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# Regulatory updates for the month of December 2025

31 December 2025

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# Introduction

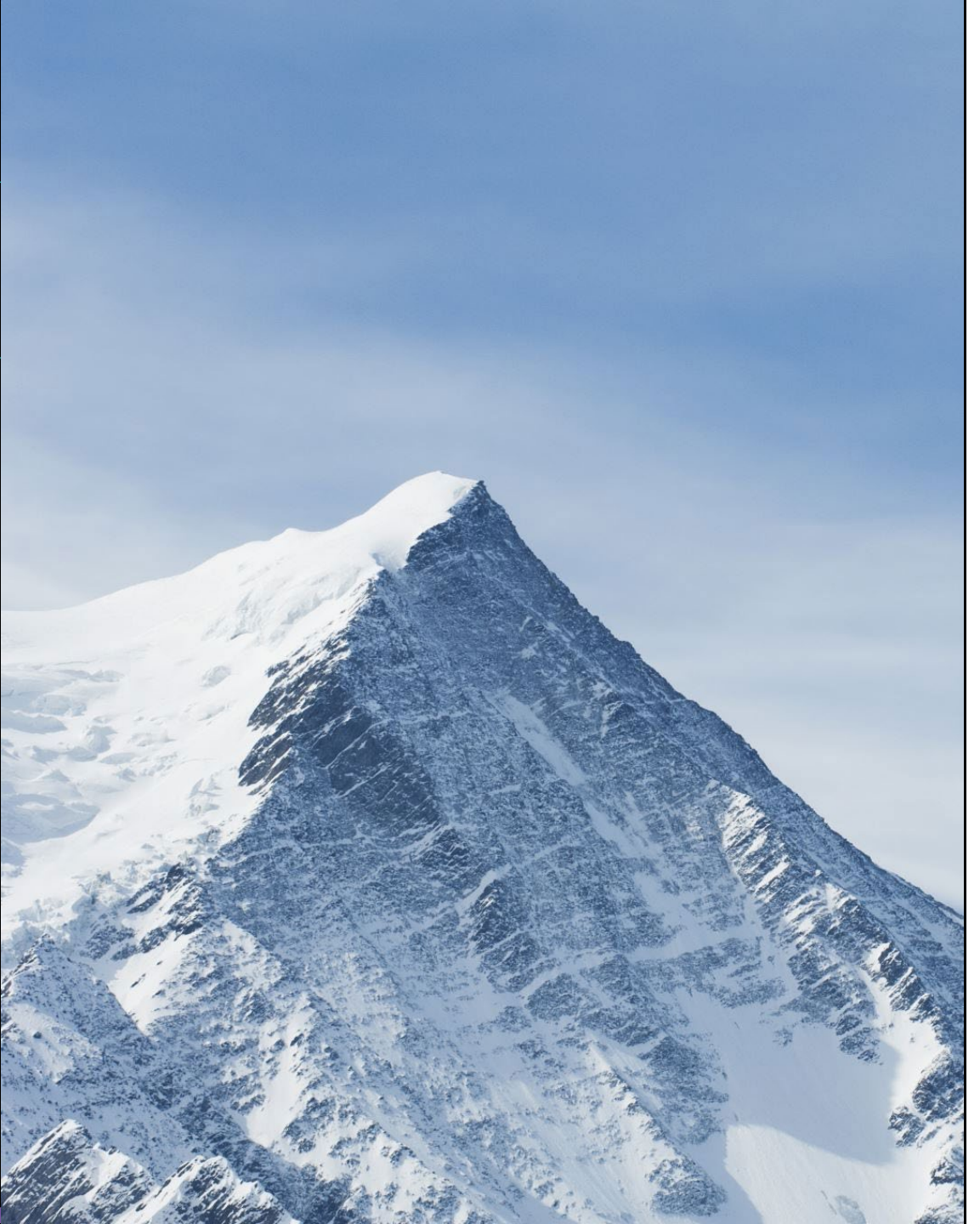
The regulatory updates publication issued by the Foundation for Audit Quality (FAQ) highlights the latest developments in auditing, accounting and regulatory space in India and internationally. This month's edition covers important updates on auditing, accounting and regulatory matters from regulators for the period from 1 December 2025 to 31 December 2025.

## **Some of the key topics covered in this edition include:**

- Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Act, 2025 Introduces sweeping insurance sector reforms including 100% FDI, lower reinsurance capital thresholds, and significantly enhanced IRDAI powers to modernise and liberalise the industry
- REITs are reclassified as equity instruments from 1 January 2026 to boost mutual fund participation and market liquidity, with grandfathering for existing debt-scheme holdings
- Second Amendment to FEMA (Export of Goods and Services) Regulations, 2025- Extends timelines for export proceeds realisation to 15 months and advance shipment completion to three years, providing exporters greater operational flexibility.
- MCA Revised Definition of Small Company -Expands the small company threshold, significantly reducing IFC and CARO compliance requirements for a larger pool of private companies
- NFRA Circular on Audit Documentation- Reinforces strict expectations on timely, complete, and original-format audit documentation, highlighting serious deficiencies observed in recent inspections
- ISSA 5000 Sustainability Assurance Illustrative Reports-Provides practical, scenario-based assurance report examples to support consistent global implementation of sustainability assurance standards

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## National Financial Reporting Authority (NFRA) Circular on Audit Documentation – Key takeaways

On 16 December 2025, NFRA reiterated critical requirements under Standards on Auditing (SA 230 – Audit Documentation) and Standard on Quality Control (SQC 1). These standards mandate that audit documentation must provide sufficient evidence of audit procedures performed, judgments made, and compliance with legal and regulatory requirements. Audit files must be assembled within 60 days of the auditor’s report and retained for at least seven years, with extended retention in case of regulatory or legal proceedings. Original electronic evidence must be preserved in its native format to maintain integrity.

NFRA’s recent review of audit files submitted by firms revealed significant gaps in compliance with Standards on Auditing (SA 230) and Standard on Quality Control (SQC 1). Key observations include:

### **Delayed submission:**

Audit firms frequently sought unreasonable extensions for providing audit files, often using this time to create or convert documentation after the prescribed deadline. Such delays undermine the principle of contemporaneous documentation required under professional standards.

### **Loss of integrity of audit evidence:**

Converting electronic files into paper or unsearchable PDFs compromised critical metadata, formulas, and embedded links. These conversions obscure the original content and reduce evidentiary value, violating SA 230 and SQC 1 requirements for authenticity and completeness.

### **Incomplete documentation:**

NFRA noted missing records of audit procedures performed, significant professional judgements, and discussions with management and those charged with governance. These omissions fail to demonstrate compliance with auditing standards and the basis of the auditor’s opinion.



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**Retention misuse:** Firms treated the seven-year retention period as an absolute maximum, disregarding the need for extended retention during regulatory reviews or litigation. This practice risks loss of essential audit evidence in ongoing proceedings.

**Compliance requirements for auditors :** To address these deficiencies, NFRA reiterated the following mandatory actions:

**Timely assembly and archival :** Complete and archive audit files within 60 days of the auditor's report, as per SA 230 and SQC 1.

**Retention policy :** Retain audit documentation for a minimum of seven years, and extend retention when matters are under investigation or litigation.

**Preserve original format :** Maintain electronic evidence in its native format. Avoid conversions that compromise metadata or reduce evidentiary value.

