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Regulatory updates for the month of August 2023

15 September 2023

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Regulatory updates for August 2023

The regulatory updates publication issued by the Foundation for Audit Quality (FAQ) highlights the latest developments in accounting, auditing and regulatory developments in India and internationally. This edition covers some of the important updates on accounting and regulatory matters and other discussion/consultation papers and publications for the period from **1 August 2023 to 31 August 2023**. It also highlights some of the action points that auditors may consider when applying the relevant provisions.

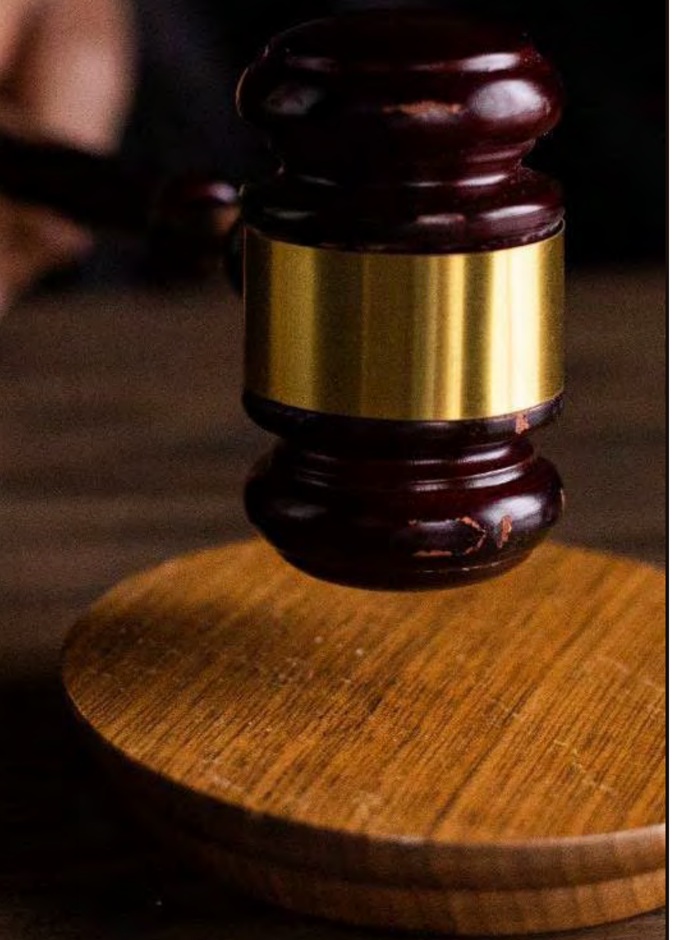
This edition covers:

Recently, the European Financial Reporting Advisory Group (EFRAG) issued the European Sustainability Reporting Standards (ESRS). Some of the key aspects specified in the standards include:

- Concept of double materiality
- Materiality assessment test
- Reporting boundary
- Assurance requirements.

Additionally, various publications have been released by the regulators during this month. Some of these include:

- Consultation Paper on Flexibility in the framework on Social Stock Exchange (SSE) issued by SEBI
- Proposed ISSA 5000, *General Requirements for Sustainability Assurance Engagements* issued by IAASB
- Guidance Note on Financial Statements of LLPs and Non-Corporate Entities issued by ICAI
- Proposed ASU on *Income statement – Reporting comprehensive income – expense disaggregation disclosures (subtopic 220-40): Disaggregation of income statement expenses* issued by FASB.



