This issue

In brief

Amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current.

International Financial Reporting Standards (IFRS)

IASB clarifies requirements for classifying liabilities as current or non-current

The International Accounting Standards Board (IASB) has issued narrow-scope amendments to IAS 1 *Presentation of Financial Statements* to clarify how to classify debt and other liabilities as current or non-current.

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

The amendments clarify, not change, existing requirements, and so are not expected to affect companies' financial statements **(FS)** significantly. However, they could result in companies reclassifying some liabilities from current to non-current, and vice versa; this could affect a company's loan covenants. Thus, to give companies time to prepare for the amendments, the **Board has set the effective date at January 2022**. Early application of the amendments is permitted.

In brief

IASB has agreed to the modifications to IFRS 17 but decided not to amend annual cohort requirement.

IASB Update February 2020- Amendments to IFRS 17 *Insurance Contracts*

The IASB discussed the feedback on its Exposure Draft amendments to IFRS 17 relating to:

- contractual service margin attributable to investment services;
- level of aggregation—annual cohorts for insurance contracts with intergenerational sharing of risks between policyholders;
- applicability of the risk mitigation option—non-derivative financial instruments at fair value through profit or loss;
- minor amendments;
- additional specific transition modifications and reliefs; and
- other topics raised by respondents to the Exposure Draft.

A number of decisions were arrived at which *inter alia* include the following-

- To tentatively retain, unchanged, the annual cohort requirement in IFRS 17.
- To extend the risk mitigation option for insurance contracts with direct participation features. The extension would permit an entity to apply the option when the entity mitigates the effect of financial risk on the fulfillment cash flows using non-derivative financial instruments measured at fair value through profit or loss.

Read more

IASB has deferred the effective date for IFRS 17 to 1st January 2023

IASB decides on new effective date for IFRS 17 of 1st January 2023

IASB has today decided that the effective date of the Standard will be deferred to annual reporting periods beginning on or after 1st January 2023. The IASB Board also decided to extend the exemption currently in place for some insurers regarding the application of IFRS 9 *Financial Instruments* to enable them to implement both IFRS 9 and IFRS 17 at the same time.

Timely implementation of IFRS 17 is vital to improve the quality and comparability of accounting for insurance contracts. However, the Board's decision to defer the effective date by 2 years from the original date to 2023 will enable insurers around the world to implement the new Standard at the same time, which the Board considers to be beneficial for investors, insurers and other stakeholders.

The Board expects to issue the amendments to IFRS 17 in the 2nd quarter of 2020.

Read more

In brief

Table showing IFRS which are effective from the year 2020 onwards

IFRS standards applicable in 2020 onwards

Title	Description	Effective Date	Corresponding Ind AS
IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*	IAS 8 is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors. The standard requires compliance with any specific IFRS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis.	The amendment is effective for annual reporting periods beginning on or after 1st January 2020.	Ind AS 8
IFRS 3 *Business Combinations*	IFRS 3 outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date.	The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st January 2020 and to asset acquisitions that occur on or after the beginning of that period.	Ind AS 103

In brief

The IASB has published a DP on *Business Combinations-Disclosures, Goodwill and Impairment*

The IASB consults on ways to help investors hold companies to account for acquisitions and on goodwill accounting

The IASB has published a Discussion Paper **(DP)** on possible improvements to the information companies report about acquisitions of businesses to help investors assess how successful those acquisitions have been. The IASB is also seeking feedback on how companies should account for goodwill arising from such transactions.

The IASB's DP contains further proposals in addition to those given below, including proposals to reduce the cost of the impairment test for preparers.

Better disclosures about acquisitions

Acquiring another business is a common way for companies to grow. However, acquisitions do not always perform in subsequent years as well as management initially expected. Investors would like to know more about how an acquisition is performing in relation to such expectations, not least so that they can hold a company's management to account for its acquisition decisions.

In response to this feedback, the IASB is suggesting changes to IFRS Standards that would require a company to disclose information about its objectives for an acquisition and, in subsequent periods, information about how that acquisition is performing against those objectives.

Accounting for goodwill

The IASB has also considered whether to change how a company accounts for goodwill. Companies must test goodwill for impairment annually, but stakeholders have mixed views about whether this test is effective. Some argue that the impairment test informs investors about an acquisition's performance. Others say that the test is costly and complex, and that impairment losses on goodwill are often reported too late.

The IASB tried to identify a better impairment test—one that would require a company to report at an earlier date if its goodwill had lost value. The current test provides information to investors, but it tests a broader set of assets than just goodwill. The IASB has concluded that there is no alternative that can target goodwill better and at reasonable cost. It expects that the new disclosure requirements would provide investors with the information needed on the performance of an acquisition.

Some stakeholders have suggested that the Board should reintroduce amortisation—the gradual write-down of goodwill over time, which was the requirement in IFRS

Standards until 2004. But, having considered the pros and cons of amortisation, the Board's preliminary conclusion is that it should retain the impairment-only approach, because there is no clear evidence that amortising goodwill would significantly improve the information that companies report to investors.

