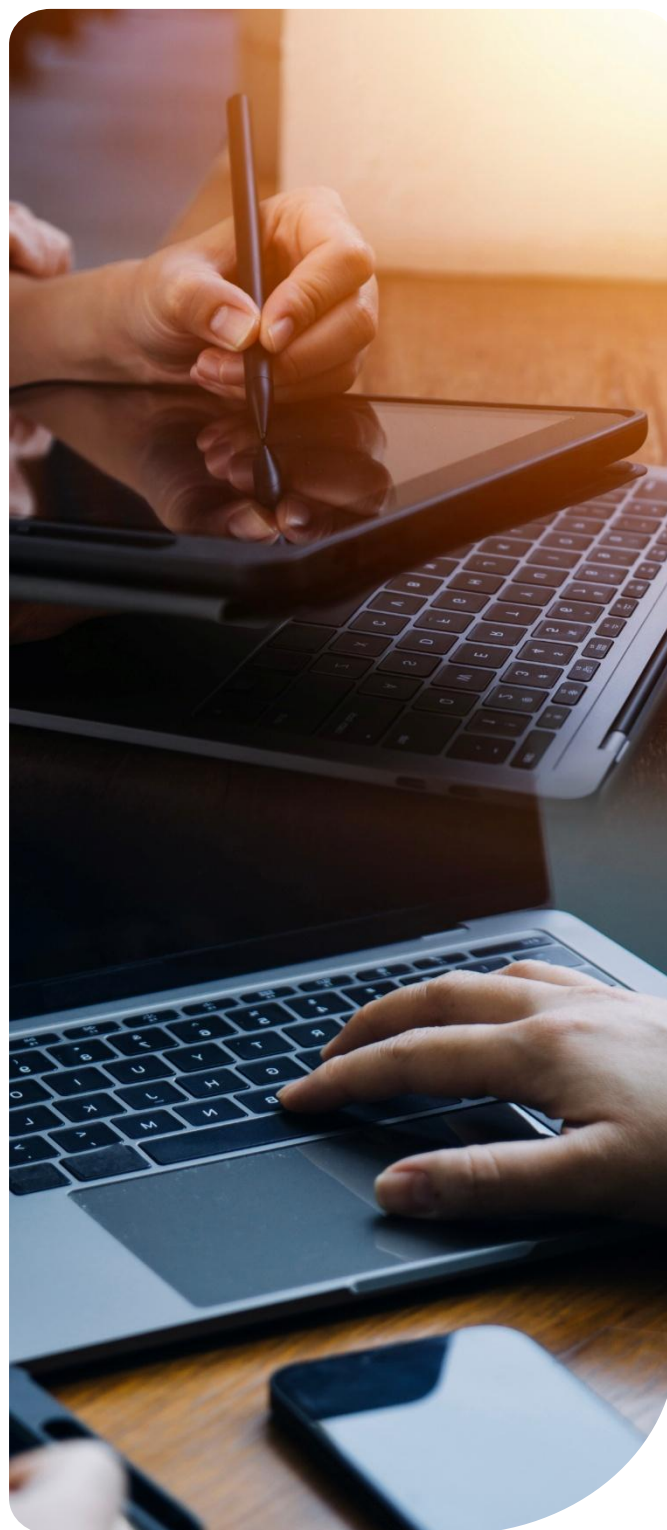
3. ICAI publication – “Background Material on Non-Corporate Entities”

The ASB of the ICAI has issued a publication, “Background Material on Non-Corporate Entities”, containing a comprehensive set of MCQs and detailed case studies designed to facilitate the application of accounting principles and the ICAI’s ‘Guidance Note on Financial Statements of Non-Corporate Entities’.

The publication seeks to bridge the gap between theory and practice by providing application-oriented guidance on preparing and presenting financial statements for non-corporate entities.



Click here to access the publication





4. EAC opinion on classification of corporate liquid term deposits/flexi deposits

Facts of the case

Based on the facts of the case, a listed public sector enterprise (hereinafter referred to as 'the Company') is engaged in the business of power transmission, maintains centralised treasury operations, and invests surplus funds in various instruments, including corporate liquid term deposits (CLTDs), flexi deposits, fixed deposits, and mutual funds. CLTDs/flexi deposits are bank deposit products that provide flexibility through sweep and reverse-sweep mechanisms, allowing premature withdrawal of funds with comparatively simpler operational procedures. However, premature withdrawals result in the recalculation of the applicable interest rate based on the actual holding period, which can reduce the deposit's maturity value. The Company generally places such deposits for periods exceeding three months based on projected fund requirements and treasury management considerations.

Classification followed by the Company

The Company classified CLTDs and flexi deposits with an original maturity of three months or less, including deposits with an original maturity of 91 days, as cash and cash equivalents. Deposits with an original maturity of more than three months but remaining maturity of less than 12 months were classified as bank balances other than cash and cash equivalents, while deposits having a remaining maturity of more than 12 months at the reporting date were presented as other non-current financial assets.

Query to EAC

The Company sought the opinion of the Expert Advisory Committee (EAC) on whether the above classification of CLTDs and flexi deposits was appropriate under the Ind AS framework. Specifically, the Company requested guidance on the classification of deposits based on their original and remaining maturities, including whether deposits with a maturity period of 91 days qualify as cash and cash equivalents, and whether the CLTDs/flexi deposits require separate presentation from conventional term deposits.

Technical literature referred to by EAC

The EAC referred to the requirements of Paragraph 66 of Ind AS 1, Presentation of Financial Statements (Ind AS 1), Paragraphs 7, 45 and 48-49 of Ind AS 7, Division II of Schedule III to the Companies Act, 2013 (the Act), and the related Guidance Note on Division II - Ind AS

Schedule III issued by the ICAI (ICAI GN). The EAC noted that cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash, which are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments rather than investment objectives. The EAC further noted that the assessment of whether an investment qualifies as a cash equivalent is based on its original maturity from the date of acquisition, not on its remaining maturity at the reporting date.

EAC's opinion

The EAC opined that although the CLTDs and flexi deposits may be highly liquid because funds can be withdrawn before maturity, deposits with an original maturity exceeding three months do not meet all criteria necessary to qualify as cash equivalents. In particular, premature withdrawal may lead to changes in the maturity value due to revised interest calculations, exposing the deposits to a risk of value changes that is not insignificant. Further, such deposits are generally intended to meet funding requirements beyond the short-term horizon contemplated by Ind AS 7. Accordingly, the CLTDs and flexi deposits with an original maturity of more than three months but remaining maturity of less than 12 months should be classified as bank balances other than cash and cash equivalents, while deposits with a remaining maturity exceeding 12 months should be classified as other non-current financial assets. The EAC also clarified that a reduction in the remaining maturity period does not alter the classification, as the assessment is based on the instrument's original maturity.

Further, the EAC noted that a period of three months is included under Ind AS 7 only as an example, and that deposits with an original maturity of more than three months could be classified as cash and cash equivalents only in limited circumstances, when they meet the criteria for classification as cash equivalents mentioned above. Accordingly, the CLTDs and flexi deposits with an original maturity of 91 days qualify as cash and cash equivalents in the extant case. The Committee also noted that the separate presentation of the CLTDs/flexi deposits from conventional term deposits is generally not required unless specific restrictions on withdrawal or use or materiality considerations warrant additional disclosure.



[Click here for the EAC opinion](#)

5. EAC opinion on the classification of bank fixed deposits held under lien as current/non-current assets

Facts of the case

Based on the facts of the case, a central public sector enterprise (hereinafter referred to as ‘the Company’), engaged in engineering consultancy and contracting services, avails bank guarantee (BG) and letter of credit (LC) facilities from various banks. To support these facilities, the Company maintains fixed deposits under both general-lien and specific deposit-backed arrangements. Under general lien arrangements, banks provide BG and LC facilities as a certain percentage of the total deposits maintained with that bank. However, no specific deposits are earmarked against the individual BGs/LCs. The deposits generally have original maturities of less than 12 months. However, certain BGs/LCs, and borrowing facilities against which such deposits are held as security, extend beyond 12 months from the reporting date. During the supplementary audit, it was observed that such deposits linked to facilities with a claim period exceeding 12 months should be classified as non-current assets.

Classification followed by the Company

The Company classified all fixed deposits with original maturities of less than 12 months as current assets, regardless of whether such deposits were subject to lien arrangements. The management’s view was that classification should be determined primarily by the deposit’s original maturity and the requirements of Division II of Schedule III to the Act, rather than by the tenure of the underlying BGs, LCs, or borrowing arrangement.

Query to EAC

The Company sought the opinion of the EAC on whether fixed deposits with original maturities of less than 12 months, but held under a lien against BGs, LCs, or borrowings extending beyond 12 months, should be classified as current or non-current assets. The Company also sought clarification on whether classification should be based on the deposit’s original maturity or the tenor of the underlying facility, including situations in which deposits are subject to general lien arrangements.

Technical literature referred to by EAC

The EAC referred to the requirements of Paragraph 66 of Ind AS 1, Paragraph 7 of Ind AS 7, Division II of Schedule III to the Act, and the related ICAI GN, and noted that an asset is classified as current when it is expected to be realised within 12 months after the reporting period.

EAC’s opinion

The EAC opined that the classification of lien-marked fixed deposits should be based on the substance and expected realisation of the deposits rather than solely on their contractual maturity. Where restrictions arising from lien arrangements are such that the deposits are, in substance, not expected to be realised within 12 months from the reporting date, or where the deposits are required to be maintained or renewed to support long-term BGs, LCs, or borrowing facilities, such deposits should be classified as non-current assets.

The EAC further noted that Division II of Schedule III to the Act and ICAI GN thereon contemplate the presentation of margin money and security deposits against the borrowings, guarantees, and other commitments under “bank balances other than cash and cash equivalents” as “financial assets” under “current assets”, with separate disclosure in the financial statements. In conjunction with the EAC’s evaluation on the classification of bank deposits under lien in the previous paragraph, the EAC further opined that such bank deposits may be presented as “bank balances other than cash and cash equivalents” as “financial assets” under “current assets”, provided they meet the definition of a current asset after considering the nature and duration of the restrictions and their economic substance or reality.



[Click here for the EAC opinion.](#)

6. EAC opinion on accounting treatment of offset credit benefits received from foreign suppliers

Facts of the case

Based on the facts of the case, a public sector enterprise under the Ministry of Defence (hereinafter referred to as ‘the Company’) is engaged in the design, development, manufacture, overhaul, and servicing of aircraft, helicopters, aero engines, and related aerospace products. The Company entered into contracts with foreign suppliers to procure defence equipment (helicopters). Under such contracts, foreign suppliers are often required to discharge certain offset obligations by providing economic benefits to Indian entities through: (a) Transfer of production technology or inventory, at no cost, (b) Value-added orders placed on the Company, (c) Discounts on other purchase orders, or (d) Performance of the Company’s contractual obligations by the foreign supplier that was otherwise the responsibility of the Company.

Accounting followed by the Company

The Company did not record any accounting entry in respect of the transfer of technology or inventory free of cost and for the performance of the work by the foreign supplier on the Company’s behalf, considering the Company has received consideration for goods or services supplied, and the Company has recognised such consideration as revenue in accordance with Ind AS 115, Revenue from Contracts with Customers (Ind AS 115). The value-added orders on the Company were fulfilled and accounted for as revenue in accordance with Ind AS 115 upon satisfaction of the relevant performance obligations and were shown as exports to the extent of supplies/services rendered. Further, for discounts received on other specified orders placed with the foreign supplier, the Company has accounted for the goods or services received under the original contract at the discounted value.

Query to EAC

The Company sought the EAC’s opinion on the appropriate accounting treatment for various forms of offset benefits, including the free transfer of technology, value-added orders, discounts on future purchases, and situations in which the foreign supplier performs the Company’s contractual obligations.

Technical literature referred to by EAC

The EAC referred to the requirements of Ind AS 38, Intangible Assets (Ind AS 38), Ind AS 16, Property, Plant and Equipment (Ind AS 16), Ind AS 115, Ind AS 8, and the Conceptual Framework for Financial Reporting under Ind AS.



6. EAC opinion on accounting treatment of offset credit benefits received from foreign suppliers

EAC's opinion

The EAC noted that the consideration received from a supplier may have different economic substance depending on the underlying arrangement and may represent a discount, a rebate, a bundled transaction, an exchange transaction, or consideration for distinct goods and services. Accordingly, each offset mechanism must be evaluated separately based on its substance and relationship to the underlying procurement contract.

A summary of the conclusion drawn by the EAC on different forms of offset credits is as follows:

- A. Transfer of production technology or inventory (at no cost):** The EAC has presumed that production technology qualifies as an intangible asset and should be recognised in accordance with Ind AS 38. The EAC noted that the entity should assess whether the benefit constitutes a non-cash incentive or discount or a multi-element arrangement/bundled contract. If the technology is effectively a supplier discount/incentive, it should be recognised at fair value and reduce the cost of the related defence equipment under the main contract. On the other hand, if it is part of a multiple-element arrangement, the total contract consideration shall be allocated between the equipment and technology based on their relative fair values, drawing an analogy from Paragraph 2(b) of Ind AS 103, Business Combinations (Ind AS 103). The same considerations shall apply to inventory items.
- B. Value-added orders placed on the Company:** While the Company is purchasing defence equipment from a foreign supplier, as part of the overall arrangement, the foreign supplier will also purchase certain goods from the Company. Based on the facts of the case, the EAC observed that the Company supplied distinct goods and services to the foreign supplier and received consideration in return. The consideration represented the stand-alone selling price of the goods or services supplied. The EAC noted that the Company is not receiving a discount or direct return of value in the form of money, but rather a commitment from the foreign supplier to purchase goods and services from the Company. Accordingly, the EAC opined that the receipts from such transactions constitute revenue and should be recognised in accordance with Ind AS 115. Thus, the value of the benefit that the Company expects to receive through this offset credit shall be nil.

