



B K KHARE & Co
CHARTERED ACCOUNTANTS

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MCA Updates



The Companies (Indian Accounting Standards) Amendment Rules, 2020

The Ministry of Corporate Affairs on 24th July, 2020 notified the Companies (Indian Accounting Standards) Amendment Rules, 2020, thereby amending the Rules of 2015. The amendment introduces changes to number of Indian Accounting Standards (Ind ASs) including Ind AS 1, Ind AS 107 and Ind AS 109 →

SEBI Updates



Relaxations of various timelines due to the COVID-19 Pandemic

In view of the COVID-19 pandemic, SEBI has relaxed various timelines →

RBI Updates



Government expands scope of MSME's loan guarantee scheme to include large firms and professionals

In view of the COVID-19 pandemic, The RBI has relaxed the timeline for finalization of NBFC's audited accounts and the Government has expanded the scope of MSME's loan guarantee scheme and has also increased the limits →

Fair Practices Code for Asset Reconstruction Companies

(RBI) has announced guidelines for "Fair Practices Code" (FPC) for Asset Reconstruction Companies (ARCs) to ensure highest standards of transparency and fairness while dealing with their stakeholders. →

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MCA Updates

The Companies (Indian Accounting Standards)

Amendment Rules, 2020

The amendment introduces changes to following standards:

Definition of materiality modified for the purposes of Ind AS 1, Ind AS 8 and Ind AS 34

A new definition of materiality has been introduced by this amendment, this is more refined and also most expected by the industry, some of the examples of circumstances have also been provided for more clarity.

Materiality: Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.

New concept, 'obscuring' information is brought in. Information is obscured if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information. Obscuring has been further explained as vague or unclear language, scattered information, aggregation of dissimilar items, disaggregation of similar items or unwarranted prominence of immaterial information such that material information is hidden.



The change from the term 'users' to 'primary users' is intended to narrow-down and rule out addressing needs of specific users or specific situations.

Ind AS 10 related to Events after the Reporting Period

If non-adjusting events after the reporting period are material, non-disclosure could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Accordingly, an entity shall disclose the following for each material category of non-adjusting event after the reporting period.

- (a) the nature of the event; and
- (b) an estimate of its financial effect, or a statement that such an estimate cannot be made

The amendments here again basically introduce the words 'primary users', 'specific reporting entity'.

Ind AS 37 related to Provisions, Contingent Liabilities, and Contingent Assets

If an entity starts to implement a restructuring plan, or announces its main features to those affected, only after the reporting period, disclosure is required under Ind AS 10 Events after the Reporting Period, if the restructuring is material and non-disclosure could reasonably be expected to influence decisions that the primary users of general purpose



financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendment here is to introduce the words 'specific reporting entity'.

Ind AS 103- Business Combinations

- Ind AS 103 establishes different accounting requirements for a business combination as opposed to the acquisition of an asset or a group of assets that does not constitute a business. Business combinations are accounted for by applying the acquisition method, which, among other things, may give rise to goodwill. In contrast, when accounting for asset acquisitions, the acquirer allocates the transaction price to the individual identifiable assets acquired and liabilities assumed on the basis of their relative fair values and no goodwill is recognised.

The question whether an acquired set of activities and assets is a business, or otherwise has been addressed afresh.

Market participant's perspective

- Ind AS 103 adopts a market participant's perspective in determining whether an acquired set of activities and assets is a business. This means that it is irrelevant whether the seller operated the set as a business or whether the acquirer intends to operate the set as a business. Some respondents to Ind AS 103 noted that such a fact driven assessment may not provide the most useful information, as it does not consider the business rationale, strategic considerations and objectives of the acquirer. However, it was decided not to make any changes in this respect, because an assessment made from a market participant's perspective and driven by facts



(rather than the acquirer's intentions) helps to prevent similar transactions being accounted for differently. Also, the Committee noted that bringing more subjective elements into the determination would most likely result in increased diversity in practice.

The key changes between erstwhile Ind AS and the recent amendment is as follows

In the definition of business, against the existing sole criteria of "returns generation", providing of goods and services to customers is now added. Whether it will change the substance of how a set of activities is perceived, remains to be seen.

