

In brief

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



This issue

IFRS	P.1
Ind AS	P.8

International Financial Reporting Standards (IFRS)

Sustainability Reporting and effects of climate related matters on financial statements

IFRS Foundation is putting special emphasis on sustainability reporting and effects of climate related matters on financial statements (FS). It has published the following-

- **Consultation Paper on Sustainability Reporting**

The Consultation Paper sets out possible ways the Foundation might contribute to the development of global sustainability standards by broadening its current remit beyond the development of financial reporting standards and using its experience in international standard-setting, its well-established and supported standard-setting processes and its governance structure.

It also sets out critical success factors for the creation of a new board, including achieving sufficient support from public authorities and market participants; working with regional initiatives to achieve global consistency and reduce complexity in the reporting landscape; achieving the appropriate level of funding; and ensuring the current mission of the IFRS Foundation is not compromised.

Comments are invited on -

- Assess the current situation
- Examine the options – i.e., maintain the *status quo*, facilitate existing initiatives, create a Sustainable Standards Board and become a standard-setter working with existing initiatives and building upon their work
- Reducing the level of complexity and achieving greater

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In brief

Educational material published to highlight how IFRS requirements entail companies to consider climate related matters when their effect is material to the FS

Exposure Draft proposing to amend IFRS 16 *Leases* issued

- **Educational material: the effects of climate-related matters on FS prepared applying IFRS Standards**

IFRS Standards do not refer explicitly to climate-related matters. However, companies must consider climate-related matters in applying IFRS Standards when the effect of those matters is material in the context of the FS taken as a whole.

The educational material contains a non-exhaustive list of examples of when companies may need to consider climate-related matters in their reporting and is aimed at supporting the consistent application of IFRS Standards. It does not add to or change the requirements in the Standards.

The material has been produced according to the requirements set out in the revised [Due Process Handbook](#), which was published in August 2020.

[Read more](#)

IASB proposes amendment to its Leases Standard to improve accounting for sale and leaseback transactions

The International Accounting Standards Board (IASB) has proposed to amend IFRS 16 *Leases* by specifying how a company measures the lease liability in a sale and leaseback transaction. Sale and leaseback transactions are transactions for which a company sells an asset and leases that same asset back from the new owner.

IFRS 16 includes requirements for how to account for sale and leaseback transactions at the time the transaction takes place. However, it does not specify how to measure the lease liability when reporting after that date.

The proposed amendment would improve the sale and leaseback requirements already in IFRS 16 by providing greater clarity for the company selling and leasing back an asset both at the date of transaction and subsequently. By doing so, the amendment would help ensure the Standard is applied consistently to such transactions.

The proposed amendment would not change the accounting for leases other than those arising in a sale and leaseback transaction. It would specify the method a seller-lessee uses in initially measuring the right-of-use asset and liability arising in a sale and leaseback transaction and how the seller-lessee subsequently measures that liability. The proposed amendment applies to sale and leaseback transactions in which, applying paragraph 99 of IFRS 16, the transfer of the asset satisfies the requirements to be accounted for as a sale of the asset.

[Read more](#)

In brief

Probable new merger
and acquisition
Standard proposed

Proposed changes to
the IFRS Taxonomy
2020 reflecting
common reporting
practice relating to
presentation and
disclosure
requirements in IAS 19

IASB consults on possible new accounting requirements for mergers and acquisitions within a group

The IASB has launched a public consultation on possible new accounting requirements for mergers and acquisitions involving companies within the same group—business combinations under common control.

IFRS 3 *Business Combinations* set out reporting requirements for mergers and acquisitions—referred to as business combinations in IFRS Standards. However, that Standard does not specify how to report transactions that involve transfers of businesses between companies within the same group. Such transactions are common in many countries around the world.

As a result of this gap in IFRS Standards, companies report similar business combinations in different ways. In some cases, they provide fair-value information about the acquired company and in other cases, they provide book-value information. Moreover, book-value information is provided in various ways and is often insufficient. This diversity in practice makes it difficult for investors to understand the effects of such transactions on companies that undertake them and to compare companies that undertake similar transactions.

The Discussion Paper *Business Combinations under Common Control* sets out the IASB's preliminary views on how to fill this gap in IFRS Standards. The IASB's aim is to reduce diversity in practice and to improve transparency and comparability in reporting these transactions.