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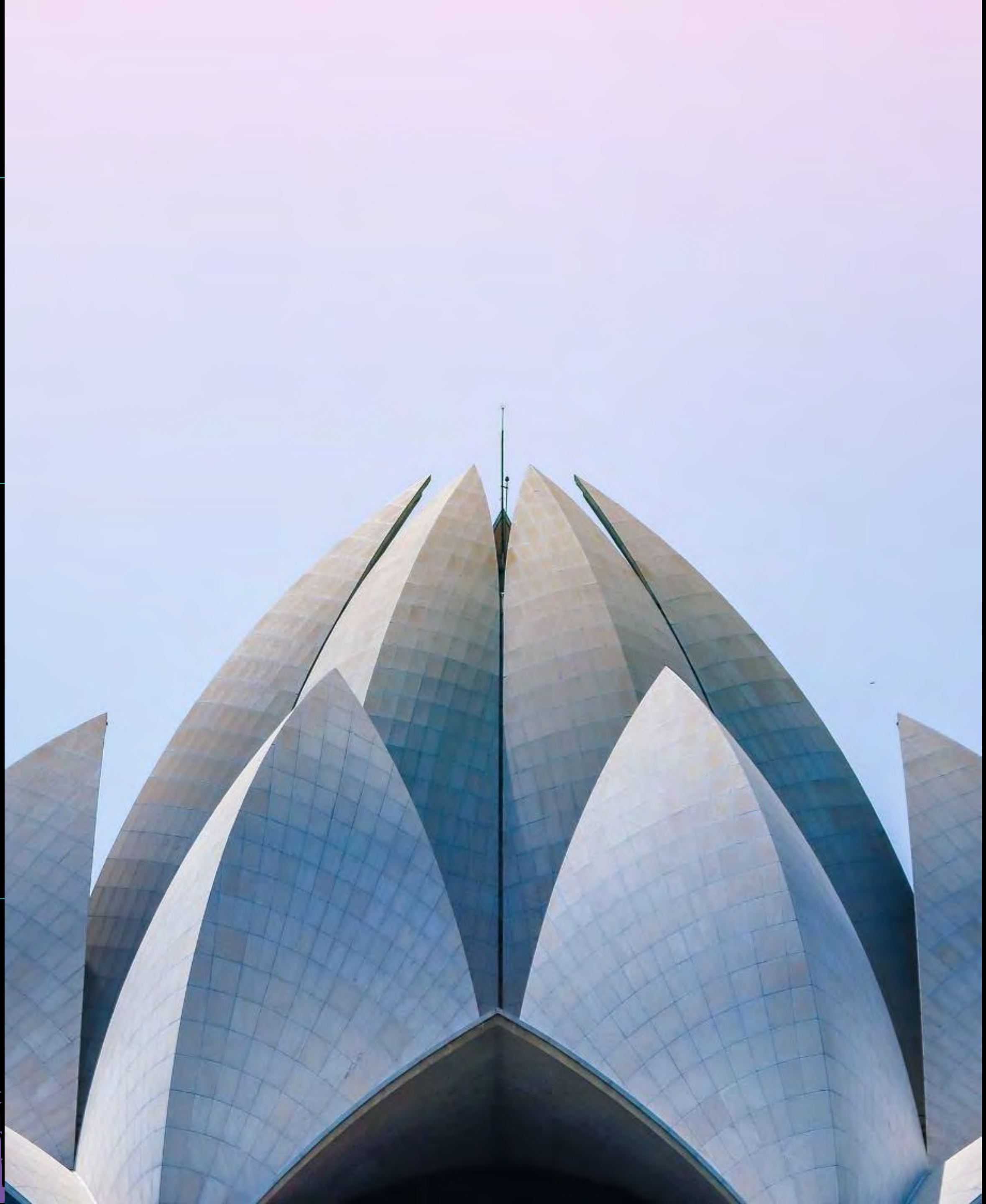

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Updates from SEBI

SEBI provides a new framework for voluntary delisting of non-convertible securities

A listed entity may choose to voluntarily delist[1] its Non-Convertible Securities[2] (NCS) for various reasons, such as for restructuring the NCS due to financial distress, less number of holders of such instruments, in case of a merger – especially, where the acquiring entity is not listed, etc.

Currently, the Securities and Exchange Board of India (SEBI) (Delisting of Equity Shares) Regulations, 2021 provide for voluntary as well as compulsory delisting of specified securities[3] in certain cases. However, neither the SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 (NCS Regulations), nor the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations) provide a framework for delisting of NCS.

On 23 August 2023, SEBI issued amendments to the LODR Regulations, thereby inserting a new chapter – **Chapter VIA: *Framework for voluntary delisting of non-convertible debt securities or non-convertible redeemable preference shares and obligations of the listed entity on such delisting*** (the amendments).

Applicability

The amendments would be applicable to voluntary delisting of all listed NCS from all or any stock exchanges where such NCS are listed. However, there are certain exceptions, which include:

- NCS that are issued by way of public issue
- Where more than 200 persons (excluding qualified institutional buyers) have invested in that security (ISIN)
- Where NCS have been delisted due to any penalty, redemption or due to any resolution plan under the Insolvency and Bankruptcy Code.

Procedure for obtaining approval

The amendments have prescribed detailed procedures when making an application for delisting of NCS from all or some of the stock exchanges[4].

The issuers of the NCS would need to obtain the following approvals within the timelines prescribed in the amendments:

- Approval of the board of directors
- Approval of ALL holders of the NCS
- Approval of the debenture trustee (only in case of non-convertible debt securities)
- Approval from the stock exchange (including the in-principle approval and final approval).

Disclosure of material events

Regulation 51 of the LODR Regulations, requires issuers of NCS to promptly inform the stock exchange and disclose on the website all information having bearing on the performance/operation of the listed entity or which is price sensitive.