Concept of concentration of fair value has been introduced as an optional test. This test may be helpful to decide if value is concentrated in a single or a set of similar assets and therefore other assets/activities do not matter, and therefore, what is acquired is not a business.

Indian Accounting Standard (Ind AS) 116-Leases

- Indian Accounting Standard 116 has been amended to provide that subject to specified conditions, any rent concession due to COVID-19 may, if the lessee so elects, not be assessed as a lease modification.
- This is subject to disclosures to be made by the lessee and shall apply to annual reporting periods on or after 1 April, 2020 or where the lessee has not approved the



financial statements prior to this amendment, it may be applied for such periods from 1 April, 2019

Covid-19-related rent concessions for lessees

A lessee shall apply Covid-19-Related Rent Concessions (see paragraph C1A) retrospectively, recognising the cumulative effect of initially applying that amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment.

In the reporting period in which a lessee first applies Covid-19-Related Rent Concessions, a lessee is not required to disclose the information required by paragraph 28(f) of Ind AS 8 -the effect of such adjustment on each financial statement line item and EPS.

Ind AS 107- Financial Instrument-Disclosures

The new Rules amend Indian Accounting Standards 107 that relates to disclosures to be made in respect of financial instruments by introducing a provision specifying the disclosures to be made where there is uncertainty due to Interest Rate Benchmark Reform

Para 24H For hedging relationships to which an entity applies the exceptions set out in paragraphs 6.8.4-6.8.12 of Ind AS 109, an entity shall disclose-

- (a) the significant interest rate benchmarks to which the entity's hedging relationships are exposed;



(b) the extent of the risk exposure the entity manages that is directly affected by the interest rate benchmark reform;

(c) how the entity is managing the process to transition to alternative benchmark rates;

(d) a description of significant assumptions or judgements the entity made in applying these paragraphs (for example, assumptions or judgements about when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows); and

(e) the nominal amount of the hedging instruments in those hedging relationships.

In the reporting period in which an entity first applies Interest Rate Benchmark Reform, an entity is not required to present the quantitative information required by paragraph 28(f) of Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors.

Indian Accounting Standard (Ind AS) 109

Temporary exceptions from applying specific hedge accounting requirements

A hedging relationship is directly affected by interest rate benchmark reform only if the reform gives rise to uncertainties about-

(a) the interest rate benchmark (contractually or non-contractually specified) designated as a hedged risk; and/or



(b) the timing or the amount of interest rate benchmark-based cash flows of the hedged item or of the hedging instrument.

‘interest rate benchmark reform’ refers to the market-wide reform of an interest rate benchmark, including the replacement of an interest rate benchmark with an alternative benchmark rate such as that resulting from the recommendations set out in the Financial Stability Board’s July 2014 report ‘Reforming Major Interest Rate Benchmarks’

An entity shall continue to apply all other hedge accounting requirements to hedging relationships directly affected by interest rate benchmark reform assuming that the underlying assumptions are not affected by such reforms

Highly probable requirement for cash flow hedges

For the purpose of determining whether a forecast transaction (or a component thereof) is highly probable, an entity shall assume that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

Reclassifying the amount accumulated in the cash flow hedge reserve

An entity shall assume that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

Assessing the economic relationship between the hedged item and the hedging instrument



For the purpose of applying the requirements in paragraphs 6.4.1(c) (i) and B6.4.4 – B6.4.6, an entity shall assume that the interest rate benchmark on which the hedged cash flows and/or the hedged risk (contractually or non-contractually specified) are based, or the interest rate benchmark on which the cash flows of the hedging instrument are based, is not altered as a result of interest rate benchmark reform

Designating a component of an item as a hedged item

When an entity, consistent with its hedge documentation, frequently resets (i.e., discontinues and restarts) a hedging relationship because both the hedging instrument and the hedged item frequently change (i.e., the entity uses a dynamic process in which both the hedged items and the hedging instruments used to manage that exposure do not remain the same for long), the entity shall apply the requirement in paragraphs 6.3.7(a) and B6.3.8 that the risk component is separately identifiable-only when it initially designates a hedged item in that hedging relationship. A hedged item that has been assessed at the time of its initial designation in the hedging relationship, whether it was at the time of the hedge inception or subsequently, is not reassessed at any subsequent redesignation in the same hedging relationship.