- C. Discounts on other purchase orders:** The EAC noted that such benefits arose from the main contract and therefore constitute supplier consideration linked to those specific purchases. In the absence of the purchase of the main defence equipment, the Company would not have received a discount on other orders. Accordingly, the EAC concluded that the discount should be recognised as a reduction in the cost of the defence equipment under the main contract rather than as separate income.
- D. Fulfilling the buyer company's performance obligation:** Under this offset model, the foreign supplier performs work that is contractually the Company's responsibility and bears the related costs, although the Company remains ultimately responsible for that portion of the contract. The benefit arises solely because of the main procurement contract and is therefore considered supplier consideration linked to the purchase of the related assets. Accordingly, where the Company acts as a principal under Ind AS 115, the EAC is of the view that the Company should recognise the related revenue. At the same time, the cost incurred by the foreign supplier on the Company's behalf should be accounted for as a reduction in the cost of the defence equipment purchased under the main contract.

The EAC also considered the timing mismatch between the procurement contract and future utilisation of offset credits. It concluded that until a settlement, an enforceable right to future offset credits (viz., receipt of intangible asset/inventory or discount on other purchase order or services rendered by the foreign supplier) should be recognised as an asset representing the expected economic benefits that shall flow to an entity with corresponding adjustment to the cost of goods/equipment purchased under the main contract, provided the benefit can be estimated reliably.

Overall, the opinion reinforces that accounting should reflect the commercial substance of each offset arrangement and the actual economic benefit received by the entity.



[Click here for the EAC opinion](#)

7. EAC opinion on the consolidation of financial statements of a Section 8 associate company

Facts of the case

A defence public sector undertaking established in 2021 under the Ministry of Defence invested during the financial year (FY) 2024-25 in an entity established under the Defence Testing Infrastructure Scheme of the Department of Defence Production. The investee is incorporated as a Section 8 company under the Act and operates on a not-for-profit basis.

The investor holds 20% of the shareholding in the Section 8 company and regards the investee as an associate under Ind AS 28, Investments in Associates and Joint Ventures (Ind AS 28). The investor had no other subsidiaries, associates, or joint ventures.

The Section 8 company reported a surplus, but the Act restricts it from distributing profits, directly or indirectly, to its members or shareholders. This restriction raised the question of whether the investor could recognise its share of the investee's surplus and whether consolidated financial statements were necessary.

Accounting followed by the entity

The investor accounted for the investment under the equity method. The initial cost of the investment was adjusted by the investor's 20% share of the investee's reported surplus, resulting in recognition of INR 3.68 crore in the investor's statement of profit and loss and a corresponding increase in the carrying amount of the investment.

The statutory auditor qualified this accounting treatment. The auditor considered the investor's profit and the carrying amount of the investment to be overstated by INR 3.68 crore because a Section 8 company cannot distribute its profits to its members or shareholders.

In response, the entity proposed that:

- The investment could be carried at cost without recognising its share of the Section 8 company's surplus.
- Since the entity had no other subsidiaries, associates, or joint ventures, separate financial statements with appropriate disclosures might be sufficient.
- Preparing consolidated financial statements would, in the entity's view, add little information because the Section 8 company's surplus was not distributable.

Query to EAC

The Company sought the opinion of the EAC on:

- Whether an investor having significant influence over a Section 8 company is required to apply the equity method in its consolidated financial statements, notwithstanding the statutory prohibition on the distribution of the investee's surplus?
- Whether the investment may instead be carried at cost, without recognising the investor's share of the Section 8 company's surplus or deficit?
- If the equity method is considered inapplicable, whether consolidated financial statements remain mandatory where the Section 8 company is the investor's only associate, or whether appropriately disclosed separate financial statements would constitute sufficient compliance?



7. EAC opinion on the consolidation of financial statements of a Section 8 associate company

Technical literature referred to by EAC

Ind AS 28 requires an investor with significant influence over an investee to account for the investment using the equity method, unless a specific exemption under paragraphs 17-19 applies. Under the equity method, the investment is initially recognised at cost and subsequently adjusted for the investor's share of the associate's profit or loss (Ind AS 28.10, Ind AS 28.11). Ind AS 28 does not provide any exemption from applying the equity method merely because the associate is a Section 8 (not-for-profit) company. Furthermore, the basis for conclusions to IAS 28, Investments in Associates and Joint Ventures (BCZ18) clarifies that restrictions on an associate's ability to transfer funds to investors do not, by themselves, preclude the existence of significant influence or the application of the equity method.

Section 129(3) of the Act, Rule 6 of the Companies (Accounts) Rules, 2014, and Division II of Schedule III of the Act, require companies to prepare consolidated financial statements covering all associates, unless a specific exemption is available. Ind AS 1 requires investments accounted for using the equity method and the related share of profit or loss to be presented as separate line items in the financial statements. In contrast, Ind AS 112, Disclosure of Interests in Other Entities (Ind AS 112) requires disclosures regarding the nature of the associate relationship and significant restrictions on the transfer of funds, including dividend restrictions.

EAC's opinion

The EAC concluded that the statutory prohibition on the distribution of a Section 8 company's surplus does not, by itself, prevent the investor from having significant influence over that company. The restriction should nevertheless be considered as part of the overall assessment of whether significant influence exists.

On the premise that the investor has significant influence:

- The Section 8 company is an associate.
- The investor must prepare consolidated financial statements and account for the associate using the equity method under Ind AS 28.10 and Ind AS 28.11, unless a specific exemption under paragraphs 17-19 of Ind AS 28 is available.
- The investment cannot be carried at cost in the consolidated financial statements merely because the associate's surplus is not distributable.

- The investor must recognise its share of the associate's surplus or deficit in consolidated profit or loss and adjust the carrying amount of the investment accordingly.
- If a proper assessment demonstrates that no significant influence exists, the investee would not be an associate, and the question of applying the equity method would not arise.

In the consolidated balance sheet, the equity-accounted investment should be presented separately. The share of the accumulated surplus from the Section 8 associate may also be shown in an internal column or sub-heading, clearly labelled to indicate that the amount relates to a non-distributable surplus.

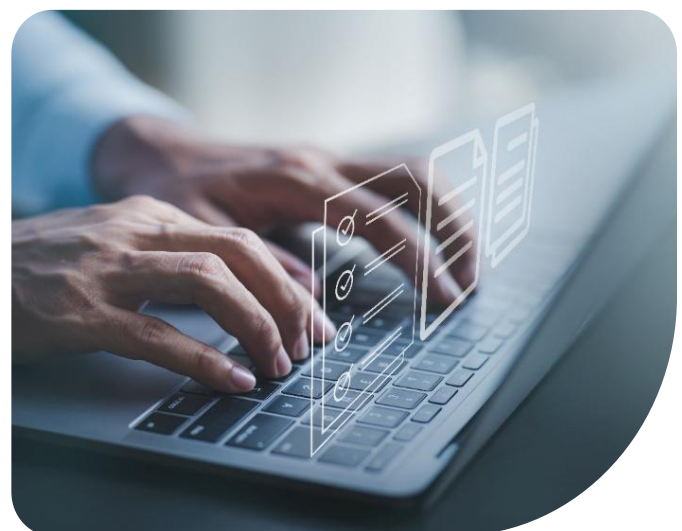
Similarly, the share of surplus recognised in the consolidated profit or loss should be presented as a separate, clearly labelled line item to indicate that the underlying surplus is not available for distribution as dividends.

The investor should also disclose:

- The nature of the associate's not-for-profit activities.
- Whether those activities are strategic to the investor.
- The nature and extent of regulatory restrictions on the transfers of funds, dividends, and repayment of loans or advances.
- Other disclosures required by Ind AS and Schedule III.



[Click here for the EAC opinion](#)





8. EAC opinion on accounting treatment of expenditure incurred to reinstate damaged assets during the construction phase

Facts of the case

Based on the facts of the case, the Company, which is a large crude oil and natural gas producer, was developing an offshore field through a turnkey contractor. During construction, certain assets were installed on or beneath the ocean floor (subsea assets), including a subsea distribution unit (SDU) and an associated umbilical. After a few months, the Company noticed that the installed SDU had toppled and that the umbilical was displaced and damaged, likely due to a rig demobilisation.

Although the assets were insured under the turnkey contractor's insurance policy, the Company incurred high costs for recovery, rectification, reinstallation, and integration because the insurance claim process was prolonged and the assets were critical to project completion.

Accounting followed by the Company

The Company capitalised such reinstatement expenditure as part of capital work-in-progress (CWIP) and subsequently transferred it to property, plant and equipment (PPE) upon commissioning, considering it to be a directly attributable cost under Ind AS 16, read with the ICAI's Guidance Note on Accounting for Oil and Gas Producing Activities (ICAI Guidance Note).

The Comptroller and Auditor General of India (C&AG) objected, contending that the amount represented abnormal wastage as per paragraph 22 of Ind AS 16 and should be expensed in the statement of profit and loss.

Query to EAC

The Company sought the opinion of the EAC on:

- Whether the Company's accounting treatment of capitalising expenditure incurred for the reinstatement of subsea assets during the construction phase is appropriate under Ind AS 16 and the ICAI Guidance Note?
- Whether the related insurance compensation should reduce the cost of the asset or be recognised separately in profit or loss when virtually certain/received?

Technical literature referred to by EAC

The EAC considered the requirements of Ind AS 16 for recognition, directly attributable costs, abnormal wastage, impairment, compensation from third parties, and derecognition; Ind AS 36, Impairment of Assets (Ind AS 36); Ind AS 106, Exploration for and Evaluation of

Mineral Resources (Ind AS 106); and the ICAI Guidance Note. The EAC noted that production facilities used to develop an oil field fall within the scope of Ind AS 16, as these assets cannot be considered as exploration and evaluation assets, and that the ICAI Guidance Note supplements, rather than replaces, the principles in Ind AS.

EAC opinion

The EAC noted that the assets had been properly installed before the damage. Therefore, the reinstatement expenditure represented expenditure 'subsequent to' the installation of assets rather than expenditure incurred to complete an unfinished construction or development activity.

Furthermore, referring to paragraphs 7, 10, 15-17, and 22 of Ind AS 16, the EAC noted that the costs directly attributable to bringing an item of PPE to the location and condition necessary for it to be capable of operating in the manner intended by management should be capitalised, whereas abnormal costs must be excluded. While Ind AS 16 does not define 'abnormal costs', the EAC stated that it may be understood as costs that are not inherent in construction or development activities and would not be incurred in the normal course of construction/development. Determining whether costs are abnormal requires judgement based on the specific facts and circumstances, including the nature of the activities and the experience of the entity or similar entities in the industry.

The EAC opined that such reinstatement expenditure should be capitalised only to the extent that it satisfies the recognition and measurement principles of Ind AS 16, including the directly attributable cost criterion, and excludes abnormal costs.

The EAC also emphasised that the damage event may trigger an impairment under Ind AS 36 and, where the affected assets/components are no longer expected to generate future economic benefits, derecognition under paragraph 67 of Ind AS 16 should be considered.

Further, the expected insurance proceeds should be recognised in the statement of profit and loss when they become receivable and should not be adjusted against the cost of the related assets as per the requirements of paragraphs 65 and 66 of Ind AS 16.



[Click here for the EAC opinion](#)



9. EAC opinion on recognition of restoration obligation under a service concession arrangement

Facts of the case

Based on the facts of the case, a special purpose vehicle (SPV) entered into a long-term Service Concession Arrangement (SCA) with the Ministry of Railways (MoR) for executing a railway gauge conversion project. Commercial operations of the project commenced on 8 March 2012, with a 30-year concession period or until the SPV achieves a 14% net present value payback on its equity investment, whichever is earlier. Under this SCA, the SPV, at its own cost, is responsible for maintaining the project assets, including replacing assets at the end of their useful lives.

Applying Appendix D to Ind AS 115, the SPV recognised the concession assets as intangible assets and amortised them over the concession period.

The C&AG observed that the SPV had not provided for its restoration/resurfacing obligation and directed it to recognise a provision for the same.

Accounting followed by the Company

In FY 24-25, the SPV estimated the total restoration obligation over the remaining concession period at INR 14,200 lakh and recognised a provision of INR 1,045.25 lakh, representing the portion of the obligation accrued during the year, at its present value applying guidance in Ind AS 115 and Ind AS 37, Provisions, Contingent Liabilities and Contingent Assets (Ind AS 37). This treatment ensured an alignment between asset consumption and liability accrual.

The C&AG contended that the entire estimated amount of INR 14,200 lakh should have been provided for in FY 2024-25 itself; therefore, the SPV understated the provision amount.

Query to EAC

The Company sought the opinion of the EAC on:

- A. Whether progressive recognition of the restoration obligation, including a systematic charge to profit or loss and finance cost, is appropriate under Ind AS, or the entire estimated obligation should instead be recognised upfront in the statement of profit or loss?

Technical literature referred to by EAC

The EAC referred to various Paragraphs of Appendix D to Ind AS 115, including Paragraph 21, which provided guidance on contractual obligations to maintain or restore infrastructure under a service concession arrangement. It also considered the recognition criteria,

best-estimate and present-value requirements in Ind AS 37, and the illustrative example in IFRIC 12 regarding resurfacing obligations.

EAC opinion

Referring to guidance in Paragraphs 12, 13, and 21 of Appendix D to Ind AS 115, the EAC noted that contractual obligations to maintain or restore infrastructure to a specified level of serviceability (excluding any upgrade element) must be recognised and measured in accordance with Ind AS 37, i.e., at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Since the SPV will not be separately reimbursed for the restoration activities, and these do not involve any upgrade element, the obligation is therefore accounted for under Ind AS 37.

The EAC opined that the restoration obligation arises progressively as the project assets are used during the operating phase. Accordingly, since the best estimate of expenditure required to settle the obligation at any date is proportional to the use of the project assets by that date and which will increase proportionately by each passing year, the provision to be recognised (at the present value) should be increased in annual increments by charging to profit or loss over the useful life of the respective project assets till their expected date of replacement/restoration.