[1] Delisting means the permanent removal of securities of an entity from the trading platform of a recognised stock exchange, either voluntarily or compulsorily. Once such securities are delisted, no trading is permitted in such securities on the trading platform of stock exchanges. Delisting assumes significance as it is considered as a permanent loss of investment or divestment opportunity for the investors in such securities.
[2] Non-convertible securities for the purpose of this amendment would include non-convertible debt securities and non-convertible redeemable preference shares
[3] Specified securities includes equity shares and convertible securities.
[4] It is to be noted, that the process for delisting the NCS completely from all stock exchanges is different as compared to the process adopted for delisting of the NCS from some of the stock exchanges.

The amendments have prescribed that all the events in respect of the proposal of delisting of the NCS, beginning with placing of the agenda for delisting before the board of directors till the delisting is complete would be disclosed as material information under Regulation 51 of the LODR Regulations. The amendments have also prescribed certain information that needs to be disclosed on the website of the issuer of NCS such as:

- The objects and reasons for delisting
- The name of the stock exchange from which the NCS are sought to be delisted
- The cut-off date specified for determining the name of the holders of the NCS to whom notice of delisting has to be sent (and approval of delisting needs to be taken)
- NCS held by related parties or on behalf of the issuer or the related parties and who would not be eligible to vote on the proposal
- Details of compliance officer
- Statements/undertakings by the following:
  - Board of directors confirming that complete disclosures have been made to the stock exchange, that the entity is compliant with applicable provisions of the security laws and that delisting is in the interest of the holders of NCS
  - Debenture trustee on adequacy of security cover in case of secured non-convertible debt security
  - Issuer that they have not paid any incentive to investors or entered into any side agreements with investors with regard to the delisting

Effective date: The amendment came into force from the date of its publication in the Official Gazette, i.e., 23 August 2023.

To access the text of the amendment, please click here

Reduction of timeline for listing of shares in public issue

Recently, SEBI, vide a circular dated 9 August 2023 reduced the timelines for listing of specified securities in a public issue. As per the circular, the specified securities should be listed after the closure of public issue within **three working days (T+3 days)** *(earlier it was within six working days (T+6 days))*. Accordingly, the timelines for various activities involved in the public issue process have also been revised.
The timelines for submission of application, allotment of securities, unblocking of application money and listing should be prominent in the pre-issue, issue opening and issue closing advertisements issued by the issuer for public issues in terms of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (ICDR Regulations).

Effective date: The provisions of the circular would be applicable as follows:

- On a **voluntary basis** for public issues opening on or after 1 September 2023, and
- **Mandatory** for public issues opening on or after 1 December 2023.

To access the text of the circular, please click here

Updates from MCA

MCA issues the Companies (Incorporation) Second Amendment Rules, 2023

Companies are required to file Form No. RD-1 for submitting an application to the Central Government (Regional Director) for certain purposes, such as change in the financial year, conversion of public company, rectification of name of a company, etc. Recently, the Ministry of Corporate Affairs (MCA) issued the Companies (Incorporation) Second Amendment Rules, 2023. Through the amendment, MCA has now substituted Form No. RD-1 by adding more disclosures in the revised Form such as details of the board resolution and special resolution where resolutions for the specific proposal were passed, grounds for making application for the proposed change, details of advertisement, etc.

Effective date: The amendment came into force from the date of its publication in the Official Gazette, i.e., 2 August 2023.

To access the text of the amendment, please click here

International update

- Accounting updates
- Regulatory updates

Updates from IASB

Amendments issued to IAS 21

As per the provisions of International Accounting Standard (IAS) 21, *The Effects of Changes in Foreign Exchange Rates*, a company uses a spot exchange rate when translating a foreign currency transaction.

However, in certain cases it may be possible that one currency cannot be exchanged into another currency. Consequently, market participants are unable to buy and sell currency to meet their needs at the official exchange rate and instead resort to unofficial, parallel markets. In this regard, in August 2023, the International Accounting Standards Board (IASB) issued certain amendments to IAS 21. These include:

A. **Assessing exchangeability:** IASB has stated that a currency is exchangeable into another currency, when a company is able to exchange that currency for the other currency at the measurement date and for a specified purpose. However, when a currency is not exchangeable, a company should estimate a spot rate.

B. **Estimating spot rate:** The amendments contain no specific requirements for estimating a spot rate. Thus, when estimating a spot rate, a company can use:

- An observable exchange rate without adjustment, if that rate meets the estimation objective – i.e., it reflects that, at which rate an orderly exchange transaction would take place at the measurement date between market participants under the prevailing economic conditions, or
- Another estimation technique, including using rates from exchange transactions in markets or exchange mechanisms that do not create enforceable rights and obligations. However, the technique used should meet the estimation objective.

C. **New disclosure requirements:** Under the amendments, companies would need to provide certain new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements. These disclosures include:

- Nature and financial impacts of the currency not being exchangeable
- Spot exchange rate used
- The estimation process, and
- Risks to the company because the currency is not exchangeable.