The IASB's view is that companies should provide similar information about similar business combinations when the benefits of that information to investors outweigh the costs of providing it. Specifically, the IASB is suggesting that fair-value information should be provided when a business combination under common control affects shareholders outside the group. That suggestion is consistent with the existing requirements in IFRS 3 for mergers and acquisitions between unrelated companies. In all other cases, the IASB is suggesting that book-value information should be provided using a single approach to be specified in IFRS Standards.

[Read more](#)

The IFRS Foundation proposes changes to the IFRS Taxonomy 2020 to support high-quality tagging of information related to employee benefits

The IFRS Foundation has published *IFRS Taxonomy 2020—Proposed Update 5- General Improvements and Common Practice—IAS 19 Employee Benefits*.

In brief

An update to the IFRS Taxonomy 2020 to reflect the new disclosure requirements introduced by Interest Rate Benchmark Reform—Phase 2 issued

Table providing summary of the pronouncements which will be mandatorily applied by entities for the first time on 31st December 2020, for various quarterly reporting periods

The proposed changes aim to support the high-quality tagging of information disclosed about employee benefits in accordance with IAS 19 and include:

- new elements reflecting common reporting practice—for e.g., new line items for disclosures related to the fair value of defined benefit plan assets, reconciliation of the net defined benefit liability, and disaggregation of related income and expense; and
- new and amended labels to clarify the accounting meaning and intended use of some existing elements.

[Read more](#)

IASB issues IFRS Taxonomy Update for Interest Rate Benchmark Reform—Phase 2

The IASB has issued an update to the IFRS Taxonomy 2020 to reflect Interest Rate Benchmark Reform—Phase 2, issued in August 2020, which amended IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts* and IFRS 16 *Leases*. The amendments added disclosure requirements to IFRS 7 to enable users of FS to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. Earlier application of the amendments is permitted. If an entity applies these amendments early, it shall disclose that fact.

[Read more](#)

New and revised pronouncements as on 31st December 2020 (applicable for reporting period ending on 31st December 2020)

Pronouncements	Effective Dates	Corresponding Ind AS
<u>Amendments</u>		
<i>Amendments to References to the Conceptual Framework in IFRS Standards</i>	1st January 2020	
Definition of a Business (<i>Amendments to IFRS 3</i>)		Ind AS 103
Definition of Material (<i>Amendments to IAS 1 and IAS 8</i>)		Ind AS 1 and Ind AS 8
Interest Rate Benchmark Reform (<i>Amendments to IFRS 9, IAS 39 and IFRS 7</i>)		Ind AS 109, Ind AS 39 and Ind AS 107
Covid-19-Related Rent Concessions (<i>Amendment to IFRS 16</i>)	1st June 2020	Ind AS 116

In brief

Table showing the effective dates of IFRS and IAS, separately identifying the effective date of each significant amendment made to those standards

Effective date of amendments to IFRS/IAS

		Pronouncements	Issued	Effective Dates	Corresponding Ind AS
IFRS	16	Amendment to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification	May 2020	Annual periods beginning on or after 1 st June 2020	Ind AS 116
IAS	41	Amendments resulting from Annual Improvements to IFRS Standards 2018–2020 (taxation in fair value measurements)	May 2020	Annual periods beginning on or after 1 st January 2020	Ind AS 41
IFRS	4	Amendments regarding replacement issues in the context of the IBOR reform	August 2020	Annual periods beginning on or after 1 st January 2021	Ind AS 104
IFRS	7	Amendments regarding replacement issues in the context of the IBOR reform	August 2020	Annual periods beginning on or after 1 st January 2021	Ind AS 107
IFRS	9	Amendments regarding replacement issues in the context of the IBOR reform	August 2020	Annual periods beginning on or after 1 st January 2021	Ind AS 109
IFRS	16	Amendments regarding replacement issues in the context of the IBOR reform	August 2020	Annual periods beginning on or after 1 st January 2021	Ind AS 116
IAS	39	Amendments regarding replacement issues in the context of the IBOR reform and Measurement	August 2020	Annual periods beginning on or after 1 st January 2021	Ind AS 39

