

Formulating, Amending and Implementing Ind AS in line with IFRS Standards issued by IFRS Foundation: An Update

I. Indian Accounting Standards

(1) **Revised Publication on Indian Accounting Standards: An overview:** The ICAI's Publication *Indian Accounting Standards: An Overview* contains an overview of various aspects related to Indian Accounting Standards (Ind AS) such as roadmap for the applicability of Ind AS, carve-outs from IFRS/IAS, changes in financial reporting under Ind AS compared to financial reporting under accounting standards, summary of all the Ind AS etc. Pursuant to amendments made to Ind AS vide notification dated July 24, 2020, the said publication has been revised in order to capture the amendments made to Ind ASs. The amendments, wherever considered appropriate, have also been made in summary of Ind AS section, the major differences between AS and Ind AS and Ind AS and IAS/IFRS. The Publication can be assessed at <https://resource.cdn.icai.org/61361asb-indas-overview2020.pdf>.

(2) **Amendment in Ind AS corresponding to amendments in IFRS Standards due to IBOR Phase II project of IASB (Amendments in IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39)**

The IASB has finalised its response to the ongoing reform of inter-bank offered rates (IBOR) and other interest rate benchmarks by issuing a package of amendments to IFRS Standards. The amendments are aimed at helping companies to provide investors with useful information about the effects of the reform on those companies' financial statements. The amendments complement those issued in 2019 and focus on the effects on financial statements when a company

replaces the old interest rate benchmark with an alternative benchmark rate as a result of the reform.

The amendments in this final phase relate to:

- changes to contractual cash flows - a company will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- hedge accounting - a company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and
- disclosures - a company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

These amendments are effective for annual reporting periods beginning on or after 1 January 2021, with early adoption permitted. Corresponding amendments in Ind AS are under consideration and the Exposure Draft of amendments in relevant Ind AS will be issued shortly.

(3) **Online Certificate Course on Ind AS through Digital Learning Hub Platform of ICAI launched**

After completion of Twelve (12) batches of Online course on Ind AS wherein around 1200 members have been successfully trained, registration for new batches have been opened.

Contributed by Accounting Standards Board of ICAI. Comments can be sent to asb@icai.in. Refer https://www.icai.org/post.html?post_id=14058 for Ind AS –IFRS Standards Convergence Status, https://www.icai.org/post.html?post_id=15770 for Ind AS Implementation Guidance

II. IFRS Foundation & IASB: Stakeholder Consultations

(A) Exposure Draft on Primary Financial Statements

On 17th December 2019, the International Accounting Standards Board (IASB) issued an Exposure Draft titled as 'General Presentation and Disclosures' for comments by September 30, 2020. As per the proposals set out in the Exposure Draft, existing IAS 1, Presentation of Financial Statements, will be replaced with a new standard with substantial number of changes which is expected to lead to fundamental changes as to how entities will be required to present information within their primary statements, particularly within the statement of profit or loss.

In this regard, a Global Webinar was organised by the Accounting Standards Board (ASB) of ICAI jointly with International Accounting Standards Board (IASB) of IFRS Foundation on *Better Communication in Financial Reporting: IASB Exposure Draft on Primary Financial Statements* on September 11, 2020. From IASB, Ms. Sue Llyod, Vice Chair, IFRS Foundation and other Technical Staff participated. The webinar was structured into 3 sessions, each one started by technical discussion by IASB followed by panel discussion amongst eminent panel speakers comprising renowned professionals from auditor, investor and user category. Around 1750 participants attended the global webinar from India, UK, US, Dubai, Nepal, Philippines, Singapore and Hongkong.

ASB of ICAI got actively engaged in this project of IASB by submitting its detailed comments on the proposals of aforesaid Exposure Draft after considering the comments received from the stakeholders, webinar participants, public at large and Study Groups constituted by the ASB at Delhi and Mumbai for formulating comments. The comments submitted to the IASB can be assessed at <https://resource.cdn.icai.org/61301asb-ed-gpd.pdf>. The Exposure Draft had 14 specific questions on proposals contained therein. Broad comments of the ICAI on the main proposals of the Exposure Draft were as under:

- ICAI agreed with introduction of subtotals in the Statement of Financial Performance

including subtotal of operating profit or loss which clearly discloses performance information on the face of the Statement of Financial Performance and would reduce diversity of practices.

- Divergent views gathered from stakeholders on proposals of ED with regard to bifurcation of associates and joint ventures as integral and non-integral have been communicated to IASB for appropriate consideration.
- ICAI agreed with IASB's proposals on inclusion of Management Performance Measures (MPMs) in the financial statements as it would enhance reliability, transparency, and consistency of MPMs. However, as IASB has restricted MPMs to the subtotals of income and expense in the Statement of Financial Performance, it has been recommended to the IASB to change the terminology "MPM" to may be "MPM related to Statement of Financial Performance" reflecting usage of this term in a restrictive manner. Certain other clarifications were sought on the proposals such as relevance of MPMs for private unlisted companies.
- Guidance and clarity has been sought from IASB on various aspects for the benefit of stakeholders.

(B) IFRS for SMEs

In January 2020, the IASB issued the second comprehensive review of the *IFRS for SMEs* Standard (Request for Information) asking for views on its approach to updating the *IFRS for SMEs* Standard—the simplified accounting standard for small and medium-sized entities. The objective of the consultation is to seek views on whether and how to align the *IFRS for SMEs* Standard with full IFRS Standards, which are the Standards developed for publicly accountable entities and currently required in more than 140 jurisdictions. The Request for Information asks for views on different approaches to updating the *IFRS for SMEs* Standard, as well as views on how the Standard could be aligned with newer IFRS Standards, such as IFRS 9, Financial Instruments, IFRS 15, Revenue

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from Contracts with Customers and IFRS 16, Leases. The Request for Information is open for comment until **27 October 2020**. ASB of ICAI is engaged in formulation of comments on the Request for Information for submission to the IASB.

(C) Discussion Paper: Business Combinations—Disclosures, Goodwill and Impairment

The IASB has published a Discussion Paper on possible improvements to the information companies report about acquisitions of businesses to help investors assess how successful those acquisitions have been. The Board is also seeking feedback on how companies should account for goodwill arising from such transactions. The comment letter period is open until **31st December 2020** (previously it was 15th September 2020, however, changed because of the covid-19 pandemic). The Discussion paper can be assessed at <https://cdn.ifrs.org/-/media/project/goodwill-and-impairment/goodwill-and-impairment-dp-march-2020.pdf>.

(D) IFRS Interpretation Committee Agenda Decision

The IFRS Interpretations Committee (IFRS IC) received a request about the applicability of the sale and leaseback requirements in IFRS 16, on the basis of the fact pattern described in the request, to a transaction in which an entity sells its equity interest in a subsidiary that holds one asset and leases that asset back. The request asked whether the entity in its consolidated financial statements applies the sale and leaseback requirements in IFRS 16 and therefore recognises only the amount of the gain that relates to the rights transferred to the third party.

The IFRS IC discussed and concluded that the principles and requirements in IFRS Standards provide an adequate basis for the entity to determine its accounting for the transaction described in the request. Consequently, the IFRS IC [decided] not to add a standard-setting project to the work plan. The IFRS IC will consider all comments received at a future meeting and invites comments on its decision by **23rd November 2020**.