Accordingly, the EAC agreed with the SPV's in-principle approach of building and recognising the provision progressively over the concession period, rather than recognising the entire estimated amount upfront at the end of the reporting period, as required under Ind AS 37.



[Click here for the EAC opinion.](#)





B. Auditing updates

1. ICAI issues 2026 edition – “Guidance Note on Tax Audit”

The Direct Tax Committee of the ICAI has issued the Revised [2026] edition of the “Guidance Note on Tax Audit under Section 44AB of the Income-tax Act, 1961” (the Guidance Note 2026), which includes minor updates in the guidance on account of the Digital Personal Data Protection Act, 2023, clarification on “turnover” for virtual digital assets (VDAs) and carbon credits, relevant judicial pronouncements and prevailing professional practices.

Further, the ICAI has also incorporated specific instances of irregularities, deficiencies, and common errors identified by the Tax Audit Quality Review Board (TAQRB) during its review of tax audit reports (TAQRB observations) under the relevant clauses of the Guidance Note 2026. The TAQRB observations were also comprehensively covered by the ICAI in its separate publication, titled “Study on Compliances in Reporting in Tax Audit Report,” issued in June 2022 ([click here](#)).



Click here for the guidance note.

2. ICAI publishes manual on concurrent audit of banks

The ICAI has published a manual on concurrent audit of banks (sixth edition), issued in June 2026. It serves as guidance material for concurrent auditors and reflects the Reserve Bank of India’s (RBI’s) revised concurrent audit framework and regulatory developments issued up to late 2025.

The manual has been revised to address the changing banking environment driven by digitalisation, fintech partnerships, real-time payment systems, and heightened cybersecurity risks. The guidance seeks to equip concurrent auditors with a practical, risk-based, and technology-enabled framework for conducting continuous assurance over banking operations. Concurrent auditors are expected to perform independent and timely reviews of transactions, assess compliance with the RBI’s regulations and bank policies, evaluate the effectiveness of internal controls and technology systems, identify fraud risks, and maintain robust documentation and reporting practices. As a result, audit firms will need to enhance their capabilities in areas such as digital banking, payments, cybersecurity, treasury operations, and data analytics, with greater emphasis on automated controls, real-time monitoring, fraud prevention, and regulatory compliance.



Click here for the manual on concurrent audit of banks

3. ICAI publications on transfer pricing

The International Taxation Committee of the ICAI has recently released the following publications:

A. ICAI Guidance Note on Report under Section 92E of the Income Tax Act, 1961 (Transfer Pricing) – tenth edition:

The ICAI has released the tenth edition of the ‘Guidance Note on Report under Section 92E of the Income Tax Act, 1961’, updating guidance for accountants responsible for certifying transfer pricing reports in Form 3CEB. The Guidance Note reiterates the responsibilities of both enterprises and accountants and provides comprehensive guidance on key transfer pricing concepts, including associated enterprises, international transactions, specified domestic transactions, the determination of the arm’s length price, documentation review requirements, and the due diligence expected when issuing Form 3CEB.

B. ICAI Handbook on year-end transfer pricing compliance checklists:

The ICAI has released the ‘Handbook on Year-End Transfer Pricing Compliance Checklists’, providing a practical and comprehensive guide to year-end transfer pricing compliance requirements.

The handbook serves as a ready reference for taxpayers and professionals by consolidating key compliance obligations into a year-end transfer pricing compliance calendar. The publication also covers critical transfer pricing compliance areas, including reporting requirements under Form 3CEB, preparation and review of transfer pricing study reports, master file documentation obligations, and Country-by-Country Reporting (CbCR) requirements.

Both publications incorporate amendments introduced up to the Finance Act, 2026, and are based on the provisions of the Income-tax Act, 1961. They do not address the transfer pricing provisions of the Income-tax Act, 2025, which are effective from 1 April 2026 and apply from tax year 2026-27 onwards.



Click [here](#) for the guidance note and [here](#) for the handbook as released by the ICAI.

4. NFRA Staff Series on Technology in Audit - 'General Principles for Technology Adoption in Audit'

The National Financial Reporting Authority (NFRA) has issued a principles-based guidance document, outlining expectations for the adoption, governance, and oversight of emerging technologies, including data analytics, automated tools and techniques (ATTs), generative artificial intelligence (GenAI), and agentic artificial intelligence (Agentic AI), in the statutory audits of public interest entities.

The guidance aims to reinforce that existing auditing, quality management, and ethical requirements remain fully applicable when technology is used in audits. It seeks to ensure that audit opinions continue to be supported by sufficient appropriate audit evidence, exercised professional judgement and effective quality management systems that appropriately address technology-related risks.

The publication was issued in July 2026 as the first NFRA Staff Series on Technology in Audit. The document is educational and awareness-oriented in nature and does not itself create new auditing requirements or mandatory effective dates. Existing obligations under auditing, quality management, and ethical standards continue to apply.

The NFRA sets out 10 core principles governing technology adoption in audits:

A. Technology neutrality and principles-based application

The standards on auditing have always been technology-neutral; expectations are outcome-based, focusing on the sufficiency and appropriateness of audit evidence, the quality of risk assessment, and the integrity of the audit opinion, without prescribing the technology used. The document neither mandates nor prohibits any specific tool, vendor, or technique, and the use of a tool cannot be treated as a substitute for meeting the requirements of the underlying standards.

B. Non-delegable auditor responsibility

The responsibility for the audit opinion remains with the auditor, irrespective of the sophistication of the tools used. Technology may inform and accelerate professional judgement but cannot substitute for it or be invoked to explain away an inappropriate conclusion, and the opinion belongs to an identified auditor, not to any tool.

C. Audit evidence standards apply regardless of source

Output from an automated tool can be considered audit evidence, or an input to it, only once its relevance and reliability have been evaluated in the same manner as any other source, and there is no separate, lower evidentiary bar for technology-generated information.



D. Professional skepticism must be actively preserved

Fluent, well-presented machine output invites automation bias; engagement teams and reviewers must consciously counter this, as technology cannot exercise professional skepticism on the auditor's behalf.

E. Risk-based, proportionate governance

Validation, certification, and review requirements should be applied in proportion to the risk a tool poses to audit quality, rather than uniformly, since treating a translation aid and an agentic sampling-and-testing tool identically may overburden low-risk tools or under-scrutinise high-risk ones.

F. Explainability commensurate with materiality

The extent of explainability and documentation of a tool's output must be proportionate to the extent to which that output is material to the audit opinion, in line with the existing requirements on reliability and documentation. A high-risk tool does not automatically produce a material output, and a low-risk tool is not exempt from this principle merely because it is subject to lower governance requirements as per the firm's quality control policies.

G. Governance needs to precede deployment

Tools must be validated and approved under firm policies before use on a live engagement and not evaluated retrospectively. The firm must ensure the tool operates as designed and achieves its intended purpose, and that material changes, such as model updates, new data sources, or a vendor change, trigger revalidation requirements. Validation before implementation cannot be the basis for continued reliability.

H. Data stewardship and privacy

Client and personal data processed by or through any tool must be protected in a manner consistent with the firm's confidentiality obligations under relevant ethical principles, the Digital Personal Data Protection Act, 2023, and other applicable sectoral requirements. A firm cannot rely on a vendor's terms of service without validation, or on a tool's convenience, as a substitute for its own responsibility.

I. Transparency

Where the use of technology is material to the audit approach, the auditor must be able to explain such use in accordance with obligations to explain the audit strategy and approach to those charged with governance.

J. Continuous monitoring, not one-time approval

Given the adaptive and non-deterministic nature of outputs and the pace of change in underlying technologies, auditors must monitor performance throughout the tool's working life and re-approve as warranted, rather than relying indefinitely on an initial approval.



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

5. NFRA auditor-audit committee interaction series – “Dealing with Going Concern Assessment – SA 570 (Revised)”

On 30 September 2026, the NFRA issued the sixth publication in its auditor-audit committee interaction series, titled 'Dealing with Going Concern Assessment - SA 570 (Revised)'. The publication is intended to facilitate interaction between statutory auditors and audit committees in going concern assessment and audit reporting outcomes in various situations.

The publication explains that management is responsible for assessing the entity's ability to continue as a going concern and, under Ind AS 1, must consider all available information about the future for at least 12 months from the end of the reporting period and should disclose material uncertainties, if any. Also, the board of directors confirms the use of the going concern basis in the Directors' Responsibility Statement, as required under the Act, while the audit committee reviews the appropriateness of that assessment. The statutory auditor's role under SA 570 (Revised), Going Concern [SA 570 (Revised)], is to evaluate the management's assessment, obtain sufficient appropriate audit evidence, and conclude whether a material uncertainty exists. The auditor is not responsible for rectifying a lack of preparation of the management's analysis.



The NFRA summarises the principal reporting outcomes under SA 570 (Revised) as follows:

Situation	Reporting outcome
No events or conditions casting significant doubt are identified.	Unmodified opinion.
Events or conditions are identified, but no material uncertainty exists. Financial statements provide adequate disclosure about those events or conditions.	Unmodified opinion. No requirement of a Material Uncertainty Related to Going Concern (MURGC) section in the report.
Going concern basis is appropriate, but material uncertainty exists. Financial statements adequately disclose the: a) the events / conditions and management's plans and b) that a material uncertainty exists that the entity may be unable to realise its assets and discharge its liabilities in the normal course of business.	Unmodified opinion with a separate MURGC section in the report.
Going concern basis is appropriate, but material uncertainty exists. Financial statements do not contain adequate disclosures.	Qualified opinion where effects are material but not pervasive. Adverse opinion where effects are material and pervasive. In rare cases involving multiple uncertainties, a disclaimer opinion may be considered.
Going concern basis has been used, but its use is inappropriate (the financial statement disclosure is not relevant).	Adverse opinion.
Going concern basis is inappropriate, but another acceptable basis has been used. Financial statements adequately disclose the basis used.	Unmodified opinion with an emphasis of matter paragraph.

The publication also distinguishes the assessment under SA 570 (Revised) from reporting under Clause 3(xix) of Companies (Auditor's Report) Order, 2020 (CARO 2020). Clause 3(xix) focuses on the Company's capability to meet liabilities existing at the balance-sheet date, as they fall due within one year, whereas SA 570 (Revised) requires a broader going concern assessment. Accordingly, the conclusions under the two requirements may differ, and the auditor may expect the audit committee to question these differing responses.

In addition, it provides a list of potential questions that audit committees may raise with statutory auditors regarding the going concern assessment and related audit conclusions.

 [Click here for the publication from NFRA.](#)



C. Regulatory updates

RBI updates

1. RBI issues governance directions for regulated entities

On 14 July 2026, the RBI issued amendment directions for governance frameworks applicable to commercial banks, small finance banks, payments banks, and local area banks. The amendments rationalise the extensive requirements set out in various RBI directions and circulars regarding matters that must be placed before the board, enabling boards to devote greater attention to strategy, risk governance, and long-term oversight rather than to routine operational approvals. The amendments establish a harmonised framework that identifies matters requiring board approval, review, information, or reporting, as well as those that may be delegated to board committees.

The directions have taken effect on 1 October 2026.

Key amendments

A. Introduction of a principle-based board governance framework

The directions replace numerous dispersed requirements across the RBI's circulars with a consolidated governance framework. New provisions specify that board matters shall be determined through three structured categories: (i) Policies requiring board approval, (ii) Matters requiring Board approval, review, or information, and (iii) Matters that can be delegated. Boards retain ultimate responsibility for strategy, governance, risk management, compliance oversight, and key personnel decisions, while permitted to delegate specified responsibilities to board and management committees.

B. Consolidation of board policy approval requirements

Instead of requiring separate board approvals under multiple individual circulars and directions, the RBI has consolidated policy approval requirements into a unified schedule (Appendix I). The schedule categorises board-approved policies covering credit, investment, risk management, outsourcing, IT, digital banking, customer conduct, branch authorisation, deposits, auditor appointment, fit-and-proper assessment of shareholders, compensation, compliance, whistleblower framework, Know Your Customer (KYC) and interest rate policies. Similar policy themes across different regulations are now grouped under common policy heads to reduce duplication.

C. Expanded delegation to board committees

A significant change is the explicit identification of matters that may be delegated to board committees. Reviews of board-approved policies can be delegated, with boards required to approve only material amendments. Certain operational, customer service, outsourcing, interest rate, branch expansion, business correspondent, cyber security, audit, compliance, and risk management activities can now be handled through designated board committees, such as the audit committee, risk management committee, asset liability committee, customer service committee, and other board committees, thereby reducing the volume of matters requiring full board consideration.

D. Rationalisation of approval, review, and reporting requirements

The amendments introduce comprehensive appendices identifying matters that require board approval, board review or board information/reporting. These include capital-raising decisions, share acquisitions, dividend declarations, voluntary amalgamations, the appointment of key managerial personnel, the internal capital adequacy assessment process (ICAAP), capital planning, customer service reporting, fraud reviews, operational resilience reporting, compliance risk reporting, shareholder fit-and-proper assessments, and outsourcing oversight. Multiple repetitive board reporting requirements existing across separate directions have been consolidated into common subject-based requirements.

E. Strengthened expectations on board functioning

The amendments formally require boards to define matters reserved for board consideration, determine the nature and frequency of management information, periodically review delegated authorities, and assess the adequacy and timeliness of agenda papers. The chairperson is assigned primary responsibility for agenda setting, while boards are expected to focus on strategic and risk-related deliberations.



