

Year-end reminders

Series 1: Accounting and financial reporting updates

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Speakers for the webinar



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1. Key revisions to Schedule III to the Companies Act, 2013

2. Amendments to Ind AS/AS

- IBOR related reforms
- Extension of practical expedient for rent concession
- Amendments due to the issue of conceptual framework
- MCA notifies accounting standards for SMCs

Key revisions to Schedule III to the Companies Act, 2013

On 24 March 2021, the Ministry of Corporate Affairs (MCA) amended Schedule III to the 2013 Act. The amendment enhances the disclosures required for the preparation of the financial statements. The amendments to Schedule III are applicable from 1 April 2021. The following section provides an overview of the changes made to the Schedule III to the 2013 Act:

Title deeds of immovable properties	Revaluation	Benami property	Borrowings against security of current assets	Loans and advances
Disclosure of details of title deeds of immovable properties not held in the name of the company (excluding leased assets)	Disclosure regarding revaluation of Property, Plant and Equipment (PPE)/intangible assets: <ul style="list-style-type: none">Amount of change due to revaluation (if change is 10 per cent or more in the aggregate of the net carrying value of each class of PPE/intangible assets)Whether revaluation is based on the valuation by a registered valuer as defined under the 2013 Act	Details of benami property held	In case of borrowings from banks or financial institutions on the basis of security of current assets, disclose details relating to quarterly returns and summary of reconciliations.	Disclosure of loans and advances granted in the nature of loans to promoters, directors, Key Managerial Personnel (KMPs) and the related parties, repayable on demand or granted without specifying terms (in the prescribed format).
Clause 3(i)(c)	Clause 3(i)(d)	Clause 3(i)(e)	Clause 3(ii)(b)	Clause 3(iii)(f)
CARO	CARO	CARO	CARO	CARO

Key revisions to Schedule III to the Companies Act, 2013

Undisclosed income	Wilful defaulter	Utilisation of borrowed funds	Ratios	Corporate Social Responsibility (CSR)
Details of undisclosed income in terms of any transaction not recorded in the books of accounts that has been surrendered or disclosed as income in the tax assessment.	Disclose if the company is declared as a wilful defaulter by any bank/Financial Institution/other lender: <ul style="list-style-type: none">• Date of such declaration• Details of defaults.	Where the company has not used the borrowings from banks and Financial Institution for the specific purpose for which it was taken at the balance sheet date - disclose details of where they have been used.	Disclosure of certain ratios e.g. current ratio, debt-equity ratio, etc. (Explain items included in numerator and denominator of these ratios)	Details of CSR including amount required to be spent, spent, shortfall, previous years shortfall, reasons for shortfall, nature of CSR, etc.
Clause 3(viii)	Clause 3(ix)(b)	Clause 3(ix)(c)	Clause 3(xix)	Clause 3(xx)
CARO	CARO	CARO	CARO	CARO

Other key amendments to Schedule III

- Detailed disclosure where company has:
 - Advanced
 - Loaned
 - Invested funds,
(borrowed funds/share premium/any other sources or kind of funds) to intermediaries* with the understanding that the intermediary would:
 - Directly/indirectly lend or invest in ultimate beneficiaries** or
 - Provide any guarantee, security or the like to or on behalf of the ultimate beneficiaries**(Similar disclosures on receipt of funds from funding party*).
- Lease liability as per Ind AS 116, *Leases* to be presented as a separate item under financial liabilities.

*any other person(s) or entity(ies), including foreign entities

- Amendments/new disclosure requirements in relation to:
 - Security deposits under the heading 'current/non-current other financial assets'
 - Current maturities of long-term borrowings under the heading 'short term borrowings schedule'
 - Ageing of trade receivables, trade payable (with specific sub-classification as disputed/undisputed) and separate disclosure of unbilled dues
 - Ageing of Capital Work-in-Progress (CWIP) and intangible assets under development
 - Effects of a scheme of arrangement accounted as per the approved scheme and accounting standards and any deviations
- Option to present remeasurement of defined benefit plans and fair value changes relating to own credit risk of financial liabilities designated at Fair Value Through Profit and Loss (FVTPL) as a separate column under reserves and surplus.

