This issue

IFRS P.1

Ind AS P.5

In brief

Consultation Paper published to assess demand for global sustainability standards and, if demand is strong, assess whether and to what extent the Foundation might contribute to the development of such standards

Exposure Draft on *Regulatory Assets and Regulatory* Liabilities setting out the principles for the recognition, measurement, presentation and disclosure of regulatory assets, regulatory liabilities, regulatory income and regulatory expense issued

International Financial Reporting Standards (IFRS)

IFRS Foundation publishes educational material to support companies in applying going concern requirements

Companies preparing financial statements **(FSs)** using IFRS Standards are required to assess their ability to continue as a going concern. In the current stressed economic environment arising from the COVID-19 pandemic, deciding whether the FSs should be prepared on a going concern basis may involve a greater degree of judgement than usual. To support companies, the educational material brings together the requirements in IFRS Standards relevant for going concern assessments.

Read more

IASB proposes new IFRS Standard to give investors a more complete picture of the financial performance of rate-regulated companies

The International Accounting Standards Board **(IASB)** has published proposals for a new accounting standard that would require companies subject to rate regulation to give investors better information about their financial performance.

Rate regulation, which is common in some industries, including the utilities and public transport industries, determines the amount a company can charge its customers for goods or services supplied to them and the period when the company can charge that amount.

In some cases, the period when a company supplies goods or services differs from the period when the company can charge customers for those goods or services—and thus differs from the period when the company reports revenue in its Income Statement.

When those differences in timing occur, the revenue a company reports for a period in its

Income Statement and the assets and liabilities it reports in its Balance Sheet do not give a complete picture of the amount that the rate regulation entitles the company to charge for goods or services supplied in that period.

In brief

Currently, IFRS Standards do not require companies to give investors information about those differences in timing.

The proposed Standard would introduce a requirement for companies to give investors such information by reporting regulatory assets and regulatory liabilities in their Balance Sheet, and related regulatory income and regulatory expense in their Income Statement.

This information would complement the information companies already provide applying current IFRS Standards and give investors a more complete picture. The additional information would help investors understand which fluctuations in the relationship between a company's revenue and expenses are caused by differences in timing and enable investors to make better assessments of the company's prospects for future cash flows.

The proposed Standard would replace IFRS 14 Regulatory Deferral Accounts.
Read more

IASB extends the application period of 2020 amended IFRS 16 by 1 year issued

IASB extend supports for lessees accounting for COVID-19-related rent concessions

The IASB had issued Covid-19-Related Rent Concessions, which amended IFRS 16 *Leases*, in May 2020. It was issued to make it easier for lessees to account for COVID-19-related rent concessions, such as rent holidays and temporary rent reductions, while continuing to provide useful information about their leases to investors. The 2020 amendment permitted lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID -19 pandemic are lease modifications and, instead, to account for those rent concessions as if they were not lease modifications.

The objective of the attached Exposure Draft is to continue providing lessees with practical relief during the on-going COVID-19 pandemic while enabling them to continue providing useful information about their leases to users of FSs.

In response to calls from stakeholders and because the COVID-19 pandemic is still at its height, the IASB has extended the relief by 1 year to cover rent concessions that reduce only lease payments due on or before 30th June 2022 *(earlier 30th June 2021)*.
Read more

In brief

Amendments to IAS 1, IFRS Practice Statement 2 and IAS 8 issued

IASB amends IFRS Standards to improve accounting policy disclosures and clarify distinction between accounting policies and accounting estimates

The IASB has issued narrow-scope amendments to IFRS Standards which will help companies:

- improve accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements; and
- distinguish changes in accounting estimates from changes in accounting policies.

The IASB has issued amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements*. The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Separately, the IASB has also issued amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

The amendments to IAS 1 and IAS 8 will be effective for annual reporting periods beginning on or after 1st January 2023, with early application permitted.

New approach in developing disclosure requirements and proposed amendments to IFRS 13 and IAS 19 that would help companies and others improve the usefulness of information disclosed

IASB proposes a new approach that opens the way to better communication in the notes in FSs

The IASB is seeking public comments on a new approach to developing disclosure requirements in IFRS Standards and new disclosure requirements for the Standards on fair value measurement and employee benefits. These proposals would enable companies to enhance their judgement and reduce 'boilerplate' information, giving investors more useful information.

The Notes in FSs sometimes include too little relevant information, too much irrelevant information and information disclosed ineffectively. Stakeholders say this typically occurs when the requirements in IFRS Standards are treated like a checklist without applying effective judgement.

In brief

Responding to stakeholder demand for the IASB's help in addressing these issues, the IASB has set out a new approach to developing the disclosure requirements in IFRS Standards. Disclosure requirements developed using this approach are intended to better enable companies, auditors and others to make more effective materiality judgements and thus provide disclosures that are more useful to investors.