**Submission to NFRA :** Provide complete audit files within seven days of NFRA's request. Any extension must include detailed justification and advance copies of key documents such as audit strategy, risk assessment summary, and communications with governance.

**Firm level controls :** Implement robust policies for confidentiality, safe custody, integrity, accessibility, and retrievability of audit files, in line with SQC 1.

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## Company responsibilities:

- Ensure timely availability of accurate financial records.
- Maintain governance processes and IT controls to safeguard electronic data integrity.
- Facilitate auditor access to original documentation without alteration.

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## Definition of small company

The Ministry of Corporate Affairs (MCA) has notified the Companies (Specification of Definition Details) Amendment Rules, 2025, revising the definition of a small company under Section 2(85) of the Companies Act, 2013. This amendment aims to broaden the scope of entities eligible for simplified compliance requirements and promote ease of doing business and is effective from 1 December 2025.

Key changes are as follows:

- **Earlier criteria:**
  - Paid-up share capital  $\leq$  INR 4 crore
  - Turnover  $\leq$  INR 40 crore
- **Revised criteria (Effective 1 December 2025):**
  - Paid-up share capital  $\leq$  INR 10 crore
  - Turnover  $\leq$  INR 100 crore

## Impact on Internal Financial Control over Financial Reporting (IFC) and (Companies Auditor's Report Order) (CARO) applicability

Section 143(3)(i) of the Companies Act, 2013 requires the auditor's report to state whether the company has adequate Internal Financial Controls (IFC) and whether such controls were operating effectively.



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Notification dated 13 June 2017 (MCA) exempts private companies from reporting on IFC under Section 143(3)(i) if they meet any of the following conditions:

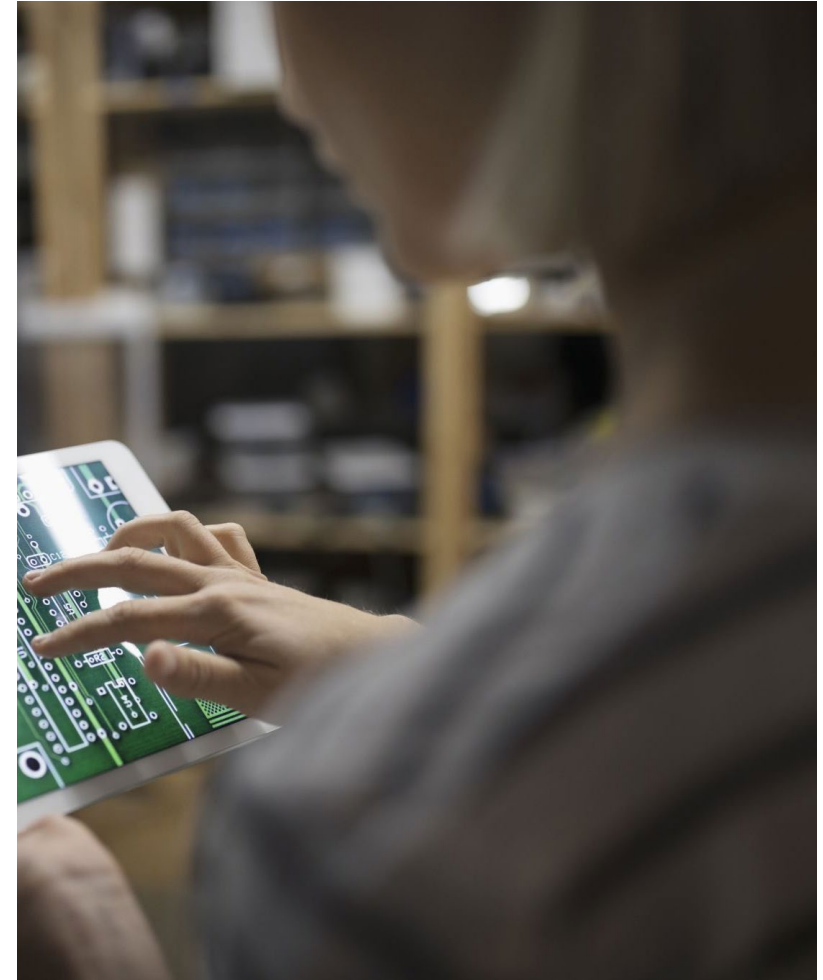
- Small company as defined under Section 2(85)
- One Person Company (OPC)
- Private company with turnover < INR 50 crore and borrowings < INR 25 crore

## Impact of revised small company definition

- **Earlier:** Paid-up capital ≤ INR 4 crore and turnover ≤ INR 40 crore
- **Now:** Paid-up capital ≤ INR 10 crore and turnover ≤ INR 100 crore
- **Effect:**
  - More private companies will now qualify as small companies, thereby exempting them from IFC reporting under Section 143(3)(i).
  - This significantly reduces compliance burden for auditors and companies.

## CARO (Companies Auditor's Report Order):

CARO does not apply to small companies. The revised limits mean a larger pool of companies will be exempt from CARO reporting, simplifying audit procedures.



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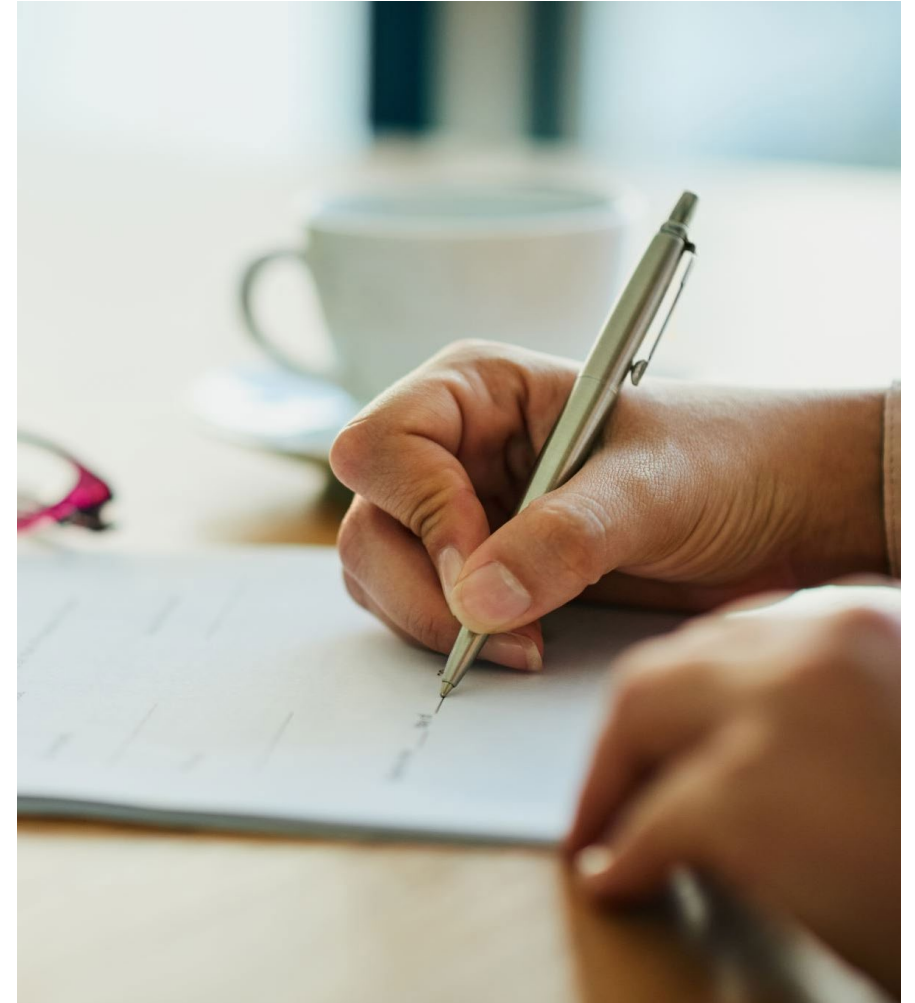
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## Auditor Action Points

- **Update client classification:** Reassess client lists to identify companies now falling under the revised small company definition.
- **Revise audit plans:** Adjust scope for IFC and CARO reporting based on new applicability.
- **Communicate changes:** Inform clients about compliance relaxations and ensure proper disclosures in financial statements.
- **Maintain documentation:** Keep evidence of classification under revised thresholds for audit files.

