

In brief

The IASB has proposed amendments to IFRS Standards to assist companies in providing useful information to investors about the effects of interest rate benchmark reform on FSs



This issue

IFRS	P.1
Ind AS	P.5

International Financial Reporting Standards (IFRS)

International Accounting Standard Board (IASB) proposes further amendments to IFRS Standards in response to interest rate benchmark reform

These proposed amendments aim to address issues affecting financial statements (FSs) when changes are made to contractual cash flows and hedging relationships as a result of the reform.

The main proposed amendments relate to:

- ♦ **Modifications-** a company would not derecognise or adjust the carrying amount of financial instruments for modifications required by interest rate benchmark reform, but would instead update the effective interest rate to reflect the change in the interest rate benchmark;
- ♦ **Hedge Accounting-** a company would not discontinue its hedge accounting solely because of replacing the interest rate benchmark if the hedge meets other hedge accounting criteria; and
- ♦ **Disclosures-** a company would disclose information about new risks arising from the interest rate benchmark reform and how it manages the transition to alternative benchmark rates.

The consultation document proposes amendments to the following Standards:

- ♦ IFRS 9 *Financial Instruments*;
- ♦ IAS 39 *Financial Instruments: Recognition and Measurement*;
- ♦ IFRS 7 *Financial Instruments: Disclosures*;
- ♦ IFRS 4 *Insurance Contracts*; and
- ♦ IFRS 16 *Leases*.

[Read more](#)

In brief

Amendment to IFRS 16 *Leases* issued making it easier for lessees to account for COVID-19-related rent concessions such as rent holidays and temporary rent reductions.

A document responding to questions regarding the application of IFRS 16 *Leases* to rent concessions granted as a result of the COVID-19 pandemic published

Deferral of effective date of IAS 1 by 1 year proposed

IASB issues amendment to IFRS Standard on leases to help lessees accounting for COVID-19-related rent concessions

The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before 30th June 2021.

IFRS 16 specifies how lessees should account for changes in lease payments, including concessions. However, applying those requirements to a potentially large volume of COVID-19-related rent concessions could be practically difficult, especially in the light of the many challenges stakeholders face during the pandemic. This optional exemption gives timely relief to lessees and enables them to continue providing information about their leases that is useful to investors. The amendment does not affect lessors.

The amendment is effective from 1st June 2020 but, to ensure the relief is available when needed most, lessees can apply the amendment immediately in any FSs—interim or annual—not yet authorised for issue.

[Read more](#)

Application of IFRS 16 in the light of the COVID-19 uncertainty

The IASB has prepared a document for educational purposes, highlighting requirements within IFRS 16 and other IFRS Standards that are relevant for companies considering how to account for rent concessions granted as a result of the COVID-19 pandemic.

It does not change, remove, nor add to, the requirements in IFRS Standards. It is intended to support the consistent and robust application of IFRS 16.

[Read more](#)

IASB proposes deferring IAS 1 amendments' effective date due to COVID-19

The IASB has proposed to defer by 1 year the effective date of *Classification of Liabilities as Current or Non-current*, which amends IAS 1 *Presentation of Financial Statements*.

The IAS 1 amendments were issued in January 2020, effective for annual reporting periods beginning on or after 1st January 2022. However, in response to the COVID-19 pandemic, the IASB is proposing to provide companies with more time to implement any classification changes resulting from the amendments by deferring **the effective date by 1 year to annual reporting periods beginning on or after 1st January 2023**.

In brief

IFRS 1, 3, and 9, IAS 16, 37 and 41 amended

The effective dates of IFRS 17 and, for qualifying insurers, IFRS 9 have been deferred to annual reporting periods beginning on or after 1 January 2023

IASB issues package of narrow-scope amendments to IFRS Standards

The IASB has issued several small amendments to IFRS Standards which include narrow-scope amendments to 3 Standards as well as the Board's Annual Improvements, which are changes that clarify the wording or correct minor consequences, oversights or conflicts between requirements in the Standards.

- ♦ **Amendments to IFRS 3 *Business Combinations*** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- ♦ **Amendments to IAS 16 *Property, Plant and Equipment*** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company should recognise such sales proceeds and related cost in Profit or Loss.
- ♦ **Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*** specify which costs a company includes when assessing whether a contract will be loss-making.
- ♦ **Annual Improvements** make minor amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IAS 41 *Agriculture* and the Illustrative Examples accompanying IFRS 16 *Leases*

All amendments are effective from 1st January 2022.