F. Entity-specific enhancements

While the overall framework is common, certain bank categories have additional requirements reflecting their business models:

- **Commercial banks and small finance banks** are required to include governance requirements relating to the ICAAP, capital planning, stress testing, concentration risk monitoring, climate finance and green deposits, overseas business activities, and additional prudential capital matters.
- **Payments banks** are required to incorporate governance requirements for digital payment products, payment operations, prepaid payment instruments, liquidity risk reporting, and chief risk officer oversight.
- **Local-area banks** are required to focus on a relatively streamlined governance framework aligned with their narrower banking operations while adopting the same board rationalisation principles.

Click below for the RBI's direction on:



[Click here to access the amendment directions for commercial banks](#)



[Click here to access the amendment directions for small finance banks](#)



[Click here to access the amendment directions for payments banks](#)



[Click here to access the amendment directions for local-area banks](#)

2. RBI issues prudential framework and income recognition requirements for specified non-financial assets

The RBI, through the Resolution of Stressed Assets (Third Amendment) Directions, 2026, and the corresponding Income Recognition, Asset Classification and Provisioning (IRACP) Second Amendment Directions, 2026 (IRACP Amendment Directions), both issued on 16 July 2026, has introduced a comprehensive prudential and accounting framework for Specified Non-Financial Assets (SNFAs) acquired by banks in satisfaction of borrower dues.

These Directions have come into effect from 1 October 2026.

Key updates - Resolution of Stressed Assets (Third Amendment) Directions, 2026

- **New concept of SNFA introduced** - A 'specified non-financial asset' is defined as an immovable asset acquired by a bank in satisfaction or part satisfaction of its claims on the borrower, including non-banking assets acquired in terms of the relevant provisions of the Banking Regulation Act, 1949.
- **Board-approved policy required** — A bank's policy is required to incorporate suitable clauses for acquisition and disposal of SNFAs, specifying, among other things, the limit on SNFAs as a share of total assets, eligibility criteria, delegation matrix, recovery efforts to be explored before acquisition, and the maximum period for disposal, which shall not exceed seven years.
- **New chapter on prudential norms** — A new chapter on prudential norms for SNFAs has been inserted, covering all SNFAs, including those acquired through bilateral acquisitions or through the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act, 2002).
- **Acquisition of an asset** - An SNFA is deemed to have been acquired only if the title to the asset is transferred into the bank's name and the bank is in a clear position to deal with the asset on its own. An SNFA may be acquired only in cases where the bank's exposure to the borrower is classified as non-performing.
- **Partial extinguishment treated as restructuring** - An SNFA may be acquired from the borrower in exchange for full or partial extinguishment of the bank's exposure, on a non-recourse basis. Where the exposure is only partially extinguished, the transaction is to be treated as a restructuring, and the residual exposure to the borrower is subject to the prudential treatment applicable to restructuring under these Directions.
- **Disposal of SNFAs** - Disposal is required within a maximum period of 7 years, in accordance with public auction principles under the SARFAESI Act, 2002. Further, the sale of an SNFA back to the borrower or to related parties is prohibited.
- **SNFA put to a bank's own use** - A SNFA put to the bank's own use will cease to be classified as an SNFA from the date of being put to use and will be recorded under the accounting head 'Fixed assets', or under any other relevant accounting head.

- **Transition requirements** - In respect of any SNFA outstanding in a bank's books as on 30 September 2026, compliance with these Directions is to be achieved no later than 30 September 2027.
- **Disclosure requirements** - SNFAs will not be included in the total stock of residual exposure/gross non-performing assets (NPA)/net NPA/stressed exposures/provisioning coverage ratio. The same shall be disclosed under the relevant accounting head in the balance sheet of the bank as 'non-banking assets acquired in satisfaction of claims'.

Key updates — IRACP (Second Amendment) Directions, 2026

- **New income recognition section for SNFAs** – A new section on income recognition in the case of acquisition of SNFAs has been inserted in the chapter on income recognition.
- **Pre-acquisition accrued but unrealised income not to be recognised** – Any accrued but unrealised interest and/or charges from the extinguished exposure pertaining to the periods prior to acquisition of an SNFA will not be recognised as income upon the acquisition of the SNFA.
- **Reversal of amounts already recognised** – Where such income has been recognised in respect of any SNFA outstanding in the books of a bank as on 30 September 2026, it is to be reversed through the profit and loss account, latest by 30 September 2027, to the extent remaining unrealised as on that date.
- **Classification and timing of income from SNFAs** – Any income received from an SNFA is to be recognised in the income statement as 'non-interest/other income' in the financial year in which it is realised.
- **Upkeep expenses** – Any expense incurred towards the upkeep of an SNFA is to be accounted for in the income statement in the financial year in which it is incurred.

Similar amendments have also been introduced for other RBI-regulated entities.



Click below for amendment directions on the IRACP:

- [Click here to access the amendment directions for commercial banks](#)
- [Click here to access the amendment directions for small finance banks](#)
- [Click here to access the amendment directions for NBFCs](#)
- [Click here to access the amendment directions for All India Financial Institutions](#)
- [Click here to access the amendment directions for urban cooperative banks](#)
- [Click here to access the amendment directions for rural cooperative banks](#)
- [Click here to access the amendment directions for regional rural banks](#)
- [Click here to access the amendment directions for local area banks](#)

Click below for amendment directions on the resolution of stressed assets for:

- [Click here to access the amendment directions for commercial banks](#)
- [Click here to access the amendment directions for small finance banks](#)
- [Click here to access the amendment directions for NBFCs](#)
- [Click here to access the amendment directions for All India Financial Institutions](#)
- [Click here to access the amendment directions for urban cooperative banks](#)
- [Click here to access the amendment directions for rural cooperative banks](#)
- [Click here to access the amendment directions for regional rural banks](#)
- [Click here to access the amendment directions for local area banks](#)



3. RBI issues statutory audit directions for regulated entities

The RBI issued a comprehensive and harmonised statutory audit framework for regulated entities. The Directions consolidate multiple existing circulars, guidelines, and instructions into a single regulatory framework covering auditor appointment, eligibility, independence, governance oversight, audit coverage, and Long Form Audit Report (LFAR) requirements.

The RBI issued separate Directions for commercial banks, NBFCs, small finance banks, payments banks, and cooperative banking entities, which are intended to strengthen audit quality, auditor independence, governance oversight, and the consistency of statutory audits across regulated entities.

The Directions came into effect from 31 July 2026.

 [Click here to access the RBI's direction for commercial banks](#)

 [Click here to access the RBI's direction for small finance banks](#)

 [Click here to access the RBI's direction for payments banks](#)

 [Click here to access the RBI's direction for urban cooperative banks](#)

 [Click here to access the RBI's direction for local area banks](#)

 [Click here to access the RBI's direction for rural cooperative banks](#)

 [Click here to access the RBI's direction for NBFCs](#)

4. RBI issues concurrent audit directions for regulated entities

On 31 July 2026, the RBI issued the Concurrent Audit Directions, 2026, separately for commercial banks, small finance banks, payments banks, urban cooperative banks, and local-area banks to establish a harmonised and strengthened concurrent audit framework for regulated entities. The Directions recognise concurrent audit as an important early-warning mechanism for identifying errors, irregularities, fraud and control weaknesses on a near-real-time basis.

The new framework consolidates existing instructions and prescribes governance standards, risk-based coverage, auditor appointment norms, reporting mechanisms, and accountability requirements.

The Directions are effective from 31 July 2026.

Key highlights of the Directions are as follows:

- The detailed scope of the concurrent audit is to be determined and approved by the Audit Committee of the Board (ACB), or the local management in the case of foreign banks. The ACB/local management is also required to decide the maximum tenure of external concurrent auditors and the remuneration payable to them.
- The ACB/local management is required to review the effectiveness of the concurrent audit system and the performance of the concurrent auditors annually and take necessary measures.
- The head of internal audit may, at their discretion, with the prior approval of the ACB or the local management, determine the scope of work to be entrusted to concurrent auditors, including the coverage of business activities and branches.
- Concurrent audit is required to cover specified risk-sensitive areas, including cash transactions, loans and advances, KYC/Anti-Money Laundering (AML) guidelines, including the monitoring of transactions in accounts, compliance with the Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS), monitoring of transactions in new accounts/staff accounts, and reporting of the Cash Transaction Report (CTR)/Suspicious Transaction Report (STR), treasury operations, foreign exchange transactions, credit card and debit card business, employee conduct, mis-selling of products, and compliance with the RBI's directions.
- All centralised processing centers, including those handling business origination and monitoring functions, must be covered by the concurrent audit.
- The Directions clarify that where external auditors are engaged, a chartered accountant partner who is a director on the bank's board cannot be appointed as a concurrent auditor.
- The tenure of external concurrent auditors is capped at five years, and the tenure at a given branch/business unit is capped at three years.
- The remuneration of external concurrent auditors is to be governed by the policy decided by the ACB/local management.
- The Directions establish reporting protocols for irregularities and fraud detected during concurrent audit.



Click here to access the RBI's directions for commercial banks



Click here to access the RBI's directions for small finance banks



Click here to access the RBI's directions for payments banks



Click here to access the RBI's directions for urban cooperative banks



Click here to access the RBI's directions for local area banks

A significant new requirement is the filing of the DNBS10 Statutory Auditor's Certificate (SAC) Return directly with the RBI through the CIMS portal within five working days of signing the auditor's report, but not later than 31 December. Earlier, the SAC was to be submitted to the regional office of the Department of Non-Banking Supervision under whose jurisdiction the non-banking financial company is registered, within one month of the finalisation of the balance sheet and not later than 30 December every year.

This direction came into force with immediate effect from 31 July 2026.



Click here for the RBI's directions

5. RBI (Non-Banking Financial Companies – Auditor's Report) Directions, 2026

The RBI issued the RBI (NBFCs – Auditor's Report) Directions, 2026 (2026 Directions), under Section 45MA of the RBI Act, superseding the NBFCs Auditor's Report (Reserve Bank) Directions, 2016.

The 2026 Directions consolidate various developments in the NBFC regulatory framework over the past decade, including changes arising from the Scale-Based Regulation (SBR) framework, revised registration requirements, prudential norms, and the RBI's enhanced supervisory reporting architecture. While many existing auditor reporting obligations have been retained, the 2026 Directions introduce certain new compliance and reporting responsibilities and align the auditor reporting framework with the current NBFC regulatory landscape. The Directions apply to every auditor of every NBFC, excluding housing finance companies (HFCs), which continue to be governed by the separate HFC framework. The requirements apply to auditors of both deposit-taking and non-deposit-taking NBFCs.

The 2026 Directions integrate auditor reporting requirements with the RBI's current supervisory reporting architecture, including returns filed through the Centralised Information Management System (CIMS).

6. RBI amends pillar 3 disclosure requirements and financial statements presentation and disclosure directions to align with Pillar 3 amendments

RBI has issued the Reserve Bank of India (Commercial Banks – Prudential Norms on Capital Adequacy) Seventh Amendment Directions, 2026 dated 30 July 2026 (Amendment Directions). It amends the Pillar 3 Disclosure Requirements in the Reserve Bank of India (Commercial Banks – Prudential Norms on Capital Adequacy) Directions, 2025. The amendments are aimed at enhancing alignment with Basel Pillar 3 disclosure standards.

Following are the key amendments introduced

Revised disclosure framework – The existing Pillar 3 disclosure requirements annex is replaced with a revised framework closer to Basel standards. It includes revised Basel-aligned disclosure tables and templates.

Clarification on scope and applicability of Pillar 3 disclosures – RBI has clarified that Pillar 3 disclosures applies at the top consolidated level of the banking group to which the capital adequacy framework applies. Where a bank is not the top consolidated entity in its group, the disclosures are to be made on a standalone basis and are required to be made by all banks, including those that are unlisted and not otherwise required to publish financial results or financial statements.



Assurance over Pillar 3 data – Pillar 3 information is to be subjected to the same internal review and internal control processes as information provided for other financial reporting.

Board-approved disclosure policy – Banks are required to have a formal Pillar 3 disclosure policy approved by the Board of Directors, setting out the internal controls and procedures for disclosure.

Guiding principles – Pillar 3 disclosures to follow five principles:

- clarity
- comprehensiveness
- meaningfulness
- consistency over time
- comparability across banks and jurisdictions

Banks are also required explain significant developments, emerging risks, and changes in their risk profiles, in addition to the quantitative disclosure.

Proprietary and confidential information – In exceptional cases, a bank may withhold specific items whose disclosure would reveal proprietary or confidential information. Instead, banks should disclose more general information on the subject matter and explain in the narrative commentary that the items have not been disclosed and why.

Standalone report and dedicated website section – The Pillar 3 report would be published as a standalone document. Banks are required to maintain a dedicated “Regulatory Disclosure Section” on their websites, with a prominent direct link from the homepage. Moreover, bank will be required to retain an archive of Pillar 3 reports for a minimum period of five years.

Disclosure publication timelines –

- **Reporting periods ending up to 31 March 2029:** Disclosures may be published within seven working days after the corresponding financial statements.
- **From the financial year beginning 1 April 2029:** Disclosures must be published at the same time as the financial reports.
- **Periods with no financial report:** Where a bank is not required to publish a financial report for a particular reporting period, disclosures should be made within the time allowed for the bank's regular financial reporting period ends. However, until 31 March 2029, an additional seven days may be added to such period.

Effective date and phased implementation –

The revised framework will be effective from 01 April 2027, in phases:

- Quarterly disclosures: from the quarter ending 30 June 2027
- Half-yearly disclosures: from the half-year ending 30 September 2027
- Annual disclosures: from the year ending 31 March 2028.



[Click here to access amendment directions.](#)

Consequent to the issuance of the aforementioned amendment directions, pertaining to Basel Pillar 3 disclosures, RBI issued amendment directions on 30 July 2026 for commercial banks, small finance banks, and payments banks (regulated entities) to align financial statement disclosure requirements with the revised Basel Pillar 3 disclosure framework introduced through recent capital adequacy amendments directions. The amendments remove certain disclosure requirements from RBI (Financial Statements – Presentation and Disclosures) Directions, 2021 (Direction 2021), as the same information will now be disclosed under Pillar 3 disclosure requirements framework.

