

In brief

- New Standard on leases now effective

IFRS 16 Leases was issued in January 2016 and is effective for annual reporting periods starting on or after 1st January 2019. It replaces IAS 17 Leases and related Interpretations



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International Accounting Standard Board (IASB) Updates

New Standard on leases now effective

The IFRS 16 Leases was issued in January 2016 and is effective for annual reporting periods starting on or after 1st January 2019. It replaces IAS 17 Leases and related Interpretations.

IFRS 16 changes the accounting substantially for lessees. The new Standard eliminates a lessee's classification of leases as either operating leases or finance leases. Instead, almost all leases are 'capitalised' by recognising a lease liability and right-of-use asset on the balance sheet. There is little change for lessors.

IFRS 16 will increase visibility of companies' lease commitments and better reflect economic reality. The Standard will also make it easier for users of Financial Statements (FS) to compare companies that lease their assets with companies that borrow money to buy their assets, creating a more level playing field.

For details refer: <https://www.ifrs.org/news-and-events/2019/01/ifrs-16-is-now-effective/>

In brief

- IFRS standards effective in 2019

Table showing IFRS which are effective from the year 2019 onwards

IFRS standards applicable in 2019 onwards

Title	Description	Effective Date	Corresponding Ind AS
IFRIC 23 <i>Uncertainty over Income Tax treatments</i>	The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.	Effective for annual reporting periods beginning on or after 1 st January 2019.	
IFRS 16 <i>Leases</i>	IFRS 16 specifies how to recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained.	Effective for annual periods beginning on or after 1 st January 2019. Earlier application is permitted, if IFRS 15, <i>Revenue from Contracts with Customers</i> , has also been applied.	Ind AS 116

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In brief

- RBI defers implementation of Ind AS till further notice as the legislative amendments recommended by the RBI are under consideration of the Government.
- Companies (Ind AS) Amendment Rules, 2019 and Companies (Ind AS) Second Amendment Rules, 2019- relate to amendments of various Ind AS and insertion of Ind AS 116 - *Leases*

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

RBI defers implementation of Ind AS till further notice

RBI vide its circular dated 11th February 2016 had mentioned that Scheduled Commercial Banks (SCBs), excluding Regional Rural Banks (RRBs), were required to implement Indian Ind AS from 1st April 2018.

However, RBI vide a press release dated 5th April 2018, deferred the implementation of Ind AS by 1 year i.e. 2019-20. Implementation of Ind AS was deferred by 1 year pending necessary legislative amendments to the Banking Regulation Act, 1949 as also the level of preparedness of many banks.

Vide its notification dated 22nd March 2019, RBI has decided to **defer the implementation of Ind AS till further notice** as the legislative amendments recommended by the RBI are under consideration of the Government of India

For details refer:

<https://www.rbi.in/Scripts/NotificationUser.aspx?Id=11506&Mode=0>

Companies (Ind AS) Amendment Rules, 2019

The MCA has amended Companies (Ind AS) Rules, 2015. Following Ind AS have been amended-

Ind AS 101	<i>First time adoption of Ind AS</i>
Ind AS 103	<i>Business Combinations</i>
Ind AS 104	<i>Insurance Contracts</i>
Ind AS 107	<i>Financial Instruments: Disclosures</i>
Ind AS 109	<i>Financial Instruments</i>
Ind AS 113	<i>Fair Value Measurement</i>
Ind AS 115	<i>Revenue from Contracts with Customers</i>

Ind AS 116 *Leases* has been inserted.

The amendment relates to pronouncement of Ind AS 116 *Leases* to replace Ind AS 17.

For details refer: http://www.mca.gov.in/Ministry/pdf/RuleIndAsEng_30032019.pdf

In brief

▪ Educational Material on Ind AS 110 & 111

Addresses all relevant aspects envisaged in the Standard by way of brief summary of the Standard and FAQs

Companies (Ind AS) Second Amendment Rules, 2019

These rules among other amendments relate to amendment of;

Ind AS 12	<i>Income taxes to insert of Appendix C Uncertainty over income tax treatments</i>
Ind AS 19	<i>Employee Benefits</i>
Ind AS 23	<i>Borrowing Costs</i>
Ind AS 28	<i>Investments in Associates and Joint Ventures</i>
Ind AS 109	<i>Financial Instruments</i>
Ind AS 111	<i>Investments in Associates and Joint Ventures</i>

Both rules also include consequential amendments to other Ind AS and will come into force on 1st April 2019.

For details refer:

http://www.mca.gov.in/Ministry/pdf/RuleIndAsSecondEng_30032019.pdf

ICAI Releases

Educational Material

The Educational Material (EM) addresses all relevant aspects envisaged in the Standard by way of brief summary of the Standard and Frequently Asked Questions (FAQs) which are being/expected to be encountered while implementing the Standard

♦ on Ind AS 110 Consolidated Financial Statements

The purpose of this Educational Material is to provide guidance by way of illustrations explaining the principles enunciated in the Standards. This publication will provide guidance to the stakeholders in how an entity prepares and presents consolidated financial statements and suggested descriptive disclosures for entities having interests in other entities.

For details refer: <https://resource.cdn.icai.org/53621asb43065.pdf>

♦ on Ind AS 111 Joint Arrangements

This publication will provide guidance to the stakeholders about the reporting by entities that have an interest in arrangements that are controlled jointly. The standard is to be applied by all entities that are a party to a joint arrangement.

For details refer: <https://resource.cdn.icai.org/54124indas43413.pdf>

In brief

▪ Compendium of ITFG Clarifications Bulletins

This publication containing compilation of all 132 issues clarified till date through these 17 ITFG clarifications bulletins along with its standard-wise indexation

▪ ITFCG Clarification Bulletin 18

Clarification issued on 5 Ind AS issues

Compendium of ITFG Clarifications Bulletins

Ind AS Transition Facilitation Group (ITFG) issues clarification bulletins addressing implementation issues from time to time. Till date, the ITFG has issued clarifications on 132 issues through its 17 clarification bulletins. For the ease of reference of members and other stakeholders, a publication containing compilation of all 132 issues clarified till date through these 17 ITFG clarifications bulletins along with its standard-wise indexation has been published

For details refer: <https://resource.cdn.icai.org/53744compendium-itfg-icai-n.pdf>

Ind AS Technical Facilitation Group Clarification Bulletin 18

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, 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 5 Ind AS issues through its 18th Bulletin. Among other matter, issues clarified pertain to –

- ♦ Accounting treatment of an interest free loan received by a subsidiary from its holding company
- ♦ Applicability of Ind AS to a Limited Liability Partnership
- ♦ Accounting treatment of Dividend Distribution Tax in the Consolidated Financial Statement

For details refer: <https://resource.cdn.icai.org/54022indas43379.pdf>

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Key Take Away

- Virtually every company uses rentals or leasing as a means to obtain access to assets and will therefore be affected by the new leasing standard. The accounting treatment of leases by lessees will change primarily. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting.
- The deferral of Ind AS will bring huge relief to the banks which are still to recognise stressed assets and make necessary provisions as that would require higher capital. The new accounting standards would require banks to make provisions when they judge that a loan is likely to turn bad, rather than waiting for the borrower to start missing payments. However, this will have an impact when financial statements have to be compared with their global counterparts.
- Ind AS 116 on *Leases* came into force from 1st April 2019. Ind AS 116 replaces prevailing standard on leases i.e. Ind AS 17. This standard will improve the quality of financial information of about companies. The new standard on leases brings in a substantial change in the accounting for operating leases by lessees and few improvements in the disclosure-related aspects for lessors accounting.

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