IASB issues amendments to IFRS 17 *Insurance Contracts* to help companies with implementation

The IASB has issued amendments to IFRS 17 aimed at helping companies implement the Standard and making it easier for them to explain their financial performance. The fundamental principles introduced when the IASB first issued IFRS 17 in May 2017 remain unaffected. The amendments, which respond to feedback from stakeholders, are designed to

- ♦ Reduce costs-by simplifying some requirements to reduce the costs of applying IFRS 17 for companies, including system-development costs
- ♦ Make financial performance easier to explain-by revising some requirements to address concerns that the results of applying IFRS 17 as originally issued are difficult to explain in some circumstances, for e.g. because they are perceived to cause accounting mismatches
- ♦ Ease transition –
 - ▲ By extending the period available to companies to prepare for the first application of IFRS 17 and the period for some insurers to prepare for the first application of IFRS 9 *Financial Instruments*

- ▲ By providing additional transition reliefs to reduce the complexity of applying IFRS 17 for the first time

The deferral of the effective date by 2 years, to annual reporting periods beginning on or after **1st January 2023**, is intended to allow time for an orderly adoption of the amended IFRS 17 by jurisdictions around the world. This should enable more insurers to implement the new Standard at the same time.

The IASB has also issued an amendment to the previous insurance contracts Standard, IFRS 4, so that eligible insurers can still apply IFRS 9 *Financial Instruments* alongside IFRS 17.

[Read more](#)

[Return](#)

In brief

RBI has permitted regulatory returns to be submitted with a delay up to 30 days from the due date

Indian Accounting Standards (Ind AS) (IFRS as applicable in India with certain carve-outs)

Submission of regulatory returns - Extension of timelines

In order to mitigate the difficulties in timely submission of various regulatory returns, in view of disruptions on account of COVID-19 pandemic, it has been decided to extend the timelines for their submission. Accordingly, all regulatory returns required to be submitted by-

- ♦ the All Scheduled Commercial Banks (including RRBs and Small Finance Banks),
- ♦ Payments Banks and Local Area Banks,
- ♦ All India Financial Institutions,
- ♦ All Co-operative Banks to the Department of Regulation

can be submitted with a delay of up to 30 days from the due date. The extension will be applicable to regulatory returns required to be submitted up to 30th June 2020.

Inter alia, the list of regulatory returns which can be submitted with a delay of a maximum of 30 days from the due date include -

Name of the Return	Frequency of the Return	Current Timeline
Ind AS proforma	Quarterly	Within 60 days
Proforma Ind AS FS for AIFIs	Half-yearly (ended on 31 st March and 30 th September)	Within 60 days

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ICAI Releases

Addendum to Accounting and Auditing Advisory on Impact of Coronavirus on Financial Reporting and Auditors Consideration

The ICAI has issued an Addendum to Accounting and Auditing Advisory on [Impact of Coronavirus on Financial Reporting and Auditors Consideration](#) which provides additional guidance in relation to estimation of impairment loss for financial instruments under Expected Credit Loss approach. The guidance is also given on considerations to be made in respect of loan moratorium.

[Read more](#)

Addendum to ICAI Accounting and Auditing Advisory (March 2020) issued

In brief

FAQs on Ind AS addressing impact of COVID – 19 issued

Amendment to Ind AS 116 proposed corresponding to amendments to IFRS 16 issued by IASB

ICAI COVID-19 FAQs on Ind AS

ICAI has published application guidance in certain areas of accounting in the form of Frequently Asked Questions (FAQs) in the context of contraction in economic activity, disruptions in financial markets and a series of actions by government, monetary and prudential authorities on account of COVID- 19. The guidance offered in this document is applicable for annual FSs prepared in Ind AS framework for the ending 31st March 2020. It discusses, *inter alia*, the following situations-

- ♦ Impact of Net Realisable Value estimation while performing inventory valuation
- ♦ Allocation of fixed production overhead while determining the cost conversion of its inventory
- ♦ Depreciation on plant, property and equipment that remains idle due to COVID-19
- ♦ Impairment test to estimate recoverable amount of its non-financial assets for the year ending on 31st March 2020
- ♦ Possible approach to estimate the future cash flows in view of significant uncertainty and turbulent times caused by rapidly evolving COVID-19 impact
- ♦ Presentation of FSs
- ♦ Accounting of employer's share of employee provident fund by the government
- ♦ CSR contribution post year end