Read more

Return

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

In brief

Implementation of Ind AS in Insurance Sector deferred

Implementation of Ind AS in the Insurance Sector

The IRDAI has decided to defer the implementation of Ind AS in the insurance sector until the IASB issues final amendment to IFRS 17 *Insurance Contracts*. IRDAI has not announced any date for the same, but since IASB has deferred IFRS 17 to 1st January 2023, IRDAI may also follow the same.

Read more

Regulatory guidance on Ind AS for NBFCs and ARCs issued by the RBI

Implementation of Indian Accounting Standards for NBFCs and ARCs

Non-Banking Financial Companies **(NBFCs)** covered by Rule 4 of the Companies (Ind AS) Rules, 2015 are required to comply with Ind AS for the preparation of their financial statements **(FS)**. In order to promote a high quality and consistent implementation as well as facilitate comparison and better supervision, the Reserve Bank of India **(RBI)** has framed regulatory guidance on Ind AS given in its Circular which will be applicable on Ind AS implementing NBFCs and Asset Reconstruction Companies **(ARCs)** for preparation of their FS from financial year 2019-20 onwards.

Read more

ICAI Releases

EM on Ind AS 116 and 20 providing guidance in implementing the Standard effectively by explaining the principles enunciated in the Standard with the help of examples issued

Education Material (EM)

- **EM on Ind AS 116- Leases**

  This 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.

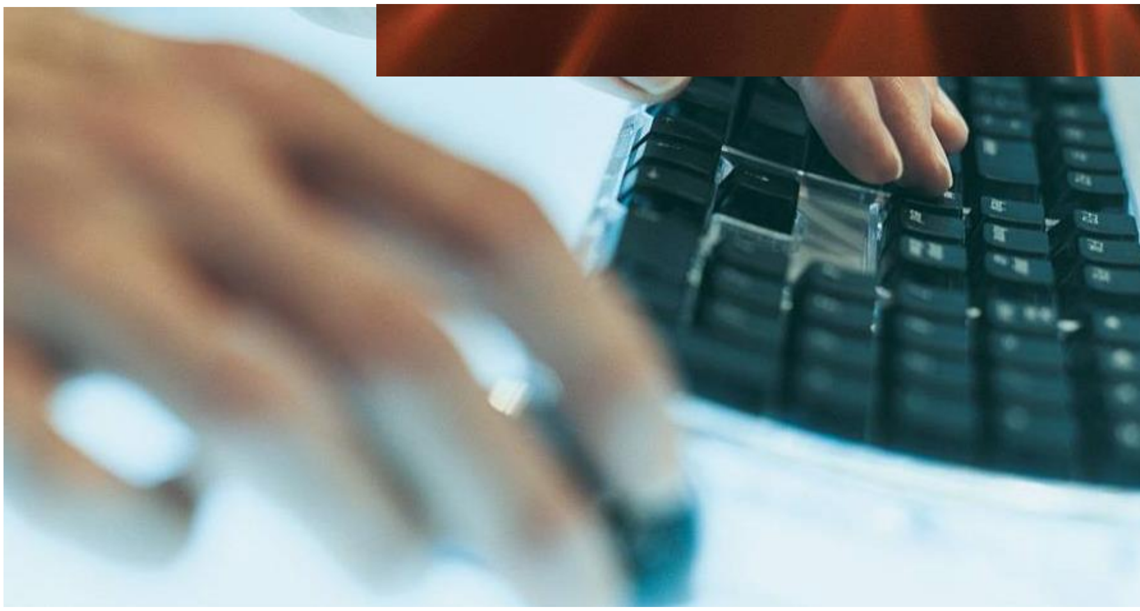
  Read more

- **EM on Ind AS 20-Accounting for Government Grants and Disclosure of Government Assistance**

  This EM contains guidance by way of FAQs and illustrations explaining the principles enunciated in the Standard. This publication will provide guidance to the stakeholders in accounting and to reporting entities in disclosure of various government grants and government assistance received

  Read more

  Return



Disclaimer and Statutory Notice

This e-publication is published by C N K & Associates, LLP Chartered Accountants, India, solely for the purposes of providing necessary information to employees, clients and other business associates. This publication summarizes the important statutory and regulatory developments. Whilst every care has been taken in the preparation of this publication, it may contain inadvertent errors for which we shall not be held responsible. The information given in this publication provides a bird's eye view on the recent important select developments and should not be relied solely for the purpose of economic or financial decision. Each such decision would call for specific reference of the relevant statutes and consultation of an expert.

This publication is not intended for advertisement and/or for solicitation of work.

Contact Us:

Mumbai
Mistry Bhavan, 3rd Floor
Dinshaw Vachha Road, Churchgate
Mumbai 400 020
Tel No. +91 22 6623 0600

Mumbai (Suburban Office)
501/502, Narain Chambers,
M.G. Road, Vile Parle (East),
Mumbai 400 057
Tel No +91 22 6250 7600

Ahmedabad
Tel. No. +91 79 2630 6530

Bengaluru
Tel. No. +91 80 2535 1353

Chennai
Tel No. +91 44 4384 9695

New Delhi
Tel No. +91 11 2735 7350

Vadodara
Tel. No. +91 265 234 3483

Dubai
Tel. No. +971 04 355 9533