These amendments will be effective from 1 April 2027.

The following are the key amendments introduced -

- Omission of remuneration disclosures from financial statement disclosure requirements** - The requirement for regulated entities to provide remuneration-related disclosures under the respective Direction 2021 has been omitted to avoid overlap with disclosures prescribed under revised supervisory and Pillar 3 frameworks.
- Omission of Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) disclosures** - Commercial banks and small finance banks are no longer required to provide disclosures relating to LCR and NSFR under the Direction 2021. Previously, these liquidity disclosures formed part of the financial statement disclosure framework. Such disclosures will be governed through the revised Basel Pillar 3 framework introduced under the related capital adequacy amendment directions.



[Click here to access the RBI's directions for commercial banks](#)



[Click here to access the RBI's directions for small finance banks](#)



[Click here to access the RBI's directions for payments banks](#)



7. RBI amends concentration risk framework to extend large exposure limits applicable to NBFC-IFCs to upper-layer IDF NBFCs

On 25 August 2026, the RBI issued the RBI (Non-Banking Financial Companies – Concentration Risk Management) Fourth Amendment Directions, 2026, to amend its concentration risk management framework for the Infrastructure Debt Fund - Non-Banking Financial Companies (IDF-NBFCs) classified under the upper layer. Under the revised directions, the IDF-NBFCs will now be subject to the same large exposure limits that apply to the NBFC-Infrastructure Finance Companies (NBFC-IFCs) as follows:

- **Single counterparty:** 25% of the eligible capital base, with an additional 5% permitted, subject to the NBFC's Board approval.
- **Group of connected counterparties:** 45% of the eligible capital base.

The amendment aims to strengthen concentration risk management and ensure a more consistent regulatory framework for infrastructure-focused lenders. Large exposure norms are intended to prevent financial institutions from becoming excessively dependent on individual borrowers or groups. A large default can have a disproportionate impact on a lender when a significant portion of the loan book is concentrated in a single location. Such norms prescribe the maximum exposure a lender may have to a single borrower or a group of connected borrowers, thereby limiting the risks arising from excessive credit concentration.

The amendments came into force with immediate effect from 25 August 2026.



[Click here for the RBI's notification on amended directions](#)

8. RBI issues norms on market risk capital requirements for commercial banks

On 21 September 2026, the RBI issued the RBI (Commercial Banks - Minimum Capital Requirements for Market Risk) Directions, 2026 (Directions), introducing a revised and comprehensive framework for computing market risk capital requirements for commercial banks. The revised framework aligns with international 'Basel standards' and introduces a simplified, more risk-sensitive methodology for determining capital requirements for trading activities and foreign exchange

exposures. The new framework replaces the existing market risk capital provisions contained in the RBI (Commercial Banks - Prudential Norms on Capital Adequacy) Directions, 2025.

Key changes include:

A. Boundary between the banking book and the trading book

The Directions clarify the distinction between the banking book and trading book, restrict transfers between the two to prevent capital arbitrage, and prescribe specific conditions for the recognition of internal risk transfers. Banks are also required to maintain additional capital where reclassifications reduce overall capital requirements.

B. New Simplified Standardised Approach (SSA) for market risk

The RBI has introduced an SSA for computing risk-weighted assets for market risk. The capital requirement arising from the SSA is the capital requirement arising from each of the three risk classes, namely interest rate (IR) risk, equity (EQ) risk, and foreign exchange (FX) risk, which are aggregated by applying specified scaling factors.

C. Revised foreign-exchange risk framework

The Directions revise the methodology for determining the net open foreign-exchange position to calculate the capital requirement for foreign-exchange risk. Banks are now permitted to exclude certain structural foreign-currency exposures from foreign exchange risk calculations, subject to compliance with specified conditions and supervisory oversight.

The Directions also explicitly require the inclusion of both the banking book and trading book foreign currency exposures, clarify the treatment of overseas operations, derivatives, gold positions and foreign currency options, and prescribe a detailed methodology for calculating overall foreign exchange risk using the shorthand approach.

D. Enhanced Pillar 3 disclosures

Banks are required to provide enhanced regulatory disclosures relating to market risk management, capital requirements and risk governance under the Basel III Pillar 3 disclosure framework to provide greater transparency on banks' market risk exposures and the capital maintained against such risks. The Directions will take effect on 1 April 2027.



[Click here for RBI Directions](#)

9. RBI prescribes valuation framework for investments in securities/units of InvITs and REITs held by banks

On 22 September 2026, the RBI issued the RBI [Commercial Banks - Classification, Valuation, and Operation of Investment Portfolio] Third Amendment Directions, 2026, to ensure clarity and uniform practices in the valuation of the units of Infrastructure Investment Trust (InvITs) and Real Estate Investment Trusts (REITs) held by commercial banks.

Accordingly, Chapter IX: Fair Value of investments of the RBI [Commercial Banks - Classification, Valuation, and Operation of Investment Portfolio] Directions, 2025 [Directions], has been amended to include valuation-specific methodology for InvITs or REITs securities/units as follows:

Instrument	Valuation methodology
Quoted securities/units of InvITs and REITs	Prices published by Financial Benchmarks India Private Limited (FBIL). If FBIL price not available, then fair value based on quotations on stock exchanges, authorised platforms, or Fixed Income Money Market and Derivatives Association of India (FIMMDA) price.
Unquoted units of InvITs and REITs	Net Asset Value (NAV) disclosed by the respective InvITs/REITs. If the NAV is not disclosed by InvITs/REITs, it is to be valued at INR 1 per unit.
Other unquoted instruments issued by InvITs and REITs	Valuation methodology applicable to respective class of instrument as prescribed under Chapter IX of the Directions

Similar amendment directions have been issued for all India financial institutions, payments banks, small finance banks and local area banks on the valuation of investments in units or securities of InvITs and REITs held by these banks.

The amendments are effective from 22 September 2026.



[Click here for amended directions for commercial banks](#)



[Click here for amended directions for All India Financial Institutions](#)



[Click here for amended directions for payment banks](#)



[Click here for amended directions for small finance banks](#)



[Click here for amended directions for local area banks](#)





10. RBI reduces timelines for realisation and repatriation of export proceeds

The RBI, on 22 September 2026, issued the Foreign Exchange Management (Export and Import of Goods and Services) (Amendment) Regulations, 2026, introducing certain amendments in the Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2026 (Directions).

Key amendments:

A. Reduction in export realisation period

Regulation 5(1) of the Directions has been amended to reduce the period within which export proceeds must be realised and repatriated:

Particulars	Earlier time period	Revised time period
Export of goods/ services (Other than goods exported to a warehouse outside India)	15 months from the date of shipment (goods) or date of invoice (services)	9 months from the date of shipment (goods) or date of invoice (services)
Goods exported to a warehouse outside India	15 months from the date of sale of goods from the overseas warehouse	9 months from the date of sale of goods from the overseas warehouse
Exports invoiced and/or settled in Indian rupees (INR)	18 months	12 months

B. Grandfathering of exporters already in RBI's 'Caution List'

A new proviso has been added to Regulation 13, stating that the exporters appearing in the RBI's Caution List as of 30 September 2026, pursuant to the orders issued by the RBI under Regulation 16 of the Foreign Exchange Management (Export of Goods & Services) Regulations, 2015, shall continue to be governed by those orders until the exporter is removed from the Caution List.

C. Power to authorised dealers (ADs)

A new Regulation 20 provides that ADs will handle the export, import and merchanting trade transactions undertaken before 1 October 2026 that previously required the RBI's approval under the earlier export and import regulations and related Master Directions.

The amendments are effective from 1 October 2026.



[Click here for the amendment regulations](#)

11. RBI liberalises operational framework for foreign invested e-commerce entities

The Ministry of Finance (Department of Economic Affairs), through notification dated 2 September 2026, issued the Foreign Exchange Management (Non-debt Instruments) (Fourth Amendment) Rules, 2026, amending the Foreign Exchange Management (Non-debt Instruments) Rules, 2019.

Eligible foreign-invested e-commerce entities, previously restricted to operating only under the marketplace model, may now own inventory for the limited purpose of exporting through e-commerce.

The amendment inserts a new provision permitting e-commerce entities to undertake an inventory-based e-commerce model exclusively for the exports of goods manufactured or produced in India in accordance with the provisions of the Foreign Trade Policy 2023, read with the Handbook of Procedures (HBP) and the Foreign Exchange Management (Export of Goods & Services) Regulations, 2015. Furthermore, the amendment rules exempt these permitted e-commerce exports from existing restrictions on Business-to-Consumer (B2C) and inventory-based e-commerce models.

The amendment is effective from 3 September 2026.



[Click here to access the amended rules](#)

Source: Gazette Notification No. CG-DL-E-03092026-275964 dated 2 September 2026 from the Ministry of Finance: Department of Economic Affairs - Foreign Exchange Management (Non-debt Instruments) (Fourth Amendment) Rules, 2026.

SEBI updates

1. SEBI permits mutual funds to avail intraday borrowings

The Securities and Exchange Board of India (SEBI) amended Regulation 42 of the SEBI (Mutual Funds) Regulations, 2026, through the SEBI (Mutual Funds) (Amendment) Regulations, 2026 (effective 7 July 2026), to expressly permit intraday borrowing for addressing timing mismatches between scheme inflows and outflows. Subsequently, SEBI issued a circular on 10 July 2026, prescribing the operational framework, permissible purposes, governance requirements, borrowing limits and repayment conditions for such borrowings.

The circular is applicable to mutual funds, all asset management companies (AMCs), all trustee companies/boards of trustees of mutual funds, and the Association of Mutual Funds in India (AMFI), and has come into effect from 1 September 2026.

Key highlights of the circular are as follows:

A. Permitted purposes — Mutual funds may avail intraday borrowings for:

- All unitholder pay-outs, such as redemptions, Income Distribution cum Capital Withdrawal (IDCW) pay-outs, interest, etc.
- Pay-in with respect to the investments made by the scheme.
- Mark-to-Market (MTM) obligations and foreign exchange settlements.
- Repayment of existing borrowings.

B. Quantum of borrowing — The quantum of intraday borrowings shall be limited to:

- Guaranteed receivables, such as inflows from the RBI, clearing corporations, subscription inflows received in scheme bank accounts, etc.
- Non-guaranteed receivables sighted during the day, such as inflows from maturity proceeds and/or secondary market settlement from non-convertible debentures (NCDs), commercial papers, certificate of deposits, over-the-counter swaps, etc., to be received by the scheme by the end of the day.
- Intraday borrowing in addition to the above two categories may be availed by AMCs solely for the purpose of meeting redemption and other pay-outs to unitholders as specified under Regulation 42(1) of the SEBI (Mutual Funds) Regulations, 2026.

C. Repayment responsibility — AMCs are required to ensure that intraday borrowings are repaid by the end of the day, and that any intraday borrowings converted to overnight borrowings are within regulatory limits and for the purposes allowed under Regulation 42(1) of the SEBI (Mutual Funds) Regulations, 2026.

D. Policy and governance — The boards of the AMC and the trustees of a mutual fund should approve the policy for the use of the intraday borrowing facility; the policy shall be made available on the AMC's website and shall, inter alia, include approval processes, monitoring mechanisms, etc.

E. Records to be maintained — AMCs are required to maintain scheme-wise records detailing the underlying liquidity mismatch and the expected source of repayment for the intraday borrowing.

F. Allocation of cost - The cost of intraday borrowing, if any, will be borne by the AMC.



[Click here for the SEBI circular](#)





2. SEBI revises framework for faster launch of Alternative Investment Fund schemes

SEBI has notified the SEBI (Alternative Investment Funds) (Second Amendment) Regulations, 2026 (Amendment regulations) vide a notification dated 10 July 2026, to further amend the SEBI (Alternative Investment Funds) Regulations, 2012 (Principal regulations). The amendments relate principally to Regulation 12 and Regulation 19D of the Principal regulations to enable a faster launch of the Alternative Investment Funds (AIF) schemes and more efficient capital deployment.

The amendment regulations are effective from 14 July 2026.

Key updates issued are as follows:

- A. Scheme fees on launch of first scheme** - AIFs are exempted from the payment of scheme fees for the launch of their first scheme. For subsequent schemes, the fees prescribed under the Second Schedule continue to apply.
- B. Timeline for filing scheme documents** - The timeline for filing scheme documents with SEBI has been reduced from 30 days to 10 working days.
- C. Manner of filing** - The requirement to file scheme documents, along with the fees, has been dispensed with. AIFs are now required to submit only such documents as may be specified by SEBI, with scheme fees payable before the scheme's launch.
- D. SEBI comments and responsibility for compliance** - It is clarified that, after filing the prescribed documents, SEBI may communicate its comments (if any) to the merchant banker or the manager, and the merchant banker or manager is required to ensure compliance with such comments.
- E. Angel funds** - Regulation 19D(4), which required an angel fund to file its placement memorandum through a merchant banker, has been omitted. Accordingly, an angel fund may file it directly. Regulation 19D(5), which required the merchant banker to ensure that SEBI's comments were incorporated in the placement memorandum before its circulation to investors, has also been omitted.



[Click here for amendment regulations](#)



3. SEBI permits the add-back of major maintenance expenses in NDCF computation for InvITs

SEBI, vide its circular dated 14 August 2026, has amended the Net Distributable Cash Flows (NDCF) computation framework for the InvITs given under Chapter 3 of the Master Circular for the InvITs dated 11 July 2025, permitting the add-back of major maintenance expenses for road projects funded through external borrowings while calculating the NDCF at both the SPV/Holding Company (HoldCo) level and trust level. This change was introduced following the industry representations and recommendations of the Hybrid Securities Advisory Committee (HySAC).