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Exposure Draft on COVID-19-Related Rent Concessions (Proposed amendment to Ind AS 116 Leases)

As a result of the deadly COVID-19 pandemic, there would be many instances of lessors giving rent concessions to lessees as a result of the pandemic. The lessees could find it challenging to assess whether a potentially large volume of COVID-19-related rent concessions are lease modifications and, for those that are, to apply the required accounting in IFRS 16, especially in the light of the many challenges lessees face during the pandemic. Further, those challenges arising during the pandemic add to the work undertaken by lessees in implementing the new lessee accounting model in IFRS 16. The amendments to IFRS 16 provides the practical expedient to provide relief to lessees, while enabling lessees to continue providing useful information about their leases to users of financial statements. The amendment aims to address issues affecting the application of IFRS 16 requirements to large volumes of rent concessions granted as a direct consequence of the covid-19 pandemic during 2020. The amendment to IFRS 16 are as follows:

- ♦ permits lessees, as a practical expedient, not to assess whether particular Covid-19-related rent concessions are lease modifications. Instead, lessees that apply the practical expedient would account for those rent concessions as if they were not lease modifications.

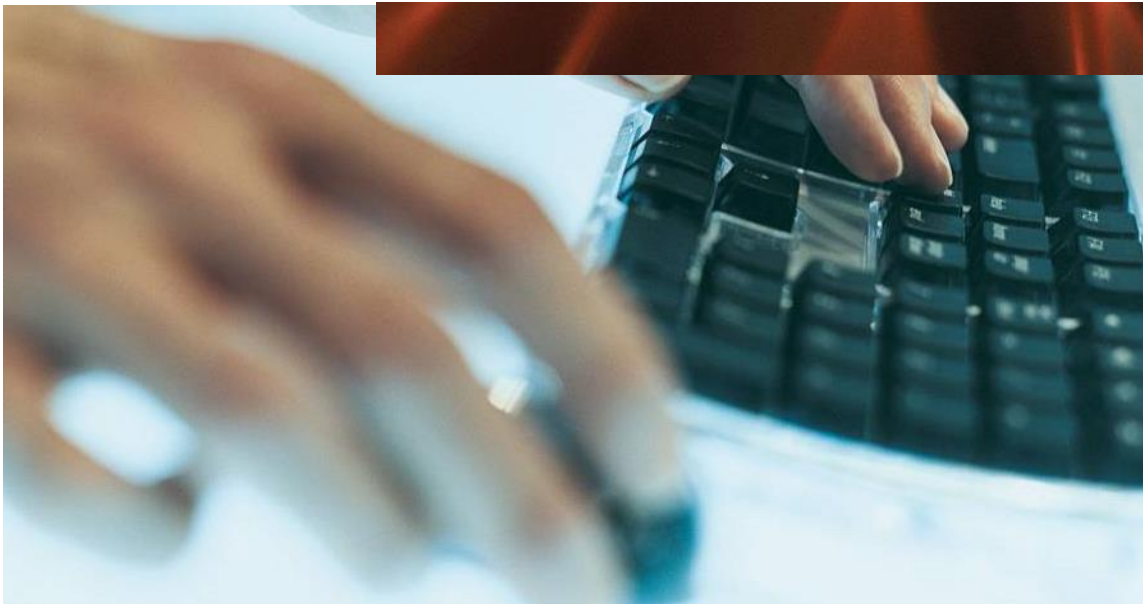
- ♦ require a lessee applying the practical expedient to disclose the amount recognised in Profit Or Loss to reflect changes in lease payments that arise from COVID-19-related rent concessions.
- ♦ specify that in the reporting period in which a lessee first applies the amendment, the lessee is not required to disclose the information required by paragraph 28(f) of IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

The amendments to IFRS 16 does not specify any change in the requirements for lessors.

The Accounting Standards Board (ASB) noted that Indian entities preparing Ind AS based FS statements could be facing similar challenges and situations like the International scenario. In addition, there is a need to remain converged with IFRS standards. Accordingly, the ASB of ICAI has issued the Exposure Draft of proposed amendments to Ind AS 116 *Leases*

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Key Take Away

- The optional exemption given in the amendment to IFRS 16 provides support for lessees and enables them to continue providing information about their leases that is useful to investors
- Amendments to IFRS 17 addresses many of the concerns raised by stakeholders, it also clarifies and simplifies the requirements of IFRS 17 in many respects, and provides clarity to preparers and financial statement users on the timing of transition to IFRS 17.

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