**other persons or entities identified in any manner whatsoever by or on behalf of the company



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- **IBOR related reforms**
- **Extension of practical expedient for rent concession**
- **Amendments due to the issue of conceptual framework**
- **MCA notifies accounting standards for SMCs**



Ind-AS amendments

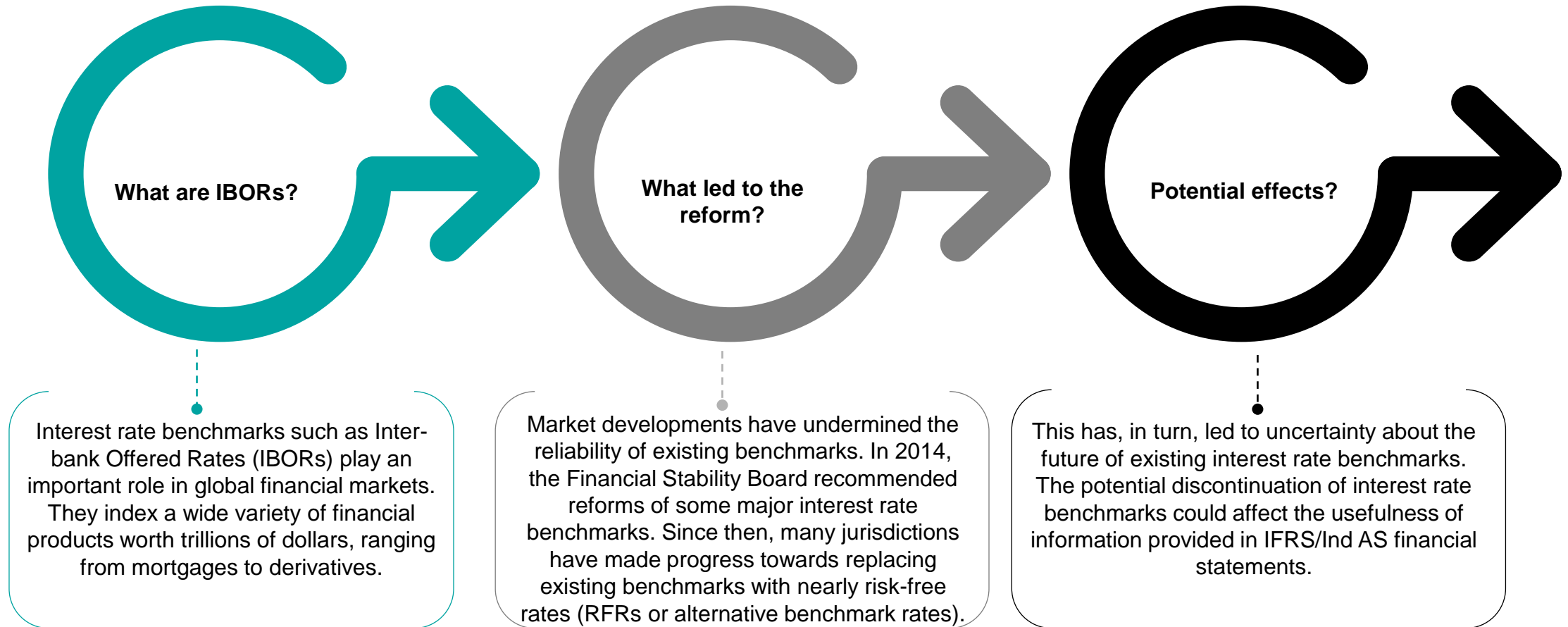
- Interest rate benchmark reform – Phase 2
- Extension of practical expedient for rent concession
- References to Conceptual Framework (in substitution of reference to Framework for Preparation and Presentation of Financial Statements)



AS amendments

- Thresholds for Small and Medium sized Companies (SMCs) revised – more companies expected to avail exemptions under accounting standards

Background



IBOR related reforms (2/2)

IBOR related reforms: The amendments have been divided into two phases:

Phase 1	Pre-replacement issues	To deal with uncertainty that could arise in the run-up to the transition. These amendments were made effective 1 April 2020.
Phase 2	Replacement issues	To deal with issues arising when companies actually update their contracts (including details of hedging relationships) with the alternate benchmark rates.

