

## In brief

The proposed IFRS Taxonomy 2019 reflects the new disclosure requirements introduced by the amendments to IFRS 9, IAS 39 and IFRS 7



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## International Financial Reporting Standards (IFRS)

### IASB proposes changes to the IFRS Taxonomy 2019 for Interest Rate Benchmark Reform

The International Accounting Standards Board (IASB) published a proposed update to the IFRS Taxonomy 2019 for Interest Rate Benchmark Reform, which amended IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures*.

In September 2019, the IASB issued Interest Rate Benchmark Reform, which amended IFRS 9, IAS 39 and IFRS 7. The amendments require qualitative and quantitative disclosures to enable users of financial statements (FS) to understand how an entity's hedging relationships are affected by the uncertainty arising from interest rate benchmark reform.

This Proposed IFRS Taxonomy Update reflects in the IFRS Taxonomy the new disclosure requirements introduced by the amendments which are-

- ♦ the significant interest rate benchmarks to which the entity's hedging relationships are exposed;
- ♦ the extent of the risk exposure the entity manages that is directly affected by the interest rate benchmark reform;
- ♦ how the entity is managing the process to transition to alternative benchmark rates;
- ♦ a description of significant assumptions or judgements the entity made in applying the amendments; and
- ♦ the nominal amount of the hedging instruments in those hedging relationships

The amendments apply to annual periods beginning on or after 1<sup>st</sup> January 2020. Earlier application is permitted.

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## In brief

IASB has proposed improvements to the way information is communicated in the FS, with a focus on information about performance in the Statement of Profit or Loss

### IASB proposes to require comparable profit subtotals and bring greater transparency to ‘non-GAAP’ measures

The IASB has proposed improvements to the way information is communicated in the FS, with a focus on financial performance. Responding to investor demand, the proposals would require more comparable information in the Statement of Profit or Loss and a more disciplined and transparent approach to the reporting of management-defined performance measures (‘non-GAAP’).

The 3 main topics covered are-

#### **New subtotals in the Statement of Profit or Loss**

Companies would be required to provide 3 new profit subtotals, including ‘operating profit’. Operating profit is commonly reported by companies but is currently not defined by IFRS Standards, making meaningful comparisons between companies difficult. The new subtotals would give better structure to the information and enable investors to compare companies.

#### **‘Non-GAAP’ transparency**

Companies would be required to disclose management performance measures—subtotals of income and expenses that are not specified in IFRS Standards—in a single note to the FS. In this note, companies would be required to explain why the measures provide useful information, how they are calculated and to provide a reconciliation to the most comparable profit subtotal specified by IFRS Standards. These requirements would add much-needed transparency and discipline to the use of non-GAAP measures and make it easier for investors to find the information they need to make their own analyses.

#### **Improved disaggregation of information**

Investors sometimes find it difficult to unpick a company’s reported information because items may be lumped together with insufficient labelling or explanations. Therefore, the IASB has proposed new guidance to help companies disaggregate information in the most useful way for investors. Companies would also be required to provide better analysis of their operating expenses and to identify and explain in the notes any unusual income or expenses, using the Board’s definition of ‘unusual’. These requirements would help investors analyse companies’ earnings and forecast future cash flows

The proposals would result in a new IFRS Standard that sets out general presentation and disclosure requirements relevant for all companies, replacing IAS 1 *Presentation of Financial Statements*. The Board is also proposing to amend some other IFRS Standards. [Read more](#)

## In brief

Guide to Selecting and Applying Accounting Policies—IAS 8 presents a three-step process to developing accounting policies

The tables showing the effective dates of IFRS and IAS, separately identifying the effective date of each significant amendment made to those standards

### Guide –How to select and apply accounting policy

The IFRS Foundation has published a guide to help companies determine their accounting policies when preparing IFRS financial statements.

IAS 8 *Accounting Policies, Changing in Accounting Estimates and Errors* specifies the requirements for selecting and applying accounting policies.

In the absence of an IFRS Standard that specifically applies to a transaction, other event or condition, management uses its judgement in developing and applying an accounting policy that results in information that is reliable and relevant to an investor’s economic decision-making needs.

[Read more](#)

### Effective dates of amendments to IFRS/IAS

#### IFRS

	Pronouncements	Issued	Effective Dates	Corresponding Ind AS
IFRS <i>Financial Instruments: Disclosures</i>	7- Amendments regarding pre-replacement issues in the context of the IBOR reform	September 2019	Annual periods beginning on or after 1 <sup>st</sup> January 2020	Ind AS 107
IFRS <i>Financial Instruments</i>	9- Amendments regarding pre-replacement issues in the context of the IBOR reform	September 2019	Annual periods beginning on or after 1 <sup>st</sup> January 2020	Ind AS 109

#### IAS

	Pronouncements	Issued	Effective Dates	Corresponding Ind AS
IAS <i>Financial Instruments: Recognition and Measurement</i>	39- Amendments regarding pre-replacement issues in the context of the IBOR reform	September 2019	Annual periods beginning on or after 1 <sup>st</sup> January 2020	Ind AS 39