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## Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Act, 2025 made effective

The Central Government has appointed 5 February 2026 as the date on which the provisions of the Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Act, 2025 will come into force, except section 25 on restriction of directors or officers of an insurer from being appointed as director or officer in any other insurer carrying on same class of insurance business or in a banking company or investment company. The Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Bill, 2025 was passed by Parliament on 17 December 2025 and amends The Insurance Act, 1938, The Life Insurance Corporation Act, 1956 and The Insurance Regulatory and Development Authority Act, 1999. The primary objective of the Act is to modernize India's insurance framework, enhance foreign participation, and strengthen regulatory oversight.

One of the most significant changes is the increase in the Foreign Direct Investment (FDI) limit in Indian insurance companies from 74% to 100% of paid-up equity capital, allowing full foreign ownership subject to regulatory conditions. Additionally, the Act reduces the net-owned fund requirement for foreign reinsurers from INR 5,000 crore to INR 1,000 crore, making it easier for global reinsurers to establish branches in India. Another key amendment relates to share transfer approvals: previously, IRDAI approval was required for transfers exceeding 1% of paid-up share capital, but the threshold has now been raised to 5%, reducing compliance burden for minor transactions.

The Act also removes the requirement of a minimum paid-up share capital of ₹100 crore for insurance co-operative societies engaged in life, general, and health insurance businesses. Further, it extends the central government's powers to exempt or modify provisions for insurers operating in Special Economic Zones (SEZs) to also include International Financial Services Centres (IFSCs) within SEZs, and applies these powers to insurance intermediaries as well. The definition of insurance intermediaries has been broadened to include Managing General Agents and Insurance Repositories, in addition to brokers, consultants, and third-party administrators.



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Significant enhancements have been made to the powers of IRDAI, which can now approve schemes of arrangement between insurers and non-insurance companies, supersede the Board of Directors of an insurer in cases prejudicial to policyholders' interests, and regulate remuneration, commission, or rewards payable to agents and intermediaries.

IRDAI's inspection and investigation powers have also been extended to intermediaries. Lastly, the Act introduces a Policyholders' Education and Protection Fund, administered by IRDAI, to safeguard policyholder interests and promote awareness. This fund will be financed through government grants, penalties collected by IRDAI, and other specified sources.

## Implications for insurance companies

### Capital & ownership:

Expect new entrants, control changes, and JV restructurings given 100% FDI. Boards must plan for governance safeguards likely to be detailed by rules.

### Reinsurance market:

Lower NOF should increase Foreign Reinsurance Companies (FRB) participation, improving risk diversification and potentially pricing.

### Transactions & treasury:

The 5% share-transfer threshold reduces routine regulatory touchpoints, while investment norms will progressively shift to IRDAI-set regulations (with some former prescriptive sections omitted).

### Conduct & enforcement:

With disgorgement and penalty rationalisation, expect tighter enforcement. Strengthen controls around commissions, disclosure, and suitability; IRDAI will define intermediary compensation caps via regulations.



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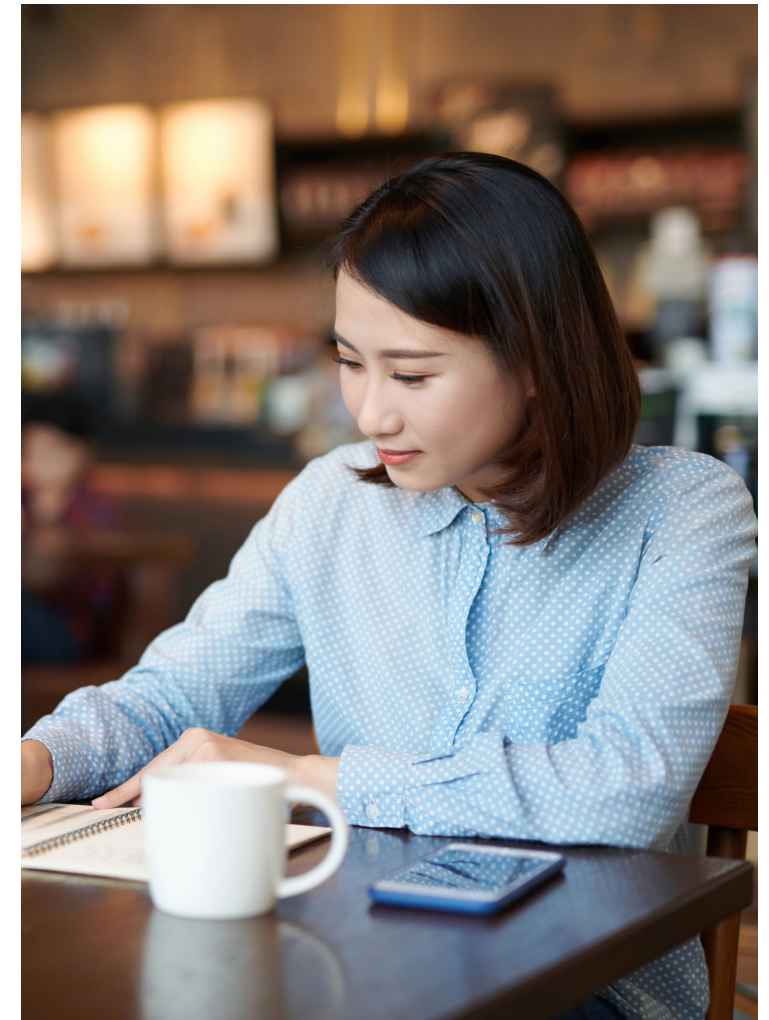


## Action points for auditors (external/internal)

- Regulatory mapping & readiness: Prepare a gap assessment from old to new requirements (FDI, FRB capital, share-transfer approvals, IRDAI powers) and confirm timely updates to Board-approved policies and SOPs.
- Investment & related-party controls: Validate revisions to investment mandates, asset-mix limits, and promoter-linked investments once IRDAI issues regulations; enhance related-party monitoring and disclosure.
- Intermediary oversight: Test controls for commission/remuneration governance pending IRDAI caps; review agent/intermediary on-boarding, training, and clawback mechanisms.
- Data protection: Audit DPDP compliance in policyholder data—lawful basis, minimisation, security posture, incident response, and vendor contracts.
- Reinsurance capacity & solvency: Evaluate impacts of new FRBs on ceding strategies, counterparty risk, and solvency; recalibrate reinsurance credit controls.
- Regulatory engagement & evidence: Ensure documentation of consultation responses and governance decisions anticipating IRDAI's SOP-driven regulation making; update compliance calendars.