The new approach is written as draft guidance for use by the IASB when developing disclosure requirements in individual Standards. In applying this guidance, the IASB aims to:

- enhance investor engagement to ensure the IASB has an in-depth understanding of investors' information needs and clearly explains those needs in the Standards;
- give greater prominence to the objective of disclosure requirements, requiring companies to apply judgement and provide information to meet the described investor needs; and
- minimise requirements to disclose particular items of information, and instead to help companies focus on disclosing material information only.

The IASB has tested this new approach using 2 IFRS Standards—IFRS 13 *Fair Value Measurement* and IAS 19 *Employee Benefits*—and has proposed amendments to the disclosure requirements in those Standards in the Exposure Draft.

Read more

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In brief

EM providing adequate guidance on the implementation of Ind AS 23 and Ind AS 105 and FAQs encountered issued

Publication summarising non-compliances observed in reporting requirements issued

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

Educational Materials (EM)

- **EM on Ind AS 23 *Borrowing Costs***

  Ind AS 23 prescribes the accounting treatment for recognising the borrowing costs incurred by entities. It sets out the criteria for capitalising the borrowing costs or for charging the borrowing costs as expense to the Statement of Profit and Loss.

  This EM provides adequate guidance on the implementation of the Standard for recognising the borrowing costs incurred by entities, 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.

  Read more

- **EM on Ind AS 105 *Non-current Assets Held for Sale and Discontinued operations***

  This EM seeks to provide guidance by way of FAQs to explain the principles enunciated in the Standard and on various practical issues that the preparers of the FSs face while applying this Ind AS This publication provides guidance on accounting and recognition of non-current assets or disposal groups held for sale and presentation and disclosure of discontinued operations.

  Read more

Study on Compliance of Financial Reporting Requirements (Ind AS Framework)

This publication has been compiled from the records of the Financial Reporting Review Board (FRRB) and contains relevant observations on the compliance aspects of Financial Reporting with and objective to enhance the quality of the reporting in the FS. It contains common non-compliances in reporting requirements of various applicable Statutes, Ind AS, Standard on Auditing, CARO, Schedule III and Sections of the Companies Act, 2013 as observed by the Board during the review proceedings.

Read more

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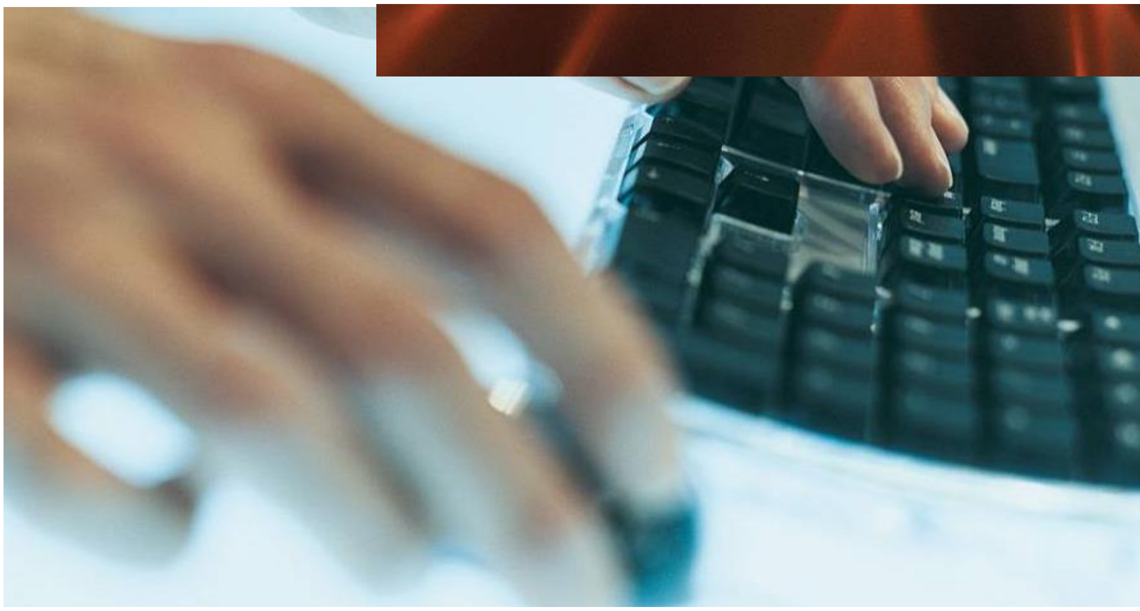

Key Take Away

- Proposed new standard on *Regulatory Assets and Regulatory Liabilities* will require additional information to give investors a more complete picture. Currently the investors do not get the full picture of rate regulation which can have a big impact on a company's revenue and profit.
- Extension of the application period of the amendment to IFRS 16 *Leases* issued in 2020 gives relief to the stakeholders though they should be aware of the probable transition issues concerning previously ineligible rent concessions.

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