Phase 2 reforms

Modifications of financial instrument/ lease	Hedge accounting	New disclosures
<ul style="list-style-type: none">• Apply Ind AS 109.B5.4.5 to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by benchmark reform• Apply Ind AS 116.42 as a practical expedient to account for a lease modification that is required by the benchmark reform	<ul style="list-style-type: none">• Amend the formal designation of a hedging relationship to reflect changes required by the benchmark reform• The amendment will not constitute a discontinuation of the hedging relationship or a designation of a new hedging relationship• The amount in the cash flow hedge reserve is deemed to be based on the alternative benchmark rate (including for the purposes of determining whether the future cash flows are expected to occur in case of discontinued cash flow hedge)• Specific requirements for Group of items and Designation of risk components	<ul style="list-style-type: none">• Additional disclosures required to enable users to understand the effect of the benchmark reform on a company's financial instruments and risk management strategy<ul style="list-style-type: none">– How it is managing its transition to alternative benchmark rates– Quantitative information about financial instruments indexed to rates subject to benchmark reform– The extent to which changes to a company's risk management strategy have occurred

Effective for annual periods beginning on or after 1 April 2021
Applies retrospectively with exceptions

12-month extension



- In July 2020, MCA amended Ind AS 116 *Leases* (the *2020 amendments*).
 - The amendments introduced an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19.
 - Under that practical expedient, a lessee is not required to assess whether eligible rent concessions are lease modifications, instead accounting for them in accordance with other applicable guidance.
- Use of the 2020 amendments was restricted to rent concessions for which any reduction in lease payments affects solely payments originally due on or before 30 June 2021.
- In June 2021 MCA has amended Ind AS 116 *Leases* (the *2021 amendments*) extending the availability of the practical expedient by 12 months i.e. 30 June 2022.

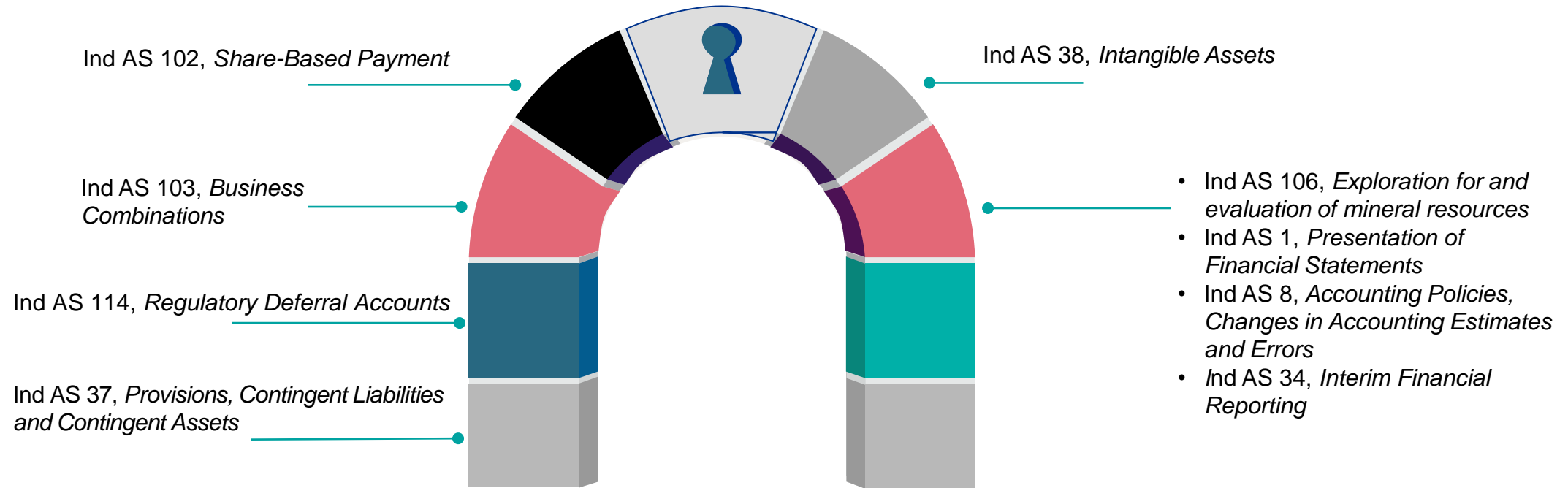
Effective

- The 2021 amendments are effective for annual reporting periods beginning on or after 1 April 2021.