**Bottom line:** The Sabka Bima Sabki Raksha Act, 2025 marks a major liberalization and modernization of India's insurance sector. By permitting 100% FDI, lowering entry barriers for foreign reinsurers, and strengthening IRDAI's regulatory powers, the law is designed to attract global capital, enhance competition, and improve consumer protection. Insurers must proactively update governance frameworks, compliance processes, and data protection measures, while auditors should focus on regulatory gap assessments, investment oversight, and intermediary controls to ensure readiness for this new regime.

To access IRDAI update, please [click here](#)



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## Reclassification of REITs as equity-related instruments

The Securities and Exchange Board of India (SEBI), through its Gazette Notification dated 31 October 2025, has announced a major regulatory change aimed at boosting participation by Mutual Funds and Specialised Investment Funds (SIFs) in Real Estate Investment Trusts (REITs).

Effective 1 January 2026, REITs will be classified as equity-related instruments, replacing their earlier treatment as debt instruments under certain schemes. Existing REIT holdings in debt schemes as of 31 December 2025, will be grandfathered, though Asset Management Companies (AMCs) are encouraged to divest these positions based on market conditions and investor interests.

Infrastructure Investment Trusts (InvITs) will continue to be categorised as hybrid instruments.

REITs may be included in equity indices only after a six-month period, starting 1 July 2026. This reclassification is expected to enhance liquidity and broaden investor participation in the REIT market.



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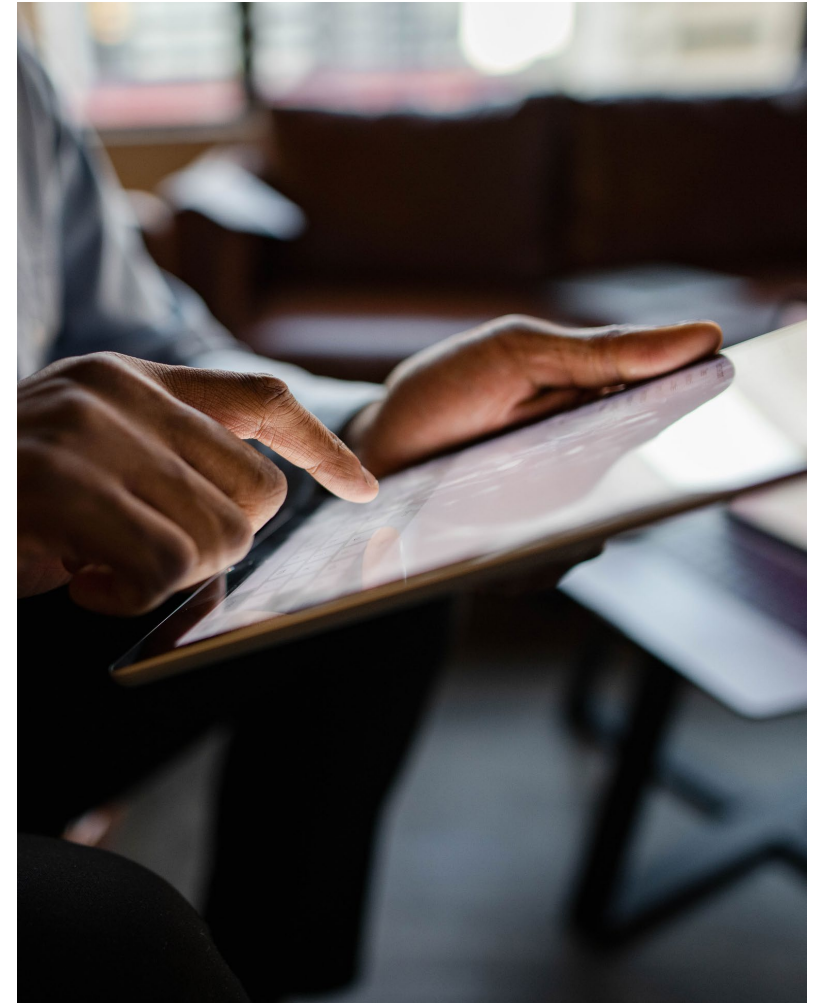
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## Auditor Action Points

- Verify AMC compliance with reclassification and issuance of addendums.
- Check proper grandfathering treatment for existing REIT holdings in debt schemes.
- Ensure AMFI classification updates are reflected in internal reporting and disclosures.
- Monitor divestment efforts and related disclosures by AMCs.
- Validate adherence to timelines for equity index inclusion (post 1 July 2026).

To access SEBI updates, please [click here](#)



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## Amendment to SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021

SEBI has amended the Share Based Employee Benefits and Sweat Equity Regulations, 2021 through its 2025 notification to align valuation practices with the Companies Act, 2013. The amendment substitutes the definition of 'valuer' with the meaning under Section 247 of the Companies Act, 2013 and revises Regulation 34, replacing the term 'merchant banker' with independent registered valuer.

Merchant bankers with ongoing valuation assignments prior to the amendment can complete them within nine months from the effective date. Additionally, certain sub-regulations under Regulation 34 have been omitted to streamline compliance.

The amendment is effective from 2 January 2026 (30th day from the date of publication in the Official Gazette).

### Auditor Action Points

- Verify that all new valuations post-amendment are conducted by independent registered valuers.
- Check compliance with transitional provisions for merchant bankers completing ongoing assignments.
- Ensure removal of references to merchant bankers in internal policies and documentation.
- Confirm that valuation reports adhere to standards under Section 247 of the Companies Act, 2013.
- Review governance processes for engagement and appointment of registered valuers.

To access SEBI updates, please [click here](#)



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## SEBI (Substantial Acquisition of Shares and Takeovers) (Amendment) Regulations, 2025

**Effective Date: January 2, 2026**

SEBI has introduced significant amendments to the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, aimed at strengthening valuation standards and ensuring transparency in takeover transactions.

### Key changes

- **Definition of valuer** : A new clause defines 'valuer' in line with Section 247 of the Companies Act, 2013, ensuring consistency across regulatory frameworks.
- **Independent valuation for infrequently traded shares** : Where shares are infrequently traded, valuation will now be conducted by an independent registered valuer, replacing the earlier practice where the acquirer and the manager to the open offer determined the price.
- **Changes to valuation provisions (Regulations 8 & 9)**: Similar revisions apply to other valuation-related provisions, mandating the use of independent registered valuers for enhanced objectivity.
- **Transitional provision**: Ongoing valuation assignments undertaken by merchant bankers or chartered accountants before the amendment can be completed within nine months from the effective date.

To access SEBI update, please [Click here](#)



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## Auditor Action Points

- Verify that all valuations post-amendment are conducted by independent registered valuers.
- Check compliance with transitional provisions for ongoing assignments by merchant bankers or chartered accountants.
- Ensure internal policies and takeover documentation reflect updated valuation requirements.
- Review valuation reports for adherence to standards under Section 247 of the Companies Act, 2013.
- Monitor acquirer expense allocation for valuations mandated by SEBI.

