

## In brief

The effective date of amendments to IAS 1 is now effective from 1<sup>st</sup> January 2023

An update to the IFRS Taxonomy 2020 for Covid-19-Related Rent Concessions, which amended IFRS 16 Leases issued



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## International Financial Reporting Standards (IFRS)

### IASB defers the effective date of amendments to IAS 1

The International Accounting Standards Board (IASB) has issued an amendment 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*.

Classification of Liabilities as Current or Non-current was issued in January 2020, effective for annual reporting periods beginning on or after 1<sup>st</sup> January 2022. However, in response to the COVID-19 pandemic, the IASB has deferred the effective date by one year to provide companies with more time to implement any classification changes resulting from those amendments. Classification of Liabilities as Current or Non-current is now effective for annual reporting periods beginning on or after 1<sup>st</sup> January 2023.

The Board did not make any changes to Classification of Liabilities as Current or Non-current other than the deferral of the effective date.

### IASB completes response to IBOR reform with amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

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 (FS).

The amendments complement those issued in 2019 and focus on the effects on FS when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the reform.

## In brief

The objectives of the amendments are to:

- ♦ support companies in applying IFRS Standards when changes are made to contractual cash flows or hedging relationships because of the reform; and
- ♦ assist companies in providing useful information to users of FS

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.

The amendments apply retrospectively, but companies are not required to restate comparative information. Additionally, a company is required to reinstate a discontinued hedging relationship if, and only if:

- ♦ the company discontinued the hedging relationship solely because of changes required by the reform; and
- ♦ at the date of initial application of the amendments, that discontinued hedging relationship meets all qualifying criteria for hedge accounting

These amendments are **effective for annual reporting periods beginning on or after 1<sup>st</sup> January 2021**, with early adoption permitted.

### **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

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

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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.

The deadline for submitting comments on the above Exposure Draft was 30<sup>th</sup> September 2020. The IASB will consider feedback received in developing its final requirements.

[Read more](#)

### **IASB proposes changes to the IFRS Taxonomy to reflect amendments to IFRS 17, IFRS 4 and IAS 16**

The IASB has published a proposed update to the IFRS Taxonomy 2020 to reflect recent amendments to IFRS Standards.

Proposed changes to the IFRS Taxonomy to reflect amendments to IFRS 4, IFRS 17, and IAS 16 issued

## In brief

Various IFRS Standards amended in response to IBOR reform and other interest rate benchmarks

The proposed changes reflect amendments to:

- ♦ the new and old insurance contracts Standard, IFRS 17 and IFRS 4, issued in June 2020—Amendments to IFRS 17 and Extension of the Temporary Exemption from Applying IFRS 9; and
- ♦ IAS 16, issued in May 2020—Property, Plant and Equipment—Proceeds before Intended Use

[Read more](#)

### IASB issues IFRS Taxonomy Update for Covid-19-Related Rent Concessions

The IFRS Taxonomy Update includes IFRS Taxonomy elements to reflect the new disclosure requirements introduced by the amendment, issued by the IASB in May 2020.

The amendment to IFRS 16 requires that if a lessee applies the practical expedient, the lessee should disclose:

- ♦ that it has applied the practical expedient to all rent concessions that meet the conditions in paragraph 46B or, if not applied to all such rent concessions, information about the nature of the contracts to which it has applied the practical expedient; and
- ♦ the amount recognised in Profit or Loss for the reporting period to reflect changes in lease payments that arise from rent concessions to which the lessee has applied the practical expedient in paragraph 46A.

The amendment to IFRS 16 applies to annual reporting periods beginning on or after 1<sup>st</sup> June 2020. Earlier application of the amendment is permitted, including in FS not authorised for issue as on 28<sup>th</sup> May 2020. Therefore, earlier use of the IFRS Taxonomy elements is permitted.