In case a lessee has not yet approved the financial statements for issue before the issuance of this amendment, then the same may be applied for annual reporting periods beginning on or after 1 April 2020.
- The amendment to Ind AS 116 is aligned with corresponding amendment to IFRS 16 *Leases*.

Changes due to Conceptual Framework (1/2)

With the issue of the Conceptual Framework, definitions in certain Ind AS have been amended. An overview of the amendments to Ind AS pursuant to the issue of the Conceptual Framework is:



Changes due to Conceptual Framework (2/2)

An overview of the amendments to Ind AS is given below:

Ind AS 102, *Share-Based Payment*

Amended the definition of liabilities to '**a present obligation of the entity to transfer an economic resource as a result of past events**'.

Ind AS 103, *Business Combinations*

The MCA clarified that for the purpose of this Ind AS, acquirers are required to apply the definitions of an asset and a liability given in the Framework for Preparation and Presentation of Financial Statements with Indian Accounting Standards rather than the Conceptual Framework.

Ind AS 114, *Regulatory Deferral Accounts*

The amendment has added a footnote against the term 'reliable' used in Ind AS 114. The footnote clarifies that for the purpose of this standard the term 'reliable' would be based on the requirements of Ind AS 8.

Ind AS 37, *Provisions, Contingent Liabilities and Contingent Assets*

The MCA clarified that the definition of a 'liability' in this standard is not revised following the revision of the definition of a liability in the Conceptual Framework.

Ind AS 38, *Intangible Assets*

The MCA clarified that the definition of an 'asset' in this standard is not revised following the revision of the definition of an asset in the Conceptual Framework.

Ind AS 106, *Exploration for and evaluation of mineral resources*, Ind AS 1, *Presentation of Financial Statements*, Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* and Ind AS 34, *Interim Financial Reporting*

The reference to the Framework for Preparation and Presentation of Financial Statements with Indian Accounting Standards has been substituted with the reference to the Conceptual Framework.

MCA notifies accounting standards for SMCs

MCA through a notification dated 23 June 2021 has issued the Companies (Accounting Standards) Rules, 2021. The Accounting Standards (AS) notified under the Rules will be applicable to companies (other than companies to which Ind AS are applicable) including Small and Medium sized Companies (SMCs) in preparation of financial statements. The Rules prescribe revised definition of a SMC as follows:

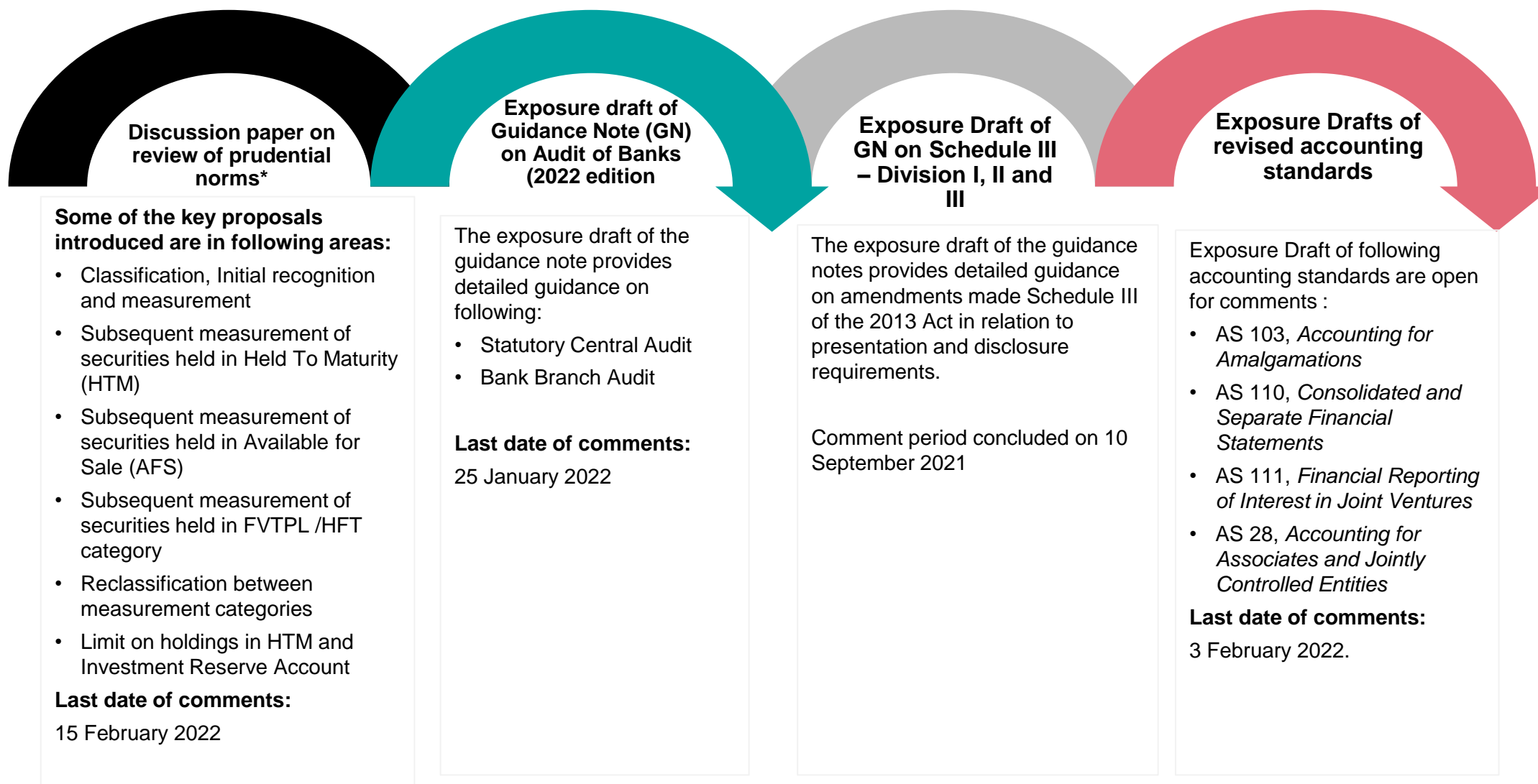
- | | | |
|---|--|--------------------------------|
| 1 | Whose equity or debt securities are not listed or are not in the process of listing on any stock exchange, whether in India or outside India | |
| 2 | Which is not a bank, financial institution or an insurance company | |
| 3 | Whose turnover (excluding other income) does not exceed INR50 crore in the immediately preceding accounting year | Revised to INR250 crore |
| 4 | Which does not have borrowings (including public deposits) in excess of INR10 crore at any time during the immediately preceding accounting year and | Revised to INR50 crore |
| 5 | Which is not a holding or subsidiary company of a company which is not a SMC. | |

Effective date



The AS are effective for accounting periods beginning on or after 1 April 2021.

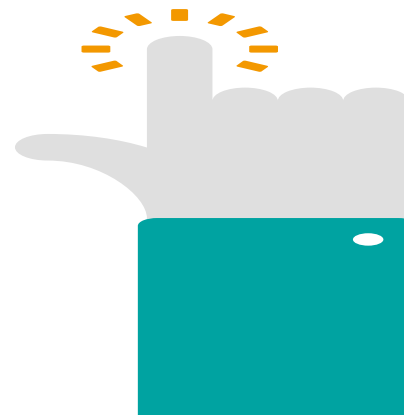
What's on the horizon



* Discussion paper on review of Prudential Norms for Classification, Valuation and Operations of Investment Portfolio of Commercial Banks