SEBI has prescribed detailed conditions for allowing such add-backs, including:

- A. Applicable only to projects in the roads and bridges infrastructure sub-sector;
- B. Maintenance expenditure must relate to major maintenance obligations under concession agreements and not routine maintenance;
- C. Prior unitholder approval (minimum 60% votes cast in favour) shall be required for each project (whether held at InvIT level or at SPV/HoldCo level) with respect to which the investment manager proposes to raise the borrowing for major maintenance payments;
- D. Detailed disclosures must be provided in the explanatory statement to the notice for convening the unitholder meeting, regarding:
 - Projects/SPVs/HoldCos for which major maintenance debt is/will be raised.
 - Categories of expenses qualifying as major maintenance expenses.
 - Project-wise and year-wise estimated major maintenance expenditure.
 - Impact of major maintenance debt on future leverage capacity and growth, and on unitholder distributions before major maintenance and post-availability of major maintenance loan.
 - Alternative funding sources if major maintenance debt is unavailable and the resulting impact on future distributions.

- E. A statutory auditor's certificate shall be obtained, certifying that the expenditure qualifies as major maintenance and has been funded through external borrowings.
- F. Disclosure of the following shall be made as part of financial results and annual/half-yearly/quarterly reports, as applicable:
 - Separate disclosure of borrowings raised for major maintenance expenses in the net borrowing ratio, including the amount and percentage.
 - Notes to the NDCF statement shall disclose the aggregate amount of borrowings raised in the concerned period and aggregate amount of outstanding debt as on the date relating to major maintenance expenses for each project/SPV/HoldCo and the InvIT.
 - Debt maturity profiles to specifically identify borrowings taken for major maintenance expenses.

This change provides road-sector InvITs with greater flexibility to finance major maintenance activities without debt-funded major maintenance expenditure reducing the NDCF available for distribution.

This circular is in force with immediate effect from 14 August 2026.



[Click here for the SEBI circular](#)



IRDAI updates

1. IRDAI publishes revised formats for submission of financial results under Ind AS

The Insurance Regulatory and Development Authority of India (IRDAI) has issued a circular dated 8 July 2026 prescribing revised formats for the publication of quarterly and annual financial results by listed insurers that adopt Ind AS. The circular updates reporting formats, segment disclosures, auditor review and reporting formats, and newspaper disclosure templates to align insurance sector financial reporting with the Ind AS framework and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations, 2015). The revised formats apply to listed life insurers, general insurers, health insurers, and reinsurers preparing financial statements under Ind AS, while insurers granted Ind AS implementation forbearance for FY 2026-27 may continue to use the existing reporting formats.

Applicable entities are required to use the prescribed formats for the following:

- Quarterly financial results (Annexure I),
- Segment-wise revenue, results, and capital employed disclosures (Annexure II),
- Limited review reports issued by auditors (Annexure III),
- Audit reports on audited financial statements (Annexure IV),
- Newspaper publication of financial results under Regulation 47(1)(b) of the LODR Regulations, 2015 (Annexure V).

The IRDAI has also clarified that the circular is intended solely to facilitate compliance with the LODR Regulations, 2015, and does not alter reporting obligations under the Insurance Laws and Regulations.



Click here for the formats published by the IRDAI.

2. IRDAI issues clarifications on the implementation of Ind AS

The IRDAI has issued a comprehensive circular dated 14 July 2026 to provide additional clarifications on Ind AS implementation, ensuring consistency, transparency, and effective implementation of the Ind AS regulatory framework across the insurance industry. The guidance supplements the earlier clarifications issued by the IRDAI on 1 April 2026.

The latest clarification focuses on three critical areas:

- The role of the appointed actuary in preparing Ind AS financial statements.
- The framework for independent validation of the Ind AS implementation process.
- Preparation of the Ind AS-compliant financial statements for consolidation purposes, along with a detailed set of frequently asked questions (FAQs).

The following are the key clarifications:

A. Enhanced role of the appointed actuary in Ind AS financial reporting

The circular clarifies that the appointed actuary is responsible for the actuarial valuation and measurement of insurance, investment, and service contract liabilities under Ind AS, the review of methodologies and assumptions, and support for the insurance-related disclosures.

The appointed actuary's responsibilities include:

- **Valuation and measurement of policy liabilities:** Undertaking the actuarial valuation and measurement of policy liabilities in accordance with the applicable Ind AS. Policy liabilities include:
 - Insurance contract liabilities under Ind AS 117,
 - Liabilities arising from investment contracts under Ind AS 109, and
 - Liabilities arising from service contracts under Ind AS 115.
- **Actuarial methodologies and assumptions:** Determining and reviewing the actuarial methodologies and assumptions used in measuring policy liabilities.
- **Financial statement disclosures:** Providing actuarial inputs in connection with financial statement disclosures relating to insurance contracts and reinsurance contracts held.
- **Technical report to the board:** The appointed actuary is required to submit a technical report to the insurer's board of directors concerning the actuarial valuation of policy liabilities used in preparing financial statements in accordance with the applicable Ind AS.

The technical report should cover:

- Material actuarial methodologies,
- Material actuarial assumptions and judgements,
- Reliance placed on information provided by the management or other functions of the insurer,

- Compliance with applicable professional standards and guidance notes issued by the Institute of Actuaries of India, and
- Other matters considered material by the appointed actuary in preparing the Ind AS financial statements.

Additional requirements for first-time adoption

On first-time adoption of Ind AS, the technical report must additionally include:

- A reconciliation of policy liabilities determined under the previous accounting framework prescribed in Schedule II to the IRDAI (Actuarial, Finance and Investment Functions of Insurers) Regulations, 2024, with the policy liabilities reported in the Ind AS financial statements; and
- An explanation of the material differences.

The technical report must be placed before the board for its consideration. A copy of the report, as approved by the board, is to be submitted to the IRDAI, along with the annual financial statements.

B. Independent validation of Ind AS implementation framework

Every insurer is required to obtain an independent validation of the process adopted for implementing the applicable Ind AS during the first year of implementation. The requirement applies:

- In FY 2026–27, to insurers implementing Ind AS from FY 2026–27; and
- In FY 2027–28, to insurers that have been granted forbearance

An independent chartered accountant firm must assess the adequacy of implementation strategy, governance arrangements, board oversight, actuarial and accounting methodologies, IT systems, internal controls, transition processes and documentation, and provide quarterly reports to the board and an annual report to the IRDAI. The IRDAI expressly states that the independent validation is limited to assessing implementation processes and does not constitute an audit or actuarial opinion.

C. Continued application of Ind AS 104 during forbearance period for consolidation purposes

Insurers granted regulatory forbearance from Ind AS implementation may continue preparing financial statements based on Ind AS 104, Insurance Contracts (Ind AS 104), for consolidation purposes by their parent, investor or venturer during the forbearance period. The circular also clarifies that the separate reporting and disclosure requirements prescribed for insurers under forbearance continue to apply only until the expiry of the forbearance period.

D. Additional implementation FAQs issued

Provides guidance on website disclosure requirements, reporting timelines, treatment after the expiry of forbearance, determination of foreign-currency risk-free discount rates under Ind AS 117, and SEBI's financial result disclosure format for listed insurers.



[Click here for circular issued by IRDAI](#)



3. IRDAI issues regulatory amendments to support capital infusion, corporate restructuring and policyholder protection in the insurance sector

The IRDAI issued the IRDAI (Registration, Capital Structure, Transfer of Shares and Amalgamation of Insurers) (Amendment) Regulations, 2026, on 30 July 2026, amending the 2024 regulations governing insurer registration, capital structure, share transfers and amalgamations. The amendments aim to facilitate capital raising, rationalise approval requirements, strengthen governance around ownership changes and enable restructuring transactions while safeguarding policyholder interests.

The amendment regulations are effective from 30 July 2026.

The following are the key amendments:

A. Revised share transfer and ownership approval framework

The IRDAI has comprehensively revised prior approval requirements for the transfer of insurer shares. Prior approval is now required when a shareholder's holding crosses the 5%, 10%, 25%, 50%, or 75% thresholds, or when a transferee becomes the single largest shareholder. Prior approval has also been extended to transfers among group entities and to situations where transfer structures may effectively result in the acquisition of control.

B. Amalgamation of non-insurance business with insurance business

A new Regulation 30A permits the amalgamation of certain holding companies and non-insurance entities with insurers, subject to stringent conditions. The framework requires continued compliance with solvency requirements, the protection of policyholders' interests, the restriction on the use of policyholder funds for merger-related obligations and the satisfaction of prescribed fit-and-proper criteria by resulting shareholders.

C. Relaxation of lock-in and capital structure provisions

The authority may now relax lock-in requirements to facilitate insurer listing, address distressed financial situations or enable reorganisations arising from legal changes. The regulations also clarify that shares may be issued at face value before the commencement of insurance business and at a premium thereafter, subject to the IRDAI's approval.

D. Expanded eligibility for investors and capital instruments

Investment and subscription eligibility have been expanded to include entities incorporated in Financial Action Task Force (FATF) compliant jurisdictions, including subscribers to capital instruments issued by insurers. Separate provisions have also been introduced clarifying compliance requirements for foreign investors and foreign promoters under the Indian Insurance Companies (Foreign Investment) Rules, 2015.

E. Governance, registration and administrative changes

The amendments introduce revised application formats (Forms R1, R2 and R3), enhanced fit-and-proper assessment criteria for promoters and investors, revised definitions relating to restructuring transactions, an INR 10 lakh non-refundable processing fee for amalgamation transactions requiring in-principle approval, and a reduction in the threshold under Regulation 22 from INR 50 lakh to INR 10 lakh. New naming restrictions also require only registered insurers to use insurance-related terminology in their business names.



[Click here for the IRDAI's regulations.](#)



4. IRDAI issues amendments to actuarial and financial governance framework

The IRDAI issued the IRDAI (Actuarial, Finance and Investment Functions of Insurers) (Second Amendment) Regulations, 2026 (Amendment regulations) on 30 July 2026. The amendments align the actuarial, reporting and investment framework with the Insurance Laws (Amendment) Act, 2025, introduce revised actuarial governance requirements, strengthen reporting obligations for insurers and reinsurers, and expand permissible investment avenues and risk management disclosures.

The amendment regulations are effective from 30 July 2026.

A. Enhanced actuarial governance framework

The amendment regulations introduce separate roles for the appointed actuary, the certifying actuary (for Foreign Reinsurer Branch (FRB)), and the actuary for specific purposes, with prescribed eligibility, independence, and conflict-of-interest requirements.

Every Indian reinsurer should appoint separate appointed actuaries for life reinsurance and general reinsurance business, with the prior approval of the competent authority.

Every FRB registered in India must appoint separate certifying actuaries for life and general reinsurance business and notify the competent authority within seven days of appointment.

B. New actuarial reporting and surplus reporting framework

The amendment regulations replace references to "Actuarial Report and Abstract" with a comprehensive actuarial report and introduce mandatory Financial Condition Reports (FCRs), IBNR claims reserve reports, and valuation surplus statements for general insurers, health insurers, reinsurers, and FRBs. These reports must be submitted within three months of the reporting period or within 30 days of the Board adoption of the accounts, whichever is earlier.

C. Expanded risk, solvency and reserving disclosures

Appointed and certifying actuaries are required to prepare detailed assessments covering profitability, reserve adequacy, ALM, solvency projections, stress testing, risk concentration, reinsurance arrangements, customer grievances and business projections. Materiality thresholds have been prescribed, including products contributing 5% or more of the gross written premium (GWP), net written premium (NWP), gross incurred claims, or net incurred claims.

D. Investment framework liberalisation

Insurers are permitted to invest up to 3% of life fund/segregated fund (life insurers) or 5% of investment assets (general insurers) in private limited companies, AIFs and venture funds, subject to the eligibility criteria, including a minimum net worth of INR 25 crore and profitability requirements. Investments of up to 20% of debt issued by eligible infrastructure SPVs are also permitted, subject to operational, rating and disclosure conditions. The amendments further allow participation in repo, reverse repo and government securities lending transactions, subject to the specified exposure limits.

E. Strengthened promoter group investment restrictions

The revised framework caps investments in promoter group entities at 5% of investment assets, both at the individual company level and on an aggregate promoter group basis, while restricting investments through private placements and unlisted instruments, except in specified cases.



[Click here for the IRDAI's regulations](#)





Other regulatory updates

1. MCA issues FAQs on registration of foreign companies in India and related compliances

On 24 August 2026, the MCA released comprehensive FAQs clarifying the regulatory distinctions, registration processes, and compliance requirements for foreign companies in India and Indian subsidiaries of foreign bodies corporate.

The key clarifications provided in the FAQs are as follows:

- A. Subsidiary vs foreign company:** A 100% foreign-owned subsidiary incorporated in India remains a domestic Indian company, and there is no need to register it as a 'foreign company' under Section 2(42) of the Act. Similarly, the acquisition of all shares of an Indian company by a foreign entity does not make it a "Foreign Company" under the Act.
- B. Filing of forms:** Foreign companies must file Form FC-1 within 30 days of establishing a place of business in India. A fresh FC-1 is not required for every subsequent project. Subsequent changes, additional projects, or extensions of the RBI's approval for liaison offices are generally reported through Form FC-2.
- C. Naming of Indian subsidiaries:** Merely adding 'India' to the foreign parent's name does not ensure name approval. Companies must comply with Rule 8 and 8A of the Companies (Incorporation) Rules, 2014, and trademark-related no objection certificates (NOCs) may be required in certain cases.
- D. Regulatory approvals:** The National Single Window System assists in identifying approvals but does not replace sector-specific regulatory permissions. The RBI's approval is typically required for liaison, branch, and project offices, while the International Financial Services Centres Authority (IFSCA) approval is required before establishing a branch in the Gujarat International Finance Tec-City International Financial Services Centre (GIFT IFSC).
- E. Resident representative requirement:** Foreign companies operating in India must appoint an authorised person resident in India for service of notices under Section 380 of the Act. However, unlike Indian companies, they are not required to appoint an Indian citizen director solely because they are foreign companies.