Effective date: The amendments would apply for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted.

To access the text of the amendments, please click here

Action points for auditors

The amendments have been introduced with an aim to address diversity in accounting practices, in cases where one currency is not exchangeable into another currency. This amendment would be relevant from an IFRS reporting perspective. Thus, auditors should discuss these amendments with the companies and evaluate the impact of new disclosure requirements on the financial statements where such financial statements are prepared under IFRS.

Updates from FASB

FASB issued a new Accounting Standard Update on Joint Venture Formations

The US Generally Accepted Accounting Principles (GAAP) do not provide any specific authoritative guidance on how a joint venture, upon formation, should recognise and initially measure assets contributed and liabilities assumed. As a result, there is diversity in practice with respect to accounting for the contributions a joint venture receives upon formation. Some joint ventures initially measure their net assets at fair value, while others measure them at the venturers' carrying amounts.

In this regard, recently, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU): *Business Combinations – Joint Venture Formations (Subtopic 805-60): Recognition and initial measurement* to address the aforementioned diversity in accounting. The amendments in the ASU address the accounting for contributions made to a joint venture, upon formation, in a joint venture's separate financial statements.

As per the amendment, a joint venture, upon formation, would apply a new basis of accounting and recognise and initially measure its assets and liabilities at **fair value**. Further, the ASU requires that a joint venture, upon formation should apply the following key adaptations from the existing guidance on business combinations:

a. **A joint venture is the formation of a new entity without an accounting acquirer:** The formation of a joint venture is the creation of a new reporting entity, and none of the assets and/or businesses contributed to the joint venture are viewed as an independent entity, i.e., an accounting acquirer would not be identified

b. **A joint venture measures its identifiable net assets and goodwill, if any, at the formation date:** The joint venture formation date is the date on which an entity initially meets the definition of a joint venture

c. **Initial measurement of a joint venture's total net assets is equal to the fair value of 100 per cent of the joint venture's equity:** The amendments require that a joint venture measures its total net assets upon formation, as the fair value of the joint venture as a whole, which equals the fair value of 100 per cent of its equity immediately following formation (including any non-controlling interest in the net assets recognised by the joint venture), and

d. **A joint venture provides relevant disclosures:** The ASU clarifies that the joint venture disclosure requirements, upon formation are different from the requirements specified in case of business combinations.

Effective date: The amendments are effective prospectively for all the joint venture formations, with a formation date on or after 1 January 2025. Additionally, a joint venture that was formed before 1 January 2025 may elect to apply the amendments retrospectively, if it has sufficient information available. Early adoption is permitted.

To access the text of the ASU, please [click here]

Updates from EFRAG

European Sustainability Reporting Standards

In January 2023, the European Union (EU) published the Corporate Sustainability Reporting Directive (CSRD). The CSRD aims to strengthen the rules regarding social and environmental information that companies have to report on. In this regard, the European Financial Reporting Advisory Group (EFRAG) developed the European Sustainability Reporting Standards (ESRS). The draft standards were introduced in November 2022. Subsequently, on 31 July 2023, the final text of the first set of 12 ESRSs got issued.

The ESRSs are aligned with the reporting areas used in the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations. Further, many disclosure requirements are similar to or based on the recommendations and the standards developed by the Global Reporting Initiative (GRI).

The diagram illustrates the 12 ESRSs issued:

Two cross-cutting standards

ESRS 1, General requirements

ESRS 2, General disclosures

Ten topic-specific standards

Environment:
- ESRS E1, Climate change
- ESRS E2, Pollution
- ESRS E3, Water and marine resources
- ESRS E4, Biodiversity and ecosystems
- ESRS E5, Resource use and circular economy

Social:
- ESRS S1, Own workforce
- ESRS S2, Workers in the value chain
- ESRS S3, Affected communities
- ESRS S4, Consumers and end-users

Governance:
- ESRS G1, Business conduct

(Source: Foundation for Audit Quality's analysis, 2023 read with the ESRSs issued by the EFRAG in July 2023)

The following points explain some of the key aspects of the ESRSs:

- **Applicability and effective date:** ESRSs would be applicable to (group exceptions may apply):

  a. Large EU companies which on the balance sheet date, exceed two of the following three criteria (including EU and non-EU subsidiaries):
     - 250 employees, or
     - Net revenue of EUR 40 million, or
     - Total assets of EUR 20 million.

  b. Companies with listed securities on EU-regulated markets (except micro-undertakings), and

  c. Ultimate non-EU parent companies with a combined group turnover in the EU of more than EUR 150 million.

  The ESRSs would be applicable w.e.f. **1 January 2024**. However, they would apply in a phased manner, beginning with the Public Interest Entities (PIEs) and companies with listed securities on EU-regulated markets which are large and have more than 500 employees.