## In brief

Table providing summary of the pronouncements which will be mandatorily applied by entities for the first time at 31<sup>st</sup> December 2019, for various quarterly reporting periods

### New and revised pronouncements as at 31<sup>st</sup> December 2019

Pronouncements	Effective Dates	Corresponding Ind AS
<u>Standards</u>		
IFRS 16 <i>Leases</i>		Ind AS 116
<u>Interpretations</u>		
IFRIC 23 <i>Uncertainty over Income Tax Treatments</i>		
<u>Amendments</u>		
<i>Prepayment Features with Negative Compensation</i> (Amendments to IFRS 9)	1 <sup>st</sup> January 2019	Ind AS 109
<i>Long-term Interests in Associates and Joint Ventures</i> (Amendments to IAS 28)		Ind AS 28
Annual Improvements to IFRS Standards 2015–2017 Cycle (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23)		Ind AS 103, Ind AS 111, Ind AS 12, and Ind AS 23
<i>Plan Amendment, Curtailment or Settlement</i> (Amendments to IAS 19)		Ind AS 19

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## In brief

Clarification issued on 7 Ind AS issues on 14<sup>th</sup> October and 2 issues on 26<sup>th</sup> October 2019

Quick Referencer by Ind AS Implementation Committee provides basic understanding of Ind AS

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

## ICAI Releases

### Ind AS Technical Facilitation Group Clarification Bulletin 22 and 23

The ITFG of Ind AS Implementation Group has been constituted for providing clarifications on timely basis on various issues related to the applicability and /or implementation of Ind AS under the Companies (Ind AS) Rules, 2015, and other amendments finalised and notified till March 2019, raised by preparers, users and other stakeholders.

The ITFG has considered various implementation issues received from members. The ITFG, after due deliberations, has issued clarifications on 7 Ind AS issues through its 22<sup>nd</sup> Bulletin and 2 Ind AS issues through its 23<sup>rd</sup> Bulletin. Among other matter, issues clarified pertain to –

- ♦ Availability of recognition exemption for short term leases as per Ind AS 116, *Leases*
- ♦ Accounting for the lease rental income under Ind AS 116
- ♦ Accounting treatment of interest on the loan from a director.
- ♦ Applicability of Ind AS 115, *Revenue from Contracts with Customers* to distribution of gifts.
- ♦ Impact of tax rate as per Taxation Laws (Amendment) Ordinance, 2019 while determining current tax and deferred tax assets or liabilities for interim results/ interim financial statements as of 30<sup>th</sup> September 2019.
- ♦ Recognition of differences in amount of deferred tax assets and deferred tax liabilities arising from change in tax rates

22<sup>nd</sup> Bulletin [Read more](#)

23<sup>rd</sup> Bulletin [Read more](#)

### Quick Referencer on Ind AS

This Quick Referencer provides basic understanding of Ind AS. It been formulated in accordance with the Ind AS notified by the Ministry of Corporate Affairs (MCA) as Companies (Indian Accounting Standards) Rules, 2015 vide Notification dated 16<sup>th</sup> February 2015 and other amendments finalised and notified till March 2019.

[Read more](#)

## In brief

The ASB of ICAI has initiated necessary steps to bring out the Conceptual Framework for financial reporting under Ind AS corresponding to Conceptual Framework for financial reporting issued by IASB in March 2018.

### Exposure Draft of Conceptual Framework for Financial Reporting under Ind AS

The Accounting Standards Board (ASB) of the ICAI has formulated the above Exposure Draft (ED). The salient features are given below –

- ♦ It describes the objective and concepts for general purpose financial reporting.
- ♦ It is a practical tool that helps the standard setters to formulate requirements in Standards based on consistent concepts.
- ♦ It helps preparers to develop consistent accounting policies for areas that are not covered by a standard or where there is choice of accounting policy, and to assist all parties to understand and interpret Standards.
- ♦ It is a comprehensive set of concepts for formulating financial reporting standards and financial reporting.
- ♦ It is structured into 8 chapters and includes an appendix of defined terms.
- ♦ It incorporates specific chapters on measurements, presentation and disclosures and derecognition.
- ♦ It has brought out an important change in the area of certain critical definitions, i.e., Asset and Liability and their recognition criteria.
- ♦ Additional clarification has been provided in some areas such as Prudence, Substance over Form, Stewardship and Measurement uncertainty.
- ♦ It will result into consequential amendments in certain Ind AS, for references to the Conceptual Framework

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## Key Take Away

- The IASB proposal to require comparable profit subtotals and bring greater transparency to ‘non-GAAP’ measures could result in one new standard and changes to at least 6 existing standards. The proposal is part of an effort by the Accounting Standards setter to compel companies to provide more detailed information to investors and to make the comparison of Financial Statements easier and more meaningful.
- IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* specifies requirements for entities in selecting and applying accounting policies for transactions, other events and conditions. The Guide published by the IFRS Foundation explains how to apply those requirements using material and examples that have been discussed by the IASB or IFRS Interpretations Committee.

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