SEBI Updates

Relaxations Of Various Timelines Due To The COVID-19 Pandemic

S No	Description	Earlier deadline	Extended deadline
1.	Relaxations relating to procedural matters Takeovers and Buy-back	July 31, 2020	December 31, 2020
2.	Extension of time for submission of financial results for the quarter/half year/ financial year ended June 30, 2020	August 14, 2020	September 15, 2020
3.	Time lines for Client Funding Reporting for the months of June and July 2020	July 31, 2020	September 30, 2020
4.	Reporting for Artificial Intelligence (AI) and Machine Learning (ML) applications for the quarter ended on June 30, 2020		
5.	Compliance certificate for Margin Trading for CM Segment for the half year ended (HYE) on March 31, 2020		



6.	Processing of the demat request form by Issuer / RTA		
7	Quarterly reporting on financial results for quarter ended 30 June 2020	15 August 2020	15 September 2020



RBI Updates

Government Expands Scope Of MSME's Loan Guarantee Scheme To Include Large Firms And Professionals

Finance Minister Nirmala Sitharaman allowed loans for larger firms and professionals including doctors, lawyers for the business purposes within the scope of Emergency Credit Line Guarantee Scheme (ECLGS). The finance ministry has increased the annual turnover ceiling of companies that could avail loans under the scheme to Rs 250 crore from Rs 100 crore at present.

The maximum amount of loans that can be availed under the scheme has also been increased to Rs 10 crore from Rs 5 crore. Department of financial services said that as much as Rs 1.36 lakh crore has been sanctioned under the scheme so far, out of which Rs 87,227 crore has been disbursed.

The ambit of the scheme has been increased to include individual loans for working capital purposes and larger MSMEs are likely to boost credit off take by Rs 1 trillion within the overall ceiling of Rs 3 trillion for the scheme. As of July 29, Rs 1.4 trillion had been sanctioned under the scheme while Rs 87,227 crore worth of loans disbursed. The Rs 3 lakh crore loan guarantee scheme was announced as part of the government's Atma Nirbhar package to provide liquidity support to such firms. Under the scheme, the government provides a full loan guarantee to the incremental loans given to borrowers. On May 21, the Cabinet had approved additional funding of up to Rs 3 lakh crore at a concessional rate of 9.25 per cent through Emergency Credit Line Guarantee Scheme (ECLGS) for the MSME sector.



The scheme provides incentives to banks and non-bank lenders to offer additional funding facilities to small borrowers by providing them 100 per cent guarantee for any losses suffered by the lenders due to any default.



Fair Practices Code for Asset Reconstruction Companies

- The Reserve Bank of India has advised Asset Reconstruction Companies (ARC) registered with the Bank to adopt 'Fair Practices Code' to ensure transparency and fairness in their operation and to follow transparent and non-discriminatory practices in acquisition of assets.
- It shall maintain arm's length distance in the pursuit of transparency and in order to enhance transparency in the process of the sale of secured assets, an invitation for participation in auctions shall be publicly solicited and the process should enable participation of as many prospective buyers as possible.
- The terms and conditions of such sale may be decided in wider consultation with investors in the security receipts as per the SARFAESI Act 2002 and the spirit of Section 29A of the Insolvency and Bankruptcy Code, 2016 may be followed in dealing with prospective buyers.
- As per the guidelines regarding FPC, ARCs should release all securities on repayment of dues or on the realization of the outstanding amount of loan, subject to any legitimate right or lien for any other claim they may have against the borrower.
- Further, the Asset Reconstruction Companies shall constitute a Grievance Redressal Machinery within the organization. The name and contact number of designated grievance redressal officer of the ARC should be mentioned in the communication with the borrowers.



The designated officer should ensure that genuine grievances are redressed promptly. ARCs' Grievance Redressal Machinery will also deal with the issue relating to services provided by the outsourced agency and recovery agents, if any.