F. Corporate social responsibility (CSR)

applicability: Foreign companies with a registered place of business in India are subject to the provisions of CSR if they meet the prescribed thresholds under the Act.



[Click here for the FAQs issued by the MCA](#)

2. Central government notifies bonus calculation ceiling under the Code on Wages, 2019

The Ministry of Labour and Employment (MoLE) has issued two notifications under Section 26 of the Code on Wages, 2019 (Code), prescribing the eligibility threshold and wage ceiling for the purpose of payment and calculation of statutory bonus.

The first notification provides that every employee drawing wages not exceeding INR 21,000 per month shall be eligible for the payment of bonus in accordance with Section 26(1) of the Code.

The second notification provides that under Section 26(2), where an eligible employee's wages exceed INR 7,000 per month, the bonus shall be calculated as if the employee's wages were INR 7,000 per month or the minimum wage fixed by the central government, whichever is higher. The prescribed calculation mechanism mirrors the approach followed under the erstwhile Payment of Bonus Act, 1965, thereby ensuring continuity in bonus calculations for the eligible employees.

The notifications are deemed to have come into force as of 21 November 2025.



[Click here](#) and [here](#) to access notifications from the MoLE as published in the Official Gazette



3. ICAI issues FAQs on Code of Ethics, 2026

On 30 May 2026, the ICAI issued the 13th edition of its Code of Ethics, aligning it with the latest international ethical standards and applicable domestic regulatory requirements, which came into effect on 1 April 2026.

Keeping in view the practical challenges faced by members in interpreting and applying the provisions of the Code of Ethics, the Ethical Standards Board (ESB) of the ICAI has recently brought out the booklet on the compilation of the FAQs on the Code of Ethics, 2026, incorporating guidance based on the revised Code of Ethics, 2026.

This publication provides practical guidance and enhances members' understanding of the revised Code of Ethics through clear and concise responses to commonly raised ethical issues in the form of FAQs on various areas, including advertisement and websites, communication with previous auditors, management consultancy services, independence and conflict of interest, non-compliance with laws and regulations (NOCLAR), non-assurance services, technology related revisions, and ethics standards for sustainability assurance etc.



[Click here for the FAQs issued by the ICAI](#)

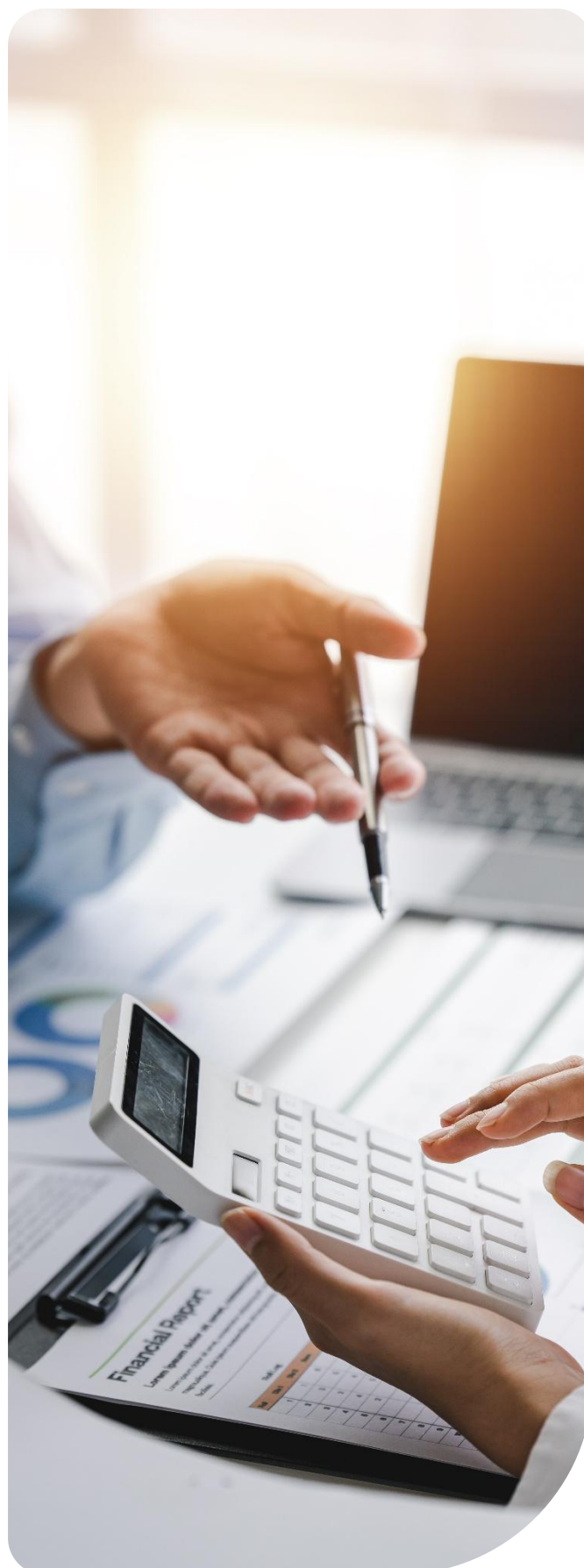
4. EPFO wage ceiling enhanced to INR 25,000 for mandatory coverage

The MoLE, through a notification dated 17 September 2026, has approved an increase in the statutory wage ceiling for the purposes of Chapter III of the Code on Social Security, 2020: Employees' Provident Fund, from INR 15,000 to INR 25,000 per month. The revision expands the scope of mandatory Employees' Provident Fund Organisation (EPFO) coverage to employees earning between INR 15,000 and INR 25,000 per month, thereby extending access to provident fund, pension and insurance benefits.

The revised wage ceiling came into effect on 17 September 2026.



[Click here to access the notification from the MoLE as published in the official gazette](#)



5. Consumer Protection (E-Commerce) (Amendment) Rules, 2026

The Ministry of Consumer Affairs, Food and Public Distribution, through a notification dated 9 September 2026, has notified the Consumer Protection (E-Commerce) (Amendment) Rules, 2026, amending the Consumer Protection (E-Commerce) Rules, 2020. The amendments aim to enhance transparency, strengthen consumer protection and improve grievance redressal mechanisms for e-commerce entities and marketplace platforms.

Key amendments:

- Enhanced transparency and disclosures** - E-commerce platforms should prominently display key business details, such as their legal name, principal geographic address of their headquarters and all branches, website details and customer care and grievance officer contact details, provide importer and country-of-origin details for imported products, and clearly distinguish sponsored listings from regular product listings.

Further enhanced disclosures relating to sellers, returns, refunds, exchanges, warranties, guarantees, best before or use before date, delivery and shipment, modes of payment, and grievance mechanisms, along with identifiers, such as the Goods and Services Tax Identification Number (GSTIN), and Micro and Small Medium Enterprises (MSME) registration numbers.

- Price transparency requirements** - E-commerce entities announcing price reductions are required to disclose both the reduced price and the prior price, with the prior price being defined as the lowest price offered for the product or service during the 30 days preceding the price reduction announcement.

- Strengthened consumer grievance redressal** - E-commerce entities are required to establish a time-bound grievance redressal mechanism, under which consumer complaints must be acknowledged within 48 hours and resolved within one month from the date of receipt.
- Dark pattern compliance** - E-commerce entities are required to comply with the Guidelines for Prevention and Regulation of Dark Patterns, 2023, and conduct annual self-audits to ensure that their platform is free from dark patterns.
- Safeguards on consumer data use and bundled fees** - Marketplace entities are prohibited from using consumer information for promoting sellers or private-label products without consumer consent and from levying bundled fees from users for services provided on the e-commerce platform for any other services that are unrelated to the e-commerce platform, subject to specified exceptions for loyalty and membership programmes.
- Ranking and search result transparency** - E-commerce platforms are required to disclose the key parameters used for ranking goods and sellers, and are prohibited from manipulating search results in a manner that may mislead consumers.

The amendments will come into effect from 1 January 2027.



[Click here for the amendment rules](#)





02

India updates – Proposed

A. Regulatory updates

1. Amendments introduced to strengthen MSME development framework

The Micro, Small and Medium Enterprises Development (Amendment) Act, 2026 (the 'Amended Act') received the assent of the President of India on 13 August 2026.

The amended Act aims to revise key provisions of the Micro, Small and Medium Enterprises Development Act, 2006 (the 'MSME 2006 Act') with an objective to facilitate the promotion and development of MSMEs. The key provisions introduced by the amended Act are as follows:

- A. Classification of MSMEs:** The MSME 2006 Act classifies enterprises as MSMEs based on investment in: (i) Plant and machinery in the case of manufacturing, and (ii) Equipment in the case of services. The amended Act has modified the criteria and empowered the central government (CG) to classify enterprises as MSMEs based on: (i) Investment in plant and machinery or equipment, and (ii) Turnover. The thresholds for the revised criteria above are yet to be notified by the CG.
- B. New registration mechanism:** Under the MSME 2006 Act, a person intending to establish a medium enterprise engaged in manufacturing activity is mandatorily required to file a memorandum with a specified authority and other MSMEs were given an option to file the same at their discretion. The amended Act states that the filing of the memorandum shall be voluntary for all MSMEs. The CG will notify a national digital platform, and the state government (SG) will also notify a state digital platform for free and voluntary MSME registration.
- C. Settlement through TReDS mandatory for CPSE procurements:** The amended Act states that every Central Public Sector Enterprise (CPSE) shall route the settlement of invoices relating to the MSME procurements through a Trade Receivables Discounting System (TReDS) platform authorised by the RBI, which will enable MSMEs to raise funds from financiers against invoices due from buyers. The CG and SG may extend this requirement to other entities through notification. Furthermore, the details of invoices routed and settled through TReDS shall be required to be disclosed in the form and manner as may be prescribed by the CG.
- D. Strengthened MSME dispute resolution framework:** The amended Act aims to expedite the resolution of payment disputes involving MSMEs by prescribing defined timelines, requiring mediation proceedings to be completed within 90 days of the first appearance, referral of unresolved disputes to

arbitration within 30 days of termination of mediation, and the issuance of arbitral awards within 90 days from the completion of pleadings. The CG shall establish an online mechanism for mediation, arbitration, electronic filing, and hearings in such respect.

- E. Decriminalisation of offences:** The MSME 2006 Act states that a buyer must report unpaid dues to MSME suppliers in its annual accounts, and it imposes a fine of at least INR 10,000 for violating this provision. The amended Act replaces this with: (i) Warning at first contravention, (ii) A penalty between INR 10,000 and INR 50,000 for second contravention, and (iii) A penalty between INR 50,000 and INR 100,000 for subsequent contravention. The penalties shall be increased by 10% of the minimum amount every three years after the commencement of the amended Act.

Implementation Timelines:

The Ministry of Micro, Small and Medium Enterprises issued a notification S.O. 5575(E) on 12 October 2026, outlining a phased implementation timeline for the newly enacted Amended Act as follows:

- **October 15, 2026:** Enforces Sections 2 to 7, Section 11, and Sections 13 to 17. This brings into effect the main structural overhauls regarding definitions, classification, voluntary digital registration, TReDS mandates, disclosures, and penalties.
- **December 15, 2026:** Enforces Section 12, which specifically alters the composition and structuring of the Micro and Small Enterprises Facilitation Councils (MSEFC).
- **Not yet notified:** Amendment to Section 8 to 10, changes relating to dispute resolution, enforcement and setting aside awards or settlements are yet to be notified.



Click [here](#) for the Amended Act and [here](#) to access implementation timelines notification

Source: Gazette Notification No. CG-DL-E-12102026-277080 dated 12 October 2026 from the Ministry of Micro, Small and Medium Enterprises

2. IRDAI issues consultation paper on distribution reforms

The IRDAI, on 23 September 2026, issued a two-part public consultation paper, titled "Recalibrating Economics of Insurance Distribution", covering (i) Distribution reforms and (ii) Distribution costs and commission structure. The proposed reforms seek to establish a customer-centric, transparent and cost-efficient insurance distribution ecosystem by

simplifying the distribution architecture, reducing distribution costs, strengthening safeguards against mis-selling, and enhancing transparency through digital infrastructure.

While the consultation paper covers several aspects of insurance distribution, the following are the key proposals:

A. Simplified distribution architecture – The current framework comprising multiple categories of intermediaries is proposed to be rationalised into three broad categories based on the principle of “same structure, same functions, same norms”:

- **Insurance Distribution Entities (IDEs):** Consolidation of the existing eight forms of distribution licences, namely corporate agents, brokers, composite brokers, original equipment manufacturer (OEM) brokers, insurance marketing firms, web aggregators, common service centres, and motor insurance service provider (MISP) dealers, into a unified IDE licence.
- **Insurance Distribution Persons (IDPs):** The current nine categories of authorised persons engaged in insurance distribution would be rationalised into four IDP categories, i.e., insurance agents, insurance associates, specified persons, and point of salepersons (PoSPs).
- **Market Infrastructure Institutions (MIIs):** These are not-for-profit companies promoted by a group of insurers. Bima Sugam India Federation is one such MII.

Furthermore, the proposals simplify registration, reduce entry-level capital requirements and link subsequent capital requirements to business volume.

B. Reduction in Expenses of Management (EoM) limits

– The IRDAI has proposed significant refinements in the EoM framework with the objective of reducing the cost of doing business and thereby improving the value for the policyholders. The EoM limits are to be progressively reduced through a phased (glide path) approach, as outlined below:

Type of insurer	Within 2 years	Within 5 years	Insurers whose EoM was already below the benchmark in FY 2025
Life	15%	12.5%	Must reach 10% within 5 years
General	25%	20%	Must reach 20% within 5 years

(FY 2027-28 is Year 1)

C. Revised distribution commission framework – A significant proposal is the introduction of product- and channel-specific maximum commission limits, having regard to the insurance segment, line of business, product complexity, distribution channel and servicing effort involved. The proposed limits aim to moderate distributor payouts, particularly in segments where commissions have increased disproportionately.