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## RBI Issues Second Amendment to FEMA (Export of Goods and Services) Regulations, 2025

The Reserve Bank of India (RBI) has issued the Foreign Exchange Management (Export of Goods and Services) (Second Amendment) Regulations, 2025, amending the 2015 Regulations to provide greater flexibility to exporters. The changes primarily relate to timelines for realization of export proceeds and obligations for advance payments.

The amendments are effective from 13 November 2025.

Key changes are as following:

- **Regulation 9 – Realization of export proceeds**

Previously, export proceeds had to be realised and repatriated to India within nine months from the date of export. After amendment, the timeline has been extended to 15 months, with RBI retaining the power to grant further extensions for reasonable cause. This amendment applies to exports by Special Economic Zones (SEZ) units, Status Holders, Export Oriented Units (EOUs), Electronics Hardware Technology Parks (EHTPs), Software Technology Parks (STPs), and Bio-Technology Parks (BTPs) under the Foreign Trade Policy.

- **Regulation 15 – Advance payment against exports**

Previously, shipment of goods against advance payments had to be completed within one year from receipt of advance. After amendment, this period has been extended to three years from receipt of advance.



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## Auditor Action Points

- Verify that companies have updated policies and documentation to reflect 15-month realisation period and 3-year advance shipment timeline.
- Check compliance with RBI's reporting requirements for delayed realisations and advance payments.
- Ensure proper disclosure of extended timelines in financial statements and notes.
- Review risk management practices for foreign exchange exposure due to extended periods.
- Confirm adherence to RBI approvals for any additional extensions beyond the prescribed timelines.

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## Patents (Amendment) Rules, 2025

The Ministry of Commerce and Industry, through the Department for Promotion of Industry and Internal Trade (DPIIT), has notified the Patents (Amendment) Rules, 2025, effective 25 November 2025. This amendment marks a significant step toward digitisation and procedural efficiency in India's intellectual property regime. The changes aim to streamline the adjudication of penalties and appeals under the Patents Act, 1970, by introducing a dedicated chapter for enforcement and compliance. By mandating electronic filing, digital communication, and defined timelines, the amendment seeks to enhance transparency, reduce delays, and strengthen governance in patent-related proceedings. These reforms align with India's broader objective of promoting ease of doing business and improving the intellectual property ecosystem through technology-driven processes. The amendments are effective from 25 November 2025.

### Key changes are as follows:

- **New chapter XIV-A introduced** : Provides a structured mechanism for adjudication of penalties and appeals under Sections 120, 122, and 123 of the Patents Act, 1970.
- **Electronic filing mandated** : Complaints (Form 32) and appeals (Form 33) must now be filed electronically, replacing earlier manual submission processes.
- **Defined timelines for proceedings** : Clear timelines for inquiries and appeals have been introduced to ensure faster resolution of disputes.



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**Digital communication & authentication :** All communications, notices, and orders will be issued electronically with digital signatures, enhancing transparency and efficiency.

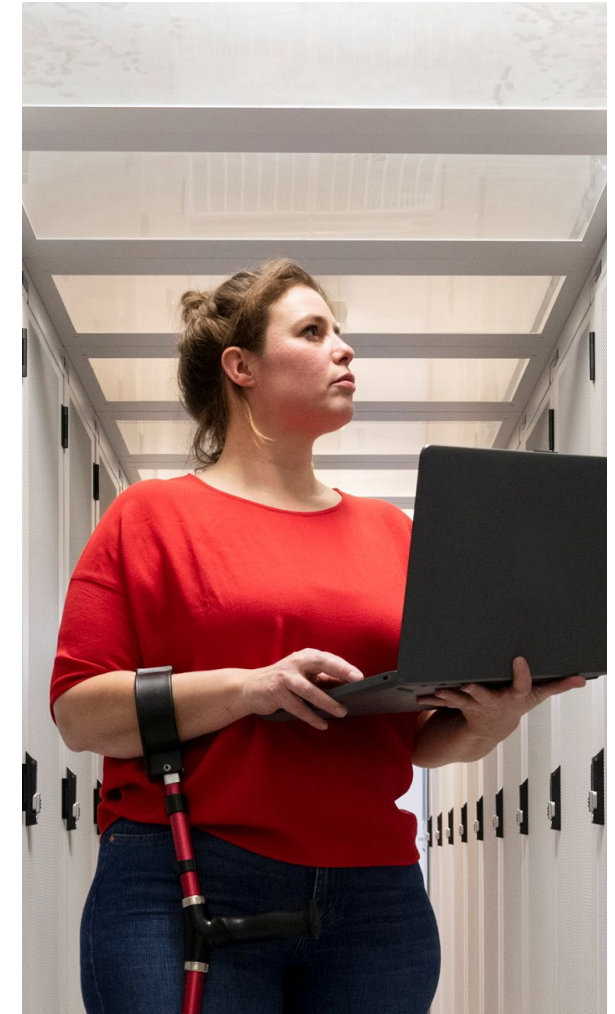
**Penalty management :** Penalties imposed under these provisions will be credited to the Consolidated Fund of India, ensuring accountability.

## Action Points for Auditors

- **Verify compliance:** Ensure companies have updated internal policies for electronic filing and digital communication under the amended rules.
- **Check documentation:** Confirm that penalty-related filings and appeals are properly documented and retained in electronic format.
- **Assess IT controls:** Review systems for secure storage, retrieval, and integrity of electronic records, including digital signatures.
- **Monitor timelines:** Ensure adherence to new timelines for adjudication and appeals to avoid penalties or loss of rights.
- **Governance reporting:** Include compliance status in statutory audit reports where applicable.

To access Ministry of Commerce and Industry update, please [click here](#)