- **Concept of double materiality:** The standards provide that a company should report sustainability matters based on the concept of double materiality.
  Double materiality refers to two dimensions of materiality – **'financial[5]' and 'impact[6]'**. Accordingly, companies are required to perform materiality assessments for both the dimensions. Therefore, a sustainability matter would meet the criterion of double materiality if it is material from either of the dimension.

- **Materiality assessment test:** One of the important aspects discussed in the standards is w.r.t. materiality assessment test conducted by the companies. It provides that:

  a. Irrespective of the outcome of the materiality assessment, a company should always disclose the information required by ESRS 2

  b. All other standards and individual disclosure requirements and datapoints would be subject to materiality assessment. But in cases wherein companies conclude that ESRS E1 (climate change) is not material, then they should provide a detailed explanation of their conclusion

  c. In case, a company concludes that a topic other than climate change is not material and omits all the disclosure requirements in the corresponding topical ESRS, it may provide a brief explanation of the conclusion of its materiality assessment for that particular topic.

- **Reporting boundary:** The ESRS reporting boundary is based on the financial statements, i.e., the sustainability statement would be prepared for the same reporting company, as the financial statements. Further, while preparing the sustainability statement, companies must identify and report on material impacts, risks and opportunities through their direct and indirect business relationships in the **upstream and/or downstream value chain.**

[5] Under the ESRSs, financial materiality would require disclosure of sustainability-related matters that (may) trigger **material financial effects** on a company's development, such as cash flows, financial position or financial performance in the short, medium or long term

[6] Under the ESRSs, impact materiality would require disclosure of sustainability-related matters that relate to a company's **material actual or potential, positive or negative** impacts on people or the environment over the short, medium, or long term. Materiality would be assessed based on severity and likelihood of the impact.

- **Reporting timelines:** It has been specified that companies need to prepare a sustainability statement, including the disclosures required by the ESRSs, as part of their management report. The same needs to be published at the same time as the financial statements.
- **Assurance:** CSRD requires assurance across all the topics in the following manner:
  - **FY24 (i.e., reporting in 2025):** Limited assurance[7] for certain large companies
  - **FY25 (i.e., reporting in 2026):** Limited assurance for other large companies
  - **FY26 (i.e., reporting in 2027):** Limited assurance for listed Small and Medium Enterprises (SMEs).

  Further, companies would be required to undertake reasonable assurance[8] from a future date in a gradual manner.
- **Phase-in reliefs:** In order to reduce the reporting burden, companies have been provided certain phase-in-reliefs. These are:

  A. For Year One (Y1) and Year Two (Y2)

  - Comparative information is not required to be disclosed in Y1
  - All companies, regardless of their size, may opt out of disclosing the expected financial impacts related to risks from environmental issues in Y1. Companies can provide qualitative disclosure only on these financial impacts for further two years
  - Certain disclosures related to own workforce (social protection, people with disabilities, work-related illnesses and work-life balance) could be omitted in Y1
  - Companies with less than 750 employees may also omit:
    a. The disclosure of Scope 3 greenhouse gas emissions (ESRS E1) and other disclosures on their own workforce (ESRS S1) in Y1, and
    b. The disclosures on biodiversity (ESRS E4), workers in the value chain (ESRS S2), affected communities (ESRS S3) and consumers (ESRS S4) in Y1 and Y2.

  B. For Y1, Y2 and Year Three (Y3)

  - Other available frameworks could be used to develop relevant disclosures on material sustainability-related matters, in advance of sector-specific standards
  - Information on value chain is not required to be estimated and could be omitted, if the information is not available. However, this relief is not applicable to data points relevant for other EU laws or based on internal information, and includes both upstream and downstream information
  - Company-specific disclosures developed prior to initial application may continue to be used.

To access the text of the ESRSs, please click here

[7] Limited assurance refers to a level of assurance at an acceptable level, that based on professional judgement, is meaningful for the intended users. It results in a negative conclusion

[8] Expressing reasonable assurance requires the assurance provider to obtain sufficient appropriate evidence to conclude that the sustainability-related information is prepared, in all material respects, in accordance with the applicable reporting criteria. It results in a positive conclusion.