D. Cost audit and enhanced transparency – Mandatory cost audits and public disclosure of commission policies and structures would be required for insurers and large distribution entities. IDEs having insurance-related revenue above INR 50 crore to publicly disclose key accounting parameters, such as revenue, expenses, related party payments, and profit after tax, etc., on their websites.

E. Measures to curb mis-selling – The proposals require the documentation of customer needs and suitability assessments, the attribution of insurance sales to identifiable individual distributors, and public disclosure of such information, commission clawback mechanisms in cases of mis-selling, restrictions on volume-linked and reward-linked incentives for bank and NBFC employees and safeguards against compulsory bundling of insurance products with loans and other financial products.

F. Digital reforms and customer protection measures – The IRDAI has proposed the Public Insurance Registry (PIR) as a national digital infrastructure to provide verified information on insurers, products, and intermediaries, helping customers make informed purchasing decisions. The PIR will enable the public and market participants to consistently access, verify, and exchange insurance-related information, thereby reducing information asymmetry and supporting customer-facing MIIs, such as Bima Sugam. The proposals also seek to prohibit “dark patterns” by requiring key product features, pricing, and quality-related information to be disclosed without requiring customers to share personal details.

The last date for sending comments on the consultation paper is 31 October 2026.



Click here for the consultation paper issued by the IRDAI



03

International updates – Effective

A. Accounting updates

1. FASB updates guidance on the valuation of restricted equity securities held by investment companies

On 9 September 2026, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) 2026-03, amending how investment companies, such as mutual funds, measure the fair value of an equity security, subject to a contractual restriction prohibiting its sale. The amendments are intended to improve the usefulness of financial reporting by ensuring that valuations and NAVs reflect the economic effect of restrictions on the ability to sell securities.

Investment companies within the scope of Topic 946, Financial Services—Investment Companies, must now incorporate the effect of contractual sale restrictions into the fair value measurement of equity securities by applying an appropriate discount that reflects what market participants would demand because of the restriction. Furthermore, the amount of such discount attributable to the contractual sale restrictions included in the fair value measurement of equity securities shall be disclosed.

However, the restrictions arising solely from a separate arrangement, such as a financing transaction in which the equity securities are pledged as collateral, are excluded from the fair value measurement. In such cases, the restriction does not reflect a characteristic of the equity security itself but rather the economics of the separate arrangement and, therefore, is not considered when measuring the fair value of the equity security.

The amendments apply only to equity securities held by investment companies within the scope of Topic 946 and do not extend to other asset classes, such as debt securities or crypto assets.

The amendments are to be applied prospectively to all equity securities, with any adjustment arising on adoption to be recognised in the current-period earnings.

The amendments are effective for annual reporting periods beginning after 15 December 2027, including interim periods within those annual reporting periods. Early adoption is permitted on any date on or after 9 September 2026.



[Click here for the ASU issued by the FASB](#)



B. Auditing updates

1. PCAOB publishes educational material on the implementation of QC 1000 – “A Firm’s System of Quality Control”

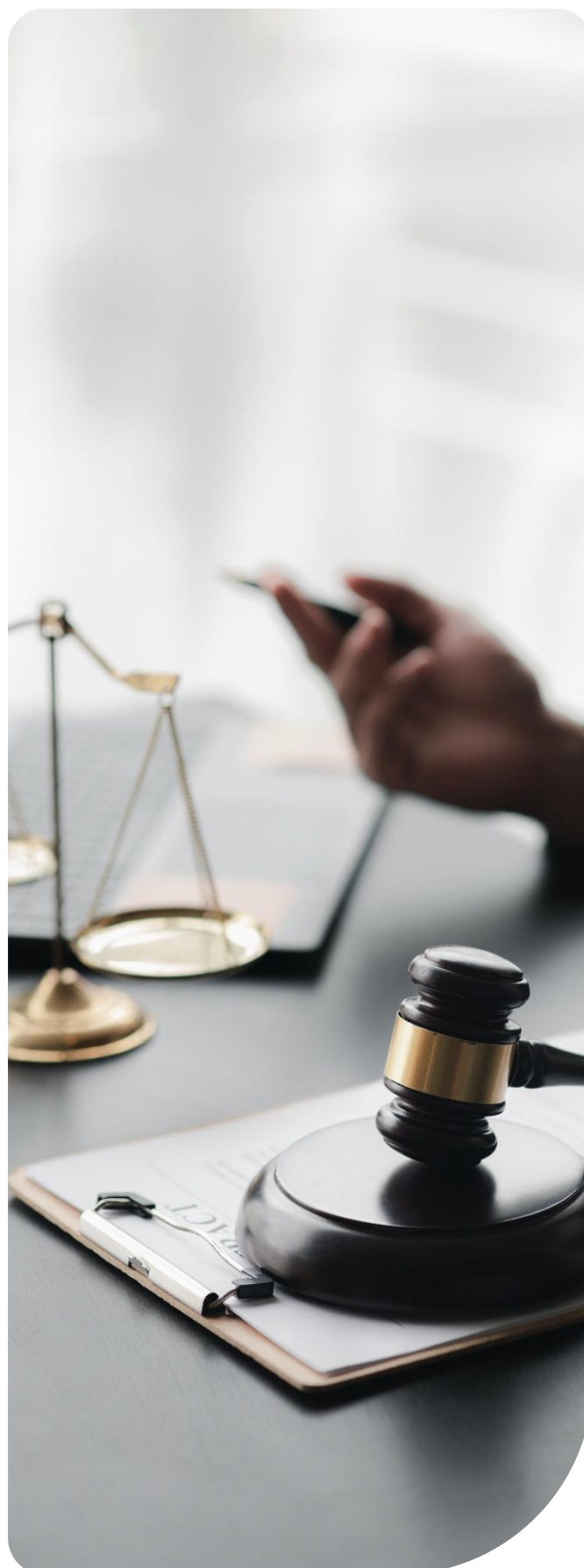
On 13 May 2024, the Public Company Accounting Oversight Board (PCAOB) adopted a new quality control standard - QC 1000 – “A Firm’s System of Quality Control” to significantly improve the quality control (QC) systems of registered public accounting firms. The new standard requires firms to identify their specific risks and design a QC system that includes policies and procedures to guard against those risks. The standard was initially expected to take effect on 15 December 2025, subject to approval by the U.S. Securities and Exchange Commission (SEC). However, on 28 August 2025, the PCAOB decided to postpone the effective date to 15 December 2026, given the implementation challenges faced by various firms.

On 17 August 2026, the PCAOB staff released educational material comprising questions and answers to assist firms and auditors in implementing QC 1000 and other new standards and rules to improve audit quality and protect investors.

The questions and answers cover various topics, including the application of QC 1000, terminologies used in the standard, the firm’s risk assessment procedures, ethics and independence, monitoring, documentation, etc.



[Click here for the PCAOB resource material](#)





04

International updates – Proposed

A. Accounting updates

1. FASB proposes amendments to Topic 230, Statement of Cash Flows

On 18 August 2026, the FASB issued an exposure draft on the proposed ASU 'Cash Equivalents - Disclosure Enhancement and Evaluation of Certain Digital Assets' to Accounting Standards Codification (ASC) Topic 230, Statement of Cash Flows. Such proposed ASU clarifies how the current definition of cash equivalents shall be applied to certain digital assets, such as stablecoins.

The FASB, through illustrative examples, explains that a digital asset that is designed to maintain a stable value relative to a reference asset, such as a fiat currency, may meet the definition of a cash equivalent when it has all of the following attributes:

- On-demand contractual redemption right for cash,
- The holder has a direct redemption right with the issuer for a known amount of cash,
- Segregated reserve assets held by the issuer on at least a 1:1 basis in short-term, highly liquid assets.

Further, the proposed ASU requires all entities to provide the enhanced disclosures of significant components of cash equivalents (for example, U.S. Treasury bills, commercial paper, stablecoins, and money market funds) and related amounts of each significant component presented as cash equivalents, regardless of whether any of those assets are digital assets, to provide investors and other financial statement users with more transparent information.

The last date for sending responses on the exposure draft is 19 November 2026.



[Click here for the proposed ASU](#)

2. FASB proposes codification improvements

On 2 September 2026, the FASB issued a proposed ASU focused on targeted improvements to the FASB Accounting Standard Codification [Codification]. The proposed updates are intended to clarify, address unintended applications, and make minor improvements across various Topics in the Codification without significantly changing current accounting practices.

While the proposal covers 21 issues, the following are the key proposed amendments/clarifications:

- Expected credit losses** – The practical expedient and accounting policy election introduced by ASU 2025-05, Financial Instruments - Credit Losses (Topic 326), which simplify the application of the expected credit loss guidance in Subtopic 326-20 to current accounts receivable and current contract assets arising from the transactions within the scope of Topic 606, Revenue from Contracts with Customers, are available for both originated and acquired receivables and contract assets.
- Rabbi trusts** – The consolidation guidance in Topic 710, Compensation - General, applies only to rabbi trusts that are not variable interest entities (VIEs). Where a rabbi trust meets the definition of a VIE, an entity is required to apply the consolidation guidance in Topic 810, Consolidation, to assess whether consolidation is required and to provide the related disclosures under Topic 810.
- Share-based payments** – The recognition and measurement guidance in Topic 718, Compensation - Stock Compensation, should continue to apply throughout the life of the instrument to a freestanding financial instrument or a convertible security issued to a grantee that is an employee, unless its terms are modified after the grantee has both vested in the award and ceased to be an employee.
- Net investment hedges** – Clarification in Subtopic 815-35, Derivatives and Hedging - Net Investment Hedges, that the spot method can be applied to a hedging relationship even when the hedge is not perfectly effective, provided that all relevant sources of hedge ineffectiveness are appropriately identified and incorporated into the hedge effectiveness assessment.

The proposed amendments, other than those related to net investment hedges, are to be applied either retrospectively to the beginning of the earliest comparative period presented or prospectively.

The FASB will determine the effective date after considering the stakeholders' feedback. The last date for sending responses on the proposed updates is 19 November 2026.



[Click here for the proposed ASU issued by the FASB](#)

B. Auditing updates

1. IAASB proposes revisions to ISA 330, ISA 500 and ISA 520

The International Auditing and Assurance Standards Board (IAASB) has released a public consultation on proposed revisions to three International Standards on Auditing (ISAs), namely:

- ISA 330, The Auditor's Responses to Assessed Risks
- ISA 500, Audit Evidence
- ISA 520, Analytical Procedures

In addition, there are certain conforming and consequential amendments to International Standards on Quality Management (ISQMs) and other ISAs. Such revisions have been proposed to reinforce a principles-based, risk-based audit framework and address the growing use of technology in business, financial reporting and auditing.

The proposed revisions establish a comprehensive basis for auditors' judgements about audit evidence. The revisions include:

- A revised definition of 'audit evidence' to reflect today's digital environment,
- Greater emphasis on the intended purposes of audit procedures,
- Strengthened requirements for evaluating the relevance and reliability of information used as audit evidence,
- Clarification of key concepts,
- Reinforced application of professional scepticism throughout the audit.

The proposals also strengthen auditors' responses to assessed risks by clarifying the roles of tests of controls, substantive procedures, and analytical procedures, thereby promoting more consistent and effective audit responses. The proposals reflect the IAASB's conclusion that a principles-based, rather than a technology-specific approach, is the best way to maintain robust and relevant standards in the face of rapid technological evolution. They enable innovation while preserving the core principles of high-quality auditing. In addition, the proposals include guidance to help auditors exercise professional judgement about the appropriate use of technology.

The last date for sending responses on exposure drafts is 15 December 2026.

Click below for the exposure drafts:

 [Audit evidence and risk response project: Click here](#)

 [Proposed ISA 330 \(Revised\): Click here](#)

 [Proposed ISA 500 \(Revised\): Click here](#)

 [Proposed ISA 520 \(Revised\): Click here](#)



2. AICPA issues SAS No. 150, External Confirmations

The American Institute of Certified Public Accountants (AICPA) issued the Statement on Auditing Standards (SAS's) No. 150, "External Confirmations," which modernises audit confirmation procedures to reflect today's digital and intermediary-driven environment.

SAS No. 150 will apply to the audits of financial statements for periods ending on or after 15 December 2028, with early adoption permitted.

Key considerations:

- **Cash confirmations become the default expectation** - Auditors are now required to obtain direct confirmations for bank balances and cash equivalents held with third parties unless specific exceptions exist.
- **Direct access to third-party systems may be treated as confirmation evidence** - Where auditors obtain information directly from a knowledgeable external source (for example, a secure banking portal or authorised third-party platform), such information may satisfy confirmation requirements. This recognises the growing use of digital platforms in place of traditional paper confirmations.
- **Greater scrutiny over electronic confirmation platforms** - Many firms now use confirmation intermediaries (e.g., electronic confirmation service providers like confirmation.com). Auditors are required to assess whether these platforms are reliable and whether the confirmation process remains under the auditor's control to ensure the evidence obtained is trustworthy.

- **Negative confirmations can be used only in limited circumstances** - The standard limits situations in which auditors can rely on negative confirmations as audit evidence. Negative confirmations cannot be the sole substantive procedure unless specific conditions are met.
- **Stronger focus on obtaining reliable audit evidence** - The amendments align the confirmation requirements with the broader audit evidence standards SAS No. 142, "Audit evidence". The auditor is required to document why a confirmation method was chosen, how its reliability was assessed and whether additional procedures are needed where confirmation evidence is incomplete or unreliable.
- **Confirmation procedures updated for a digital audit environment** - The standard formally recognises that confirmations are increasingly obtained electronically rather than through physical letters. It updates guidance to address risks, such as fraud, cyber risks, manipulated responses, and unauthorised access when obtaining digital confirmation evidence.



[Click here for notification from the AICPA](#)





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