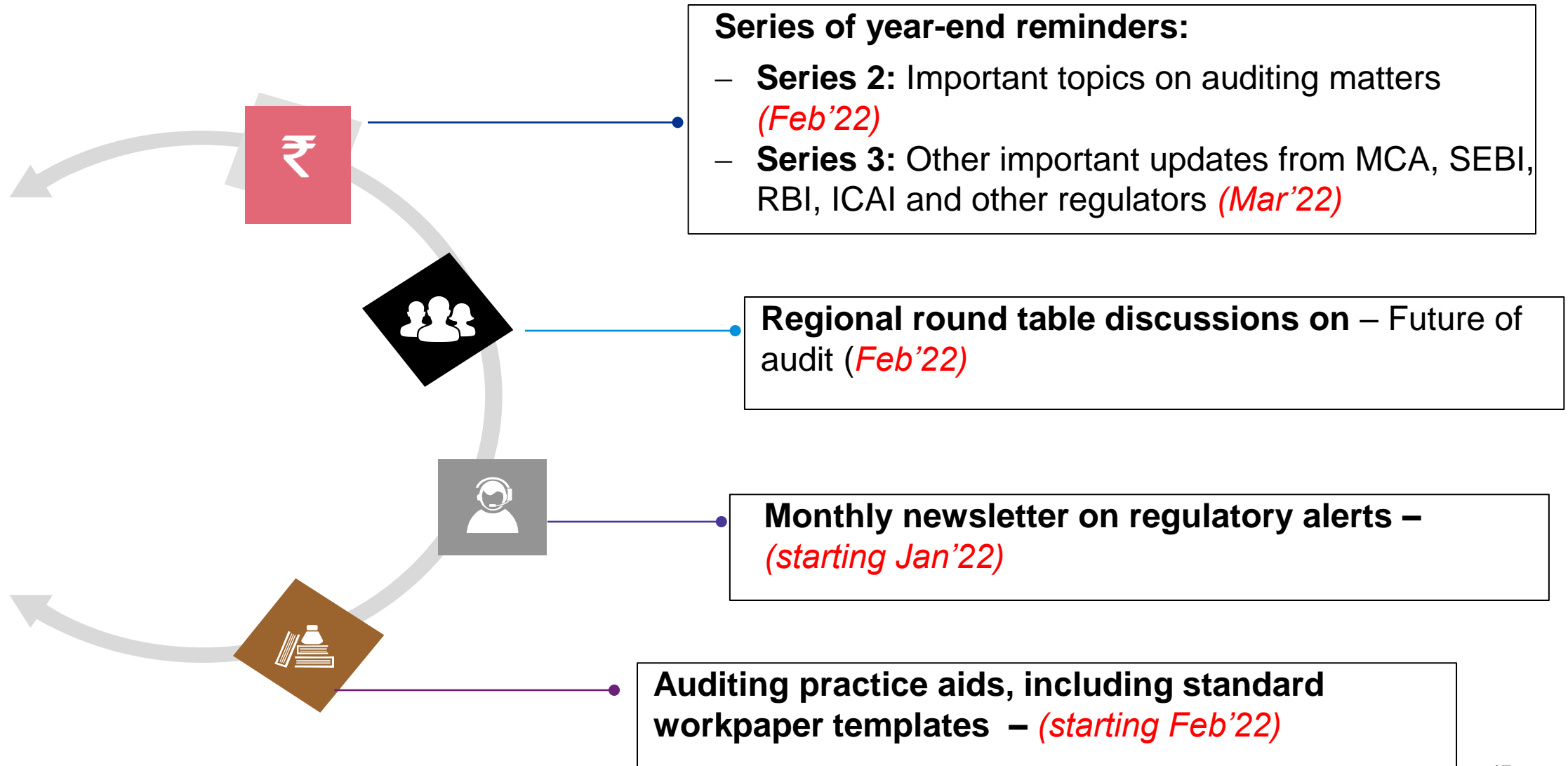


Questions



Answers

Forthcoming activities till 31 March 2022



Thank you

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