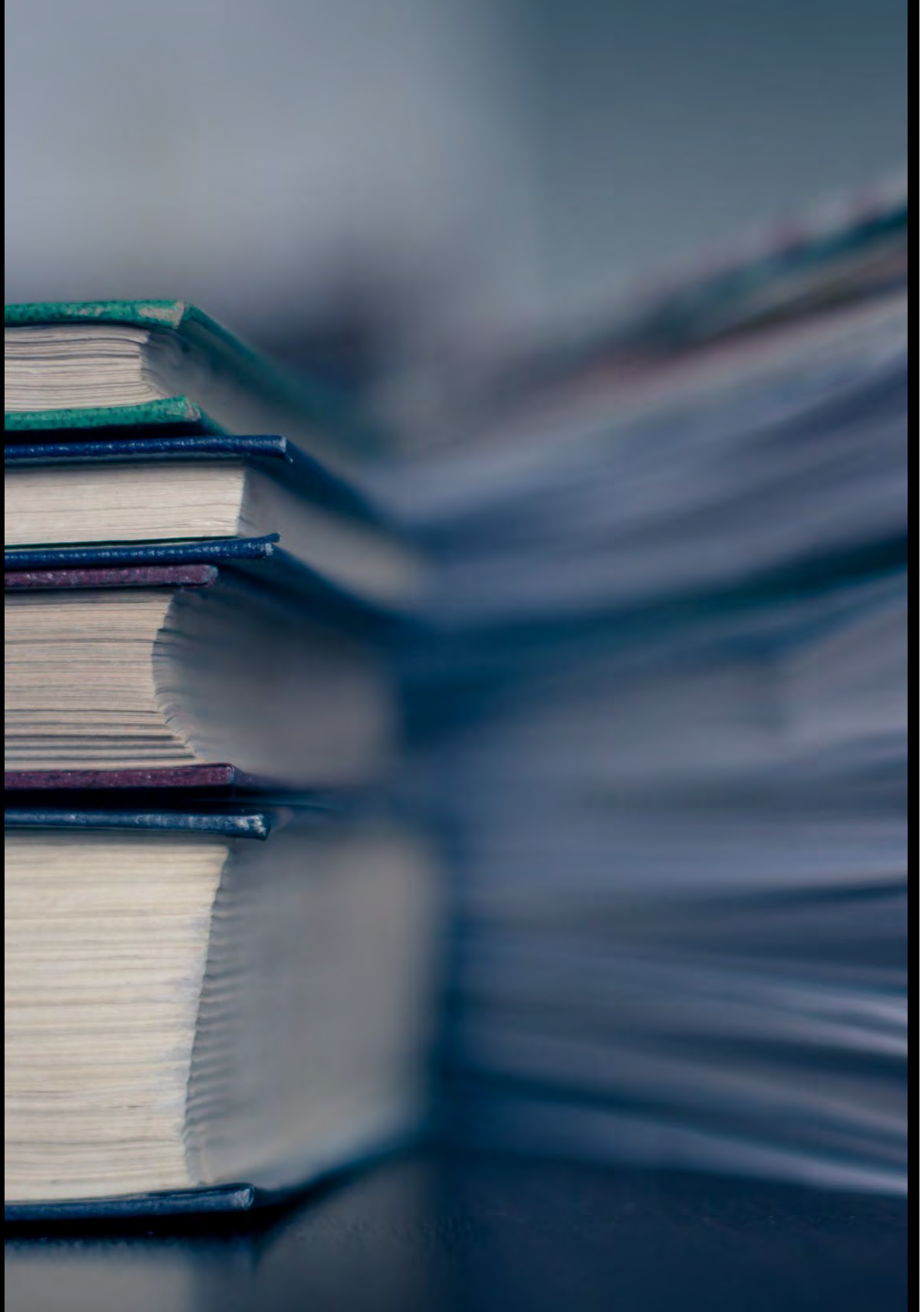
Regulatory updates

Action points for auditors

- Auditors should engage with the companies, falling within the scope of the ESRS standards and understand how the CSRD reporting requirements would impact them and the group at large. Further, they should also evaluate with the management, how the ESRSs requirements would differ from the current level of sustainability reporting by the companies
- Since ESRSs take into account double-materiality dimensions, it is possible that a particular subject matter/criteria, which may not be material under the extant financial materiality benchmark becomes material under the ESRSs. Thus, auditors should evaluate the impact of double materiality on the sustainability disclosures made by companies under the ESRS framework.
- Practitioners may conduct pre readiness assessment engagements to assess the control environment, data quality and availability of sufficient documentation with the companies in order to provide a limited assurance on the sustainability information.