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## In brief

Various Ind AS amended including accounting for rent concessions and IBOR

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

## Companies (Indian Accounting Standards) Amendment Rules, 2020.

The MCA has amended the Companies (Indian Accounting Standards) Rules, 2015. Following Ind AS have been amended –

Ind AS	Particulars	Amendments
1	Presentation of FS	♦ Definition of the term 'material' amended
8	Accounting Policies, Changes in Accounting Estimates and Errors	♦ and related clarifications ♦ Corresponding amendments to other standards
10	Events after Reporting Period	Disclosure to be provided for each material category of non-adjusting event after the reporting period-
34	Interim Financial Reporting	Resulting revision of the above amendment
37	Provisions, Liabilities and Contingent Assets	Contingent and restructuring plan
103	Business Combinations	<i>Inter alia-</i> ♦ Definition of business amended ♦ An optional test (the concentration test) to permit a simplified assessment of whether an acquired set of activities and assets is not a business introduced
107	Financial Instruments: Disclosures	Disclosures pertaining to Uncertainty arising from IBOR
109	Financial Instruments	Temporary exceptions from applying specific hedge accounting requirements
116	Leases	Clarification which allows lessees not to account for COVID-19 related rent concessions as a lease modification subject to certain conditions

These amendments are **applicable prospectively for annual periods beginning on or after the 1<sup>st</sup> April 2020**. However in case of Ind AS 116, if the lessee has not yet approved the FS for issue before the issuance of this amendment, then the same **may be applied for**

## In brief

Clarification issued on implementation of Ind AS by NBFCs and ARCs

Conceptual Framework to assist ICAI in formulation of Ind AS issued

annual reporting periods beginning on or after the 1<sup>st</sup> April 2019.

[Read more](#)

### Implementation of Indian Accounting Standards

As per [Circular dated 13<sup>th</sup> March 2020](#), on the captioned subject, RBI had stated that any net unrealised gains arising on fair valuation of financial instruments, should not be included in owned funds whereas all such net losses should be considered.

RBI has clarified that the unrealised gain/loss on a derivative transaction undertaken for hedging may be offset against the unrealised loss/gain recognized in the capital (either through Profit or Loss or through Other Comprehensive Income) on the corresponding underlying hedged instrument. If after such offset and netting with unrealised gains/losses on other financial instruments, there are still net unrealised gains, the same should be excluded from regulatory capital.

RBI also clarified that unrealised gains/losses should be considered net of the effect of taxation.

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### ICAI Releases

#### Conceptual Framework for Financial Reporting under Ind AS applicable for Standard-setting Activity from accounting periods beginning from 1<sup>st</sup> April 2020, and for the preparers of FS from a future date

The ICAI has issued a Conceptual Framework for Financial Reporting under Ind AS. It describes the objective of, and the concepts for, general purpose financial reporting. The purpose of the Conceptual Framework is to

- ♦ assist the ICAI in formulation of Ind ASs that are based on consistent concepts;
- ♦ assist preparers to develop consistent accounting policies when no Ind AS applies to a particular transaction or other event, or when an Ind AS allows a choice of accounting policy; and
- ♦ assist all parties to understand and interpret the Ind ASs.

The Framework is not a Standard and it does not override any specific standard.

The *Conceptual Framework under Ind AS* will be applicable from 1<sup>st</sup> April 2020, for standard-setting activity. The applicability of the Conceptual Framework for preparers of FSs will be notified separately when consequential amendments to Ind ASs arising from this New Conceptual Framework are notified by the MCA following the due process under Section 133 of the Companies Act, 2013.

[Read more](#)

## In brief

EM covering various aspects of Ind AS 38 dealing with intangible assets issued

Compendium of Ind AS for FY 2010-21 released

### **Educational Material on Ind AS 38 *Intangible Assets***

This Educational Material (EM) addresses certain 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. It also includes major differences between Ind AS 38 *Intangible Assets*, IAS 38 *Intangible Assets* and AS 26 *Intangible Assets*

[Read more](#)

### **Compendium of Indian Accounting Standards**

In view of this dynamic nature of Ind AS, ICAI issues every year, a compilation of the version of Ind AS that are applicable as on date. This Compendium of Ind AS is an endeavour of ICAI to facilitate ease of reference and ready source of comprehensive literature for all those entities that are preparing FSs under Ind AS, either mandatorily or voluntarily. This Compendium contains updated Ind ASs **applicable for accounting period beginning 1<sup>st</sup> April 2020**.

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## Key Take Away

- IASB's response to IBOR reform will help companies to deal with its effect on their financial instruments and enable them to continue providing useful information to the investors.
- Amendments to Ind AS will provide relief to companies that received concessions on their rentals after COVID

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