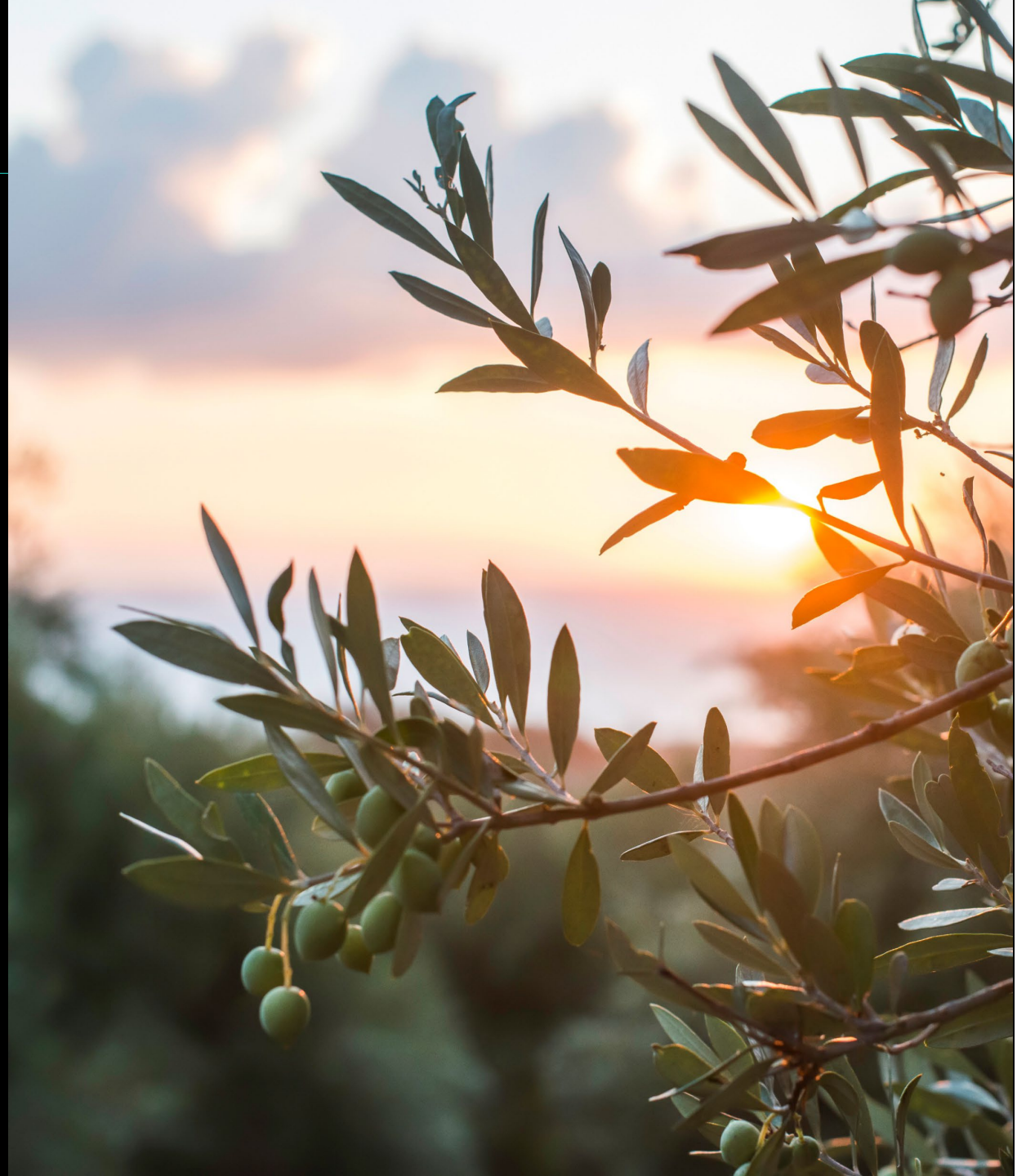
Updates from Ministry of  
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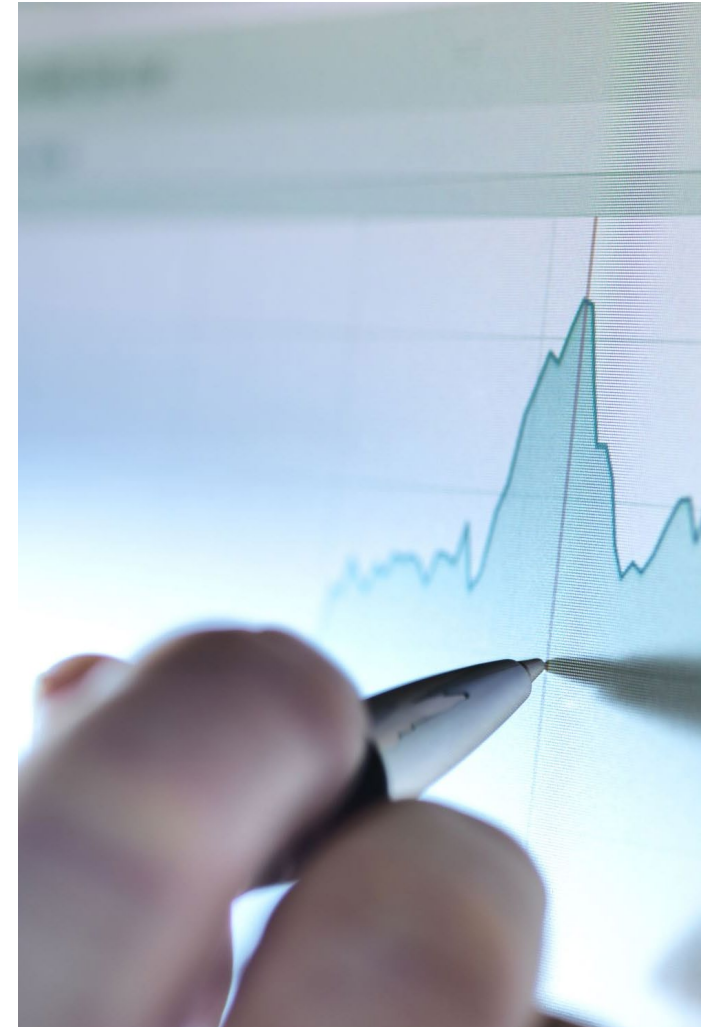


## FASB Issues ASU 2025-09: Key Improvements to Hedge Accounting under Topic 815

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) 2025-09, *Derivatives and Hedging (Topic 815): Hedge Accounting Improvements*. This update clarifies and strengthens hedge accounting guidance while addressing issues arising from global reference rate reform. The amendments aim to better align hedge accounting with the economics of risk management strategies, reduce complexity, and improve operability for entities applying hedge accounting.

Key amendments introduced are as follows:

- **Similar risk assessment for cash flow hedges:** Broadened scope for aggregating hedged risks across forecasted transactions, enabling hedge accounting for more diverse portfolios.
- **Hedging forecasted interest payments on choose-your-rate debt:** Introduces an optional model for hedging variable-rate debt instruments that allow borrowers to change interest rate indexes and tenors.
- **Cash flow hedges of nonfinancial forecasted transactions:** Expands eligibility for hedge accounting on forecasted purchases and sales of nonfinancial assets, subject to specific criteria.
- **Net written options as hedging instruments:** Removes the requirement to apply the net written option test in certain cases.
- **Foreign-currency-denominated debt in dual hedge strategies:** Eliminates recognition and presentation mismatches when such debt serves as both a hedging instrument in a net investment hedge and a hedged item in a fair value hedge of interest rate risk.



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## Effective dates:

- **Public business entities:** Fiscal years beginning after 15 December 2026, including interim periods.
- **All other entities:** Fiscal years beginning after 15 December 2027, including interim periods.

Early adoption is permitted for all entities. The ASU also provides transition guidance.

ASU 2025-09 represents FASB's ongoing effort to modernise hedge accounting and address complexities introduced by global reference rate reform (such as LIBOR transition). Hedge accounting is intended to reflect risk management strategies in financial statements, but prior guidance was often restrictive and operationally challenging.

This update introduces targeted improvements to make hedge accounting more flexible and reflective of real-world risk management practices, while reducing unnecessary complexity.

To access the FASB update please [click here](#)



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## FASB issues ASU 2025-10 introducing U.S. GAAP guidance on government grants for business entities

The Financial Accounting Standards Board (FASB) has released Accounting Standards Update (ASU) 2025-10, *Government Grants (Topic 832): Accounting for Government Grants Received by Business Entities*. This ASU introduces authoritative guidance under U.S. GAAP for the recognition, measurement, and presentation of government grants received by business entities an area that previously lacked specific standards.

The guidance applies to business entities, excluding not-for-profit organizations and employee benefit plans, that receive government grants.

### Effective dates:

- **Public business entities:** Fiscal years beginning after 15 December 2028, including interim periods.
- **All other entities:** Fiscal years beginning after 15 December 2029, including interim periods. Early adoption is permitted for all entities. The ASU also provides transition provisions.

Historically, U.S. GAAP did not provide explicit guidance for accounting for government grants received by business entities, leading to diversity in practice and reliance on IFRS or other frameworks. ASU 2025-10 fills this gap by establishing a consistent, authoritative framework for recognition, measurement, and disclosure of government grants under U.S. GAAP.