Discussion/Consultation papers and Publications

- Exposure Drafts/consultation papers – India and international
- Publications – India
- Publications – International
- Matter for Auditor’s attention



Exposure Drafts/consultation papers – India and international

The table below provides an overview of some important exposure drafts/consultation papers released by various regulators during this month:

Regulator	Publication	Particulars
SEBI	**Consultation paper on review of framework for borrowings by large corporates**	With an objective to deepen the bond market, it was proposed in the Union Budget 2018-19 to include a proposal that entities may be mandated to meet a certain percentage of their funding requirements from capital markets through issuance of corporate bonds. In line with this, in November 2018, SEBI issued a circular w.r.t. fund raising by issuance of debt securities by large entities, thereby mandating such companies to raise at least 25 per cent of their incremental borrowings during a financial year by issuing debt securities. However, over time, based on feedback from the corporates, SEBI felt the need to review the extant provisions and introduce certain changes. Accordingly, in August 2023, it issued a consultation paper on review of the framework for borrowings by large corporates and proposed certain key changes. Some of these include: • Increase in the threshold of outstanding long-term borrowings • Expansion in definition of outstanding long-term borrowings and incremental borrowings • Removal of requirement of credit rating as a criterion for identifying an entity as a large corporate • Removal of provision for penalty in the event of non-compliance by a large corporate, etc. The comment period ended on 31 August 2023. To access the text of the consultation paper, please click here

Exposure Drafts/consultation papers – India and international

Regulator	Publication	Particulars
SEBI	**Consultation paper on flexibility in the framework on Social Stock Exchange (SSE)**	In 2022, SEBI had prescribed the regulatory framework for Social Stock Exchange (SSE). Further, SEBI also constituted a Social Stock Exchange Advisory Committee (SSEAC) to advise it on the issues relating to development and growth of the SSE segment. In this regard, certain issues and challenges were raised by the SSEAC and stock exchange(s) w.r.t. functioning of SSE. These include: - The threshold of minimum issue size for NPOs issuing Zero Coupon Zero Principle Instrument (ZCZP), i.e., INR1 crore is on a high side - The threshold of minimum application size in public issue of ZCZP, i.e., INR2 lakhs is high and should be reduced - Entities that do not possess valid certificate under Section 80G but are established under Section 10(23C) and 10(46) of the Income Tax Act may be permitted as a Not Profit Organisation (NPO) on SSE - The requirement of no pending notice or ongoing scrutiny by Income Tax department against NPOs for the purpose of registration on SSE may be done away with - Substituting the term 'social auditor' with 'social impact assessor', etc. Consequently, on 29 August 2023, SEBI issued a consultation paper on flexibility in the framework on SSE, thereby proposing certain recommendations to address the aforementioned issues. The consultation paper is open for comments up to 19 September 2023. To access the text of the consultation paper, please click here

Exposure Drafts/consultation papers – India and international

Regulator	Publication	Particulars
SEBI	**Consultation paper on review of voluntary delisting norms under SEBI (Delisting of Equity Shares) Regulations, 2021**	The SEBI (Delisting of Equity Shares) Regulations, 2021 (Delisting Regulations) state that an exit opportunity must be provided by the acquirer to all public shareholders, in case the equity shares of the company are sought to be delisted from all the recognised stock exchange(s), in which they are listed. Over the last few years, SEBI has received several representations from the stakeholders, suggesting review of the delisting norms. In this regard, recently, SEBI issued a consultation paper on the review of voluntary delisting norms under the Delisting Regulations (the consultation paper). Some of the key proposals include: • Alternatives to the reverse book building process • Counter-offer framework • Determination of floor price • Review of the reference date for determination of floor price. The comment period ended on 4 September 2023. To access the text of the consultation paper, please click here
IAASB	**Proposed ISSA 5000, *General Requirements for Sustainability Assurance Engagements***	On 2 August 2023, the International Auditing and Assurance Standards Board (IAASB) issued the Exposure Draft (ED) of the proposed International Standard on Sustainability Assurance (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements*. Some of the key provisions of the ED include: • **Applicability:** ISSA 5000 is a global baseline standard and thus, applies to all assurance engagements on sustainability information. Further, it is a standalone standard and does not require any other existing IAASB auditing or assurance standards to be applied together • **Scope:** ISSA 5000 is applicable to both reasonable and limited assurance engagements. However, it deals with only attestation engagements and not direct reporting engagements • **Overarching standard:** The practitioner is not required to apply the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* separately when performing the engagement under ISSA 5000 • **Use by all assurance practitioners:** Both professional accountants as well as non-accountant assurance practitioners could use ISSA 5000. The ED is open for comments up to 1 December 2023. To access the text of the ED, please click here

Exposure Drafts/consultation papers – India and international

Regulator	Publication	Particulars
FASB	**Proposed ASU on Income statement – Reporting comprehensive income – expense disaggregation disclosures (subtopic 220-40): Disaggregation of income statement expenses**	Recently, FASB issued a proposed ASU, *Income statement – Reporting comprehensive income – expense disaggregation disclosures (subtopic 220-40): Disaggregation of income statement expenses*, to provide investors with more decision-useful information about a public business entity's expenses. The proposed ASU would require public companies to provide detailed disclosure of specified categories, underlying certain expense captions in the interim and annual periods, including employee compensation, depreciation, amortisation, and costs incurred related to inventory and manufacturing activities in the appropriate expense captions of the income statement. The amendments in the proposed ASU do not change or remove the existing expense disclosure requirements and also do not change requirements w.r.t. presentation of expenses on the face of the income statement. The proposed ASU is open for comments up to 30 October 2023. To access the text of the proposed ASU, please click here