		Pronouncements	Issued	Effective Dates	Corresponding Ind AS
IFRS	1	Amendments resulting from Annual Improvements to IFRS Standards 2018–2020 (subsidiary as a first-time adopter)	May 2020	Annual periods beginning on or after 1 st January 2022	Ind AS 101
<i>First-time Adoption of IFRS</i>					
IFRS	3	Amendments updating a reference to the <i>Conceptual Framework</i>	May 2020	Annual periods beginning on or after 1 st January 2022	Ind AS 103
<i>Business Combination</i>					
IFRS	9	Amendments <i>resulting from Annual Improvements to IFRS Standards 2018–2020</i> (fees in the ‘10%’ test for derecognition of financial liabilities)	May 2020	Annual periods beginning on or after 1 January 2022	Ind AS 109
<i>Financial Instruments</i>					
IAS	16	Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use	May 2020	Annual periods beginning on or after 1 st January 2022	Ind AS 16
<i>Property, Plant and Equipment</i>					
IAS	37	Amendments regarding the costs to include when assessing whether a contract is onerous	May 2020	Annual periods beginning on or after 1 st January 2022	Ind AS 37
<i>Provisions, Contingent Liabilities and Contingent Assets</i>					

		Pronouncements	Issued	Effective Dates	Corresponding Ind AS
IFRS <i>Insurance Contracts</i>	4	Amendments regarding the expiry date of the deferral approach	June 2020	The fixed expiry date for the temporary exemption in IFRS 4 from applying IFRS 9 is now 1 January 2023	Ind AS 104
IFRS <i>Insurance Contracts</i>	17	Amendments to address concerns and implementation challenges that were identified after IFRS 17 was published (includes a deferral of the effective date to annual periods beginning on or after 1 January 2023)	June 2020	Annual periods beginning on or after 1 st January 2023	Ind AS 117
IAS <i>Presentation of Financial Statements</i>	1	Amendments regarding the classification of liabilities Amendment to defer the effective date of the January 2020 amendments	January 2020 July 2020	Annual periods beginning on or after 1 January 2023	Ind AS 1

Return

In brief

ED proposing to amend Ind AS 109, Ind AS 107 and Ind AS 116 relating to IBOR issued

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

Exposure Drafts (ED)

ED of IBOR- Phase 2 (Amendments to Ind AS 109, Ind AS 107 and Ind AS 116)

Globally, many jurisdictions have been taking steps for replacing existing Interbank offered rates (IBORs) with some alternate benchmark rates as a result of recommendations of Financial Stability Board. In this regard, IASB identified 2 groups of accounting issues that could affect financial reporting due to the reform:

Project Phase	Amendments by in IFRS by IASB	Developments in India (Ind AS)
Phase 1- Pre-replacement issues Issues affecting financial reporting in the period during which there is uncertainty about contractual cash flows arising from the reform	September 2019: Amendments to- • IFRS 9 <i>Financial Instruments</i> • IFRS 7 <i>Financial Instruments: Disclosures</i> • IAS 39 <i>Financial Instruments: Recognition and Measurement</i>	Corresponding amendments have been notified by MCA in Ind AS 109 <i>Financial Instruments</i> and Ind AS 107 <i>Financial Instruments: Disclosures</i> that are effective from 1 st April 2020
Phase 2- Replacement issues Issues affecting financial reporting when the uncertainty about contractual cash flows is resolved and hedging relationships are affected as a result of the reform.	Aug 2020: Amendments to provide practical expedient for particular changes to contractual cash flows and relief from specific hedge accounting requirements: IFRS 9, IFRS 7, IAS 39, IFRS 4 <i>Insurance Contracts</i> and IFRS 16 <i>Leases</i> are amended	Corresponding amendments in Ind AS 109, Ind AS 107 and Ind AS 116 <i>Leases</i> are proposed to be made effective from 1 st April 2021.

Accordingly, the above ED has been issued

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ED of Amendments to Ind AS 117 *Insurance Contracts*

The IASB had earlier issued amendments to IFRS 17 *Insurance Contracts* which was aimed at helping companies implement the Standard and making it easier for them to explain their financial performance. The Accounting Standards Board (ASB) of the ICAI

ED corresponding to amendments in IFRS 17 issued

In brief

Publication capturing all the recent amendments made in Ind AS in the summary section released (Dated 6th October 2020)

has issued ED proposing the corresponding amendments to Ind AS 117 to remain converged with the internationally acceptable standards.

[Read more](#)