This update aims to enhance transparency, reduce inconsistencies, and improve comparability across entities receiving government assistance.



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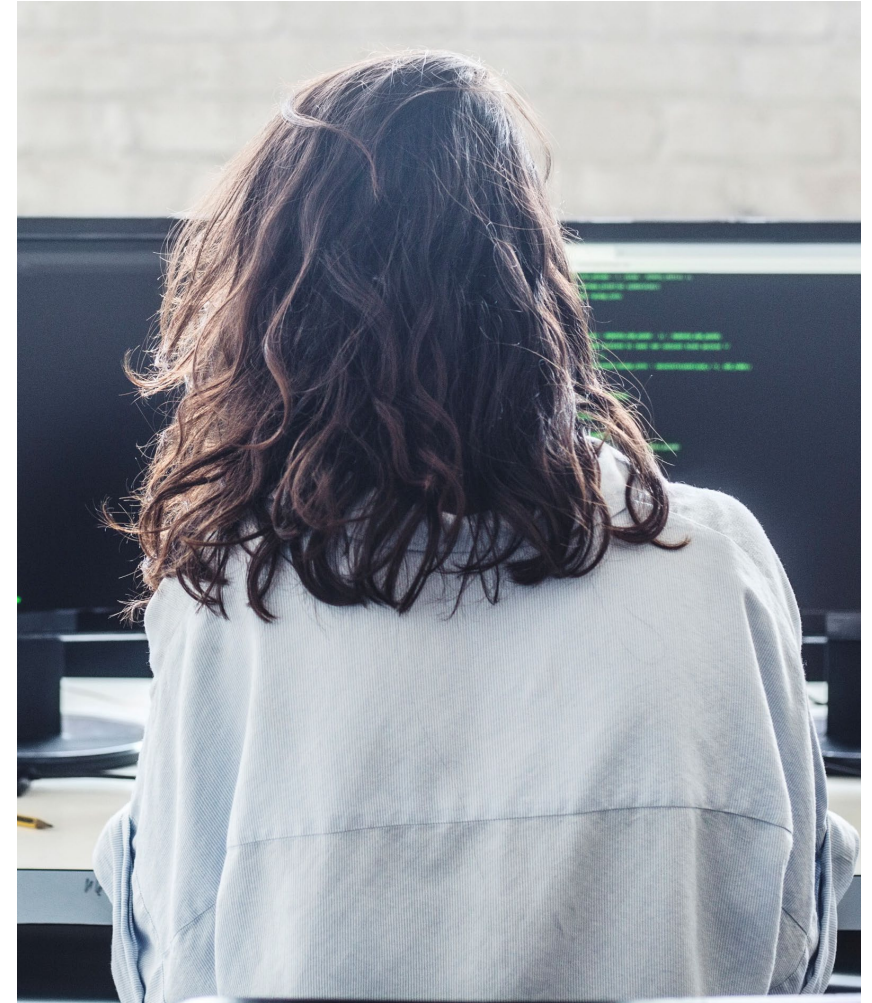


Key amendments are as follows:

- Clear definition and scope of government grants under U.S. GAAP.
- Standardized recognition criteria, ensuring grants are recorded consistently.
- Mandatory disclosures on grant nature, accounting policies, and key terms, improving transparency for investors and stakeholders.

This ASU represents a major step toward harmonizing U.S. GAAP with global practices and providing clarity for entities receiving government support.

To access the FASB update please [click here](#)



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## Sustainability assurance illustrative reports for ISSA 5000 implementation

The International Auditing and Assurance Standards Board (IAASB) has published a new set of illustrative practitioner's assurance reports to support the implementation of International Standard on Sustainability Assurance (ISSA) 5000 General Requirements for Sustainability Assurance Engagements.

Developed in collaboration with jurisdictional standard setters, these examples provide practical guidance for applying ISSA 5000 in real-world scenarios and aim to promote consistent global adoption of sustainability assurance standards.

### Key highlights of the publication:

- Five example reports with unmodified conclusions, covering common engagement types:
  - Assurance on sustainability disclosures aligned with IFRS S1 and S2 (both limited and reasonable assurance)
  - Assurance on selected disclosures in an entity's sustainability report
  - Assurance on sustainability disclosures prepared under multiple reporting frameworks
  - Assurance engagements combining limited and reasonable assurance
- Three example reports with modified conclusions, illustrating:
  - Qualified conclusion
  - Disclaimer of conclusion
  - Adverse conclusion



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These examples address emerging questions and challenges faced by practitioners and regulators, bringing ISSA 5000 to a practical level and reinforcing IAASB's commitment to supporting global sustainability assurance practices.

This update relates to IAASB's efforts to operationalize ISSA 5000, the first comprehensive international standard for sustainability assurance engagements. ISSA 5000 sets out general requirements for practitioners providing assurance on sustainability-related information, ensuring credibility and consistency in reporting.

While ISSA 5000 includes four baseline illustrative reports, the newly released publication expands on these by offering specific, scenario-based examples. These examples are designed to:

- Help practitioners understand how to apply ISSA 5000 in diverse contexts
- Address practical challenges such as mixed reporting frameworks and varying assurance levels
- Provide clarity on how to structure reports when conclusions are modified (qualified, adverse, or disclaimer)

In short, this initiative bridges the gap between theory and practice, enabling smoother adoption of sustainability assurance standards globally and enhancing trust in sustainability disclosures.

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## IASB releases supporting materials for third edition of IFRS for SMEs Accounting Standard

The International Accounting Standards Board (IASB) issued the third edition of the IFRS for Small and Medium-sized Entities (SMEs) Accounting Standard in February 2025. This streamlined standard is designed specifically for SMEs, which represent over 95% of companies globally, offering a simplified alternative to full IFRS Standards while maintaining high-quality financial reporting.

On 28 November 2025, the IASB, through the IFRS Foundation, released a comprehensive suite of supporting materials to assist with the implementation of the updated Standard. These resources include:

- Module overviews for each section of the Standard, covering requirements, guidance, examples, and comparisons with full IFRS.
- Practical tools such as webcasts, podcasts, and knowledge checks.
- Educational resources to help SMEs and stakeholders apply the updated Standard effectively.

The IFRS for SMEs Accounting Standard provides a simplified reporting framework for small and medium-sized entities, reducing complexity compared to full IFRS Standards. The third edition, issued in February 2025, incorporates updates to reflect evolving business practices and improve clarity.

The release of supporting materials on 28 November 2025 is intended to facilitate smooth adoption of the revised Standard by SMEs worldwide. These materials offer practical guidance, interactive learning tools, and comparisons with full IFRS to help preparers and educators understand and implement the changes efficiently.