Publications – India

The table below provides an overview of some important publications released by various regulators during this month:

Regulator	Publication	Particulars
ICAI	Indian Accounting Standards (Ind AS): An overview (Revised 2023)	On 27 July 2023 , the Institute of Chartered Accountants of India released the Indian Accounting Standards (Ind AS): An overview (Revised 2023) (the publication). It contains an overview of the various aspects related to Ind AS, including: • Summary of all the Ind AS • Carve-outs from IFRS/IAS • Changes in financial reporting under Ind AS, compared to financial reporting under Accounting Standards (AS), etc. The publication incorporates all the amendments made to Ind AS till June 2023. To access the text of the publication, please click here
ICAI	Guidance note on financial statements of LLPs and non-corporate entities	Recently, ICAI released the guidance note on financial statements of Limited Liability Partnerships (LLPs) and non-corporate entities, with a view to further enhance the quality, comparability and comprehensiveness of financial reporting by such entities and also provide the relevant authoritative guidance. Further, ICAI has also upgraded the technical guides issued earlier in June 2022, into the guidance notes. To access the text of the guidance note on financial statements of LLPs, please click here To access the text of the guidance note on financial statements of non-corporate entities, please click here

Publications – India

Regulator	Publication	Particulars
ICAI	Guidance Note on tax audit under Section 44AB of the Income-tax Act, 1961 (Revised 2023)	Recently, ICAI released the Guidance Note on tax audit under Section 44AB of the Income-tax Act, 1961 (Revised 2023) (the Guidance Note). The Guidance Note provides a comprehensive roadmap to navigate the complexities of tax audit and provides guidance on the details of audit procedures to be performed. It incorporates all the amendments made upto Finance Act, 2023 and tax audit forms applicable as on date. Further, the guidance note aims to address the situations faced by the Chartered Accountants while conducting audit, by offering clear explanations that will help in streamlining the tax audit process. To access the text of the guidance note, please click here
ICAI	Technical Guide on audit of Non-Banking Financial Companies (Revised 2023)	Recently, ICAI released the technical guide on audit of Non-Banking Financial Companies (NBFCs) (Revised 2023) (the technical guide). The technical guide deals with various aspects of audit of NBFCs, such as: - Introduction of NBFCs - Points for consideration in audit of NBFCs - Financial reporting framework - Auditing framework - Areas of audit concern - Operations of NBFCs, governance etc. Further, the appendices to the technical guide contain illustrative templates of audit report/certificate, illustrative audit checklist, illustrative list of master directions, circulars, RBI notifications, illustrative disclosure norms for NBFCs, illustrative list of returns to be submitted by NBFCs etc. To access the text of the technical guide, please click here

Publications – International

The table below provides an overview of some important international publications released by various regulators during this month:

Regulator	Publication	Particulars
FASB	FASB issues a new chapter of its Conceptual Framework: Recognition and derecognition	Recently, FASB issued a new chapter of its Conceptual Framework w.r.t. recognition and derecognition of an item in the financial statements. The new chapter becomes Chapter 5 of the FASB Concepts Statement No. 8, *Conceptual Framework for Financial Reporting*. The new chapter sets forth recognition and derecognition criteria and provides guidance on when an item should be incorporated into and removed from the financial statements. It specifies the three criteria; an item should meet to be recognised in the financial statements. These are: • **Definitions:** The item meets the definition of an element of financial statements • **Measurability:** The item is measurable and has a relevant measurement attribute, and • **Faithful representation:** The item can be depicted and measured with faithful representation. It also sets forth the concept that derecognition, i.e., the process of removing an item from the financial statements of a reporting entity, as an asset, liability or equity should occur, when an item no longer meets any one of the recognition criteria. To access the text of the new chapter, please click here

Matter for Auditors’ Attention

Regulator	Publication	Particulars
ICAI	Clarification regarding authority attached to the documents issued by ICAI	On 19 August 2023, ICAI issued a clarification regarding the authority attached to the documents issued by it. The clarification states that while the accounting and auditing standards are required to be complied with, the guidance notes are recommendatory in nature. Further, in cases where the recommendations of the guidance note have not been complied with, then disclosures should be made on why alternative procedures were adopted and the reason why guidance note was not complied with. In such cases, auditors should review whether the guidance note has been complied with, and where it has not, then they may consider a disclosure in the audit report regarding such fact. To access the text of the ICAI clarification, please click here

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