# Auditing updates

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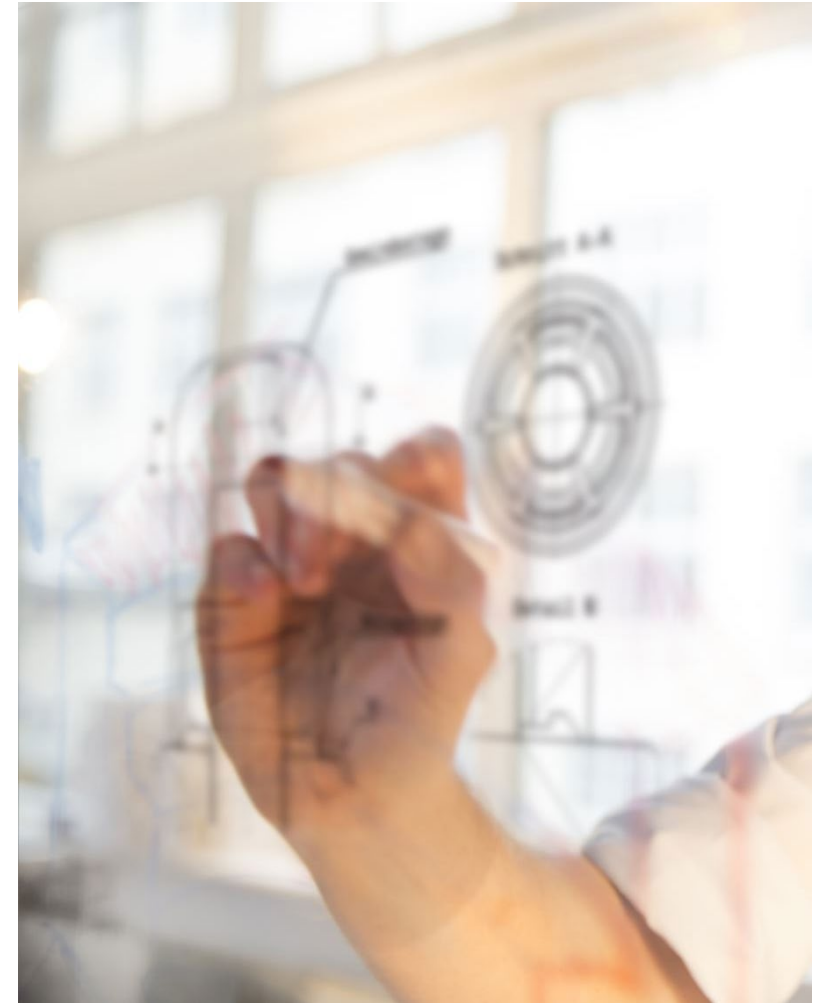


The third edition introduces targeted improvements to enhance usability and alignment with global reporting needs, including:

- Updated guidance and examples for key sections to reflect current practices.
- Clearer comparisons with full IFRS Standards, helping SMEs understand differences.
- Enhanced educational tools for capacity building among SMEs and stakeholders.
- Streamlined language and structure to make the Standard easier to apply.

These changes aim to reduce complexity, improve clarity, and support consistent application across jurisdictions, ensuring SMEs can produce high-quality financial statements without the burden of full IFRS compliance

To access the IFRS update please [click here](#)



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## ISSB Issues targeted amendments to IFRS S2 GHG disclosure requirements

The International Sustainability Standards Board (ISSB) has introduced targeted amendments to IFRS S2 Climate-related Disclosures, specifically addressing Greenhouse Gas (GHG) emissions reporting requirements. These changes aim to resolve practical challenges encountered during early implementation, offering clarifications and relief measures that simplify application while preserving the integrity and quality of investor-focused information.

### Key highlights of the amendments:

- Scope 3 Category 15 GHG emissions: Entities may restrict measurement and disclosure to financed emissions as defined in IFRS S2.
- Alternative classification systems: Entities can use classification systems other than the Global Industry Classification Standard (GICS) for disaggregating financed emissions information.
- Jurisdictional relief on GHG Protocol: Clarifies that relief applies even if only part of an entity uses a different method for measuring GHG emissions.
- Jurisdictional relief on global warming potential values: Allows flexibility from using values in the latest IPCC Assessment Report for converting GHG emissions.

The revised requirements apply to reporting periods beginning on or after 1 January 2027, with early application permitted. These amendments were developed following stakeholder consultation and aim to minimise disruption for jurisdictions adopting ISSB Standards.



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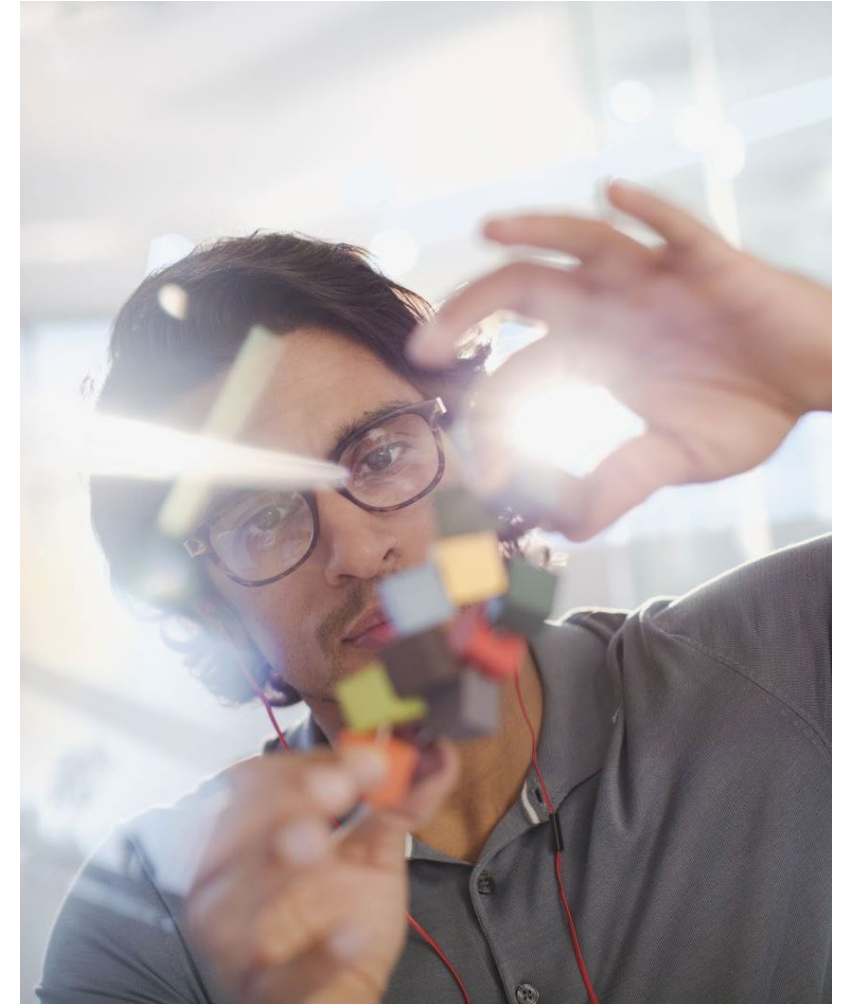
This update reflects ISSB’s commitment to supporting practical and consistent implementation of IFRS S2 Climate-related Disclosures, which sets global requirements for climate-related reporting.

As companies began applying IFRS S2, certain challenges emerged—particularly around Scope 3 emissions, classification systems, and technical measurement requirements. To address these, ISSB introduced targeted amendments that:

- Provide clarity and flexibility without compromising the integrity of climate-related disclosures.
- Reduce complexity for entities operating across multiple jurisdictions.
- Maintain alignment with investor needs for reliable, comparable sustainability information.

In essence, these changes are implementation-focused refinements, ensuring that IFRS S2 remains robust yet practical as global adoption accelerates.

To access the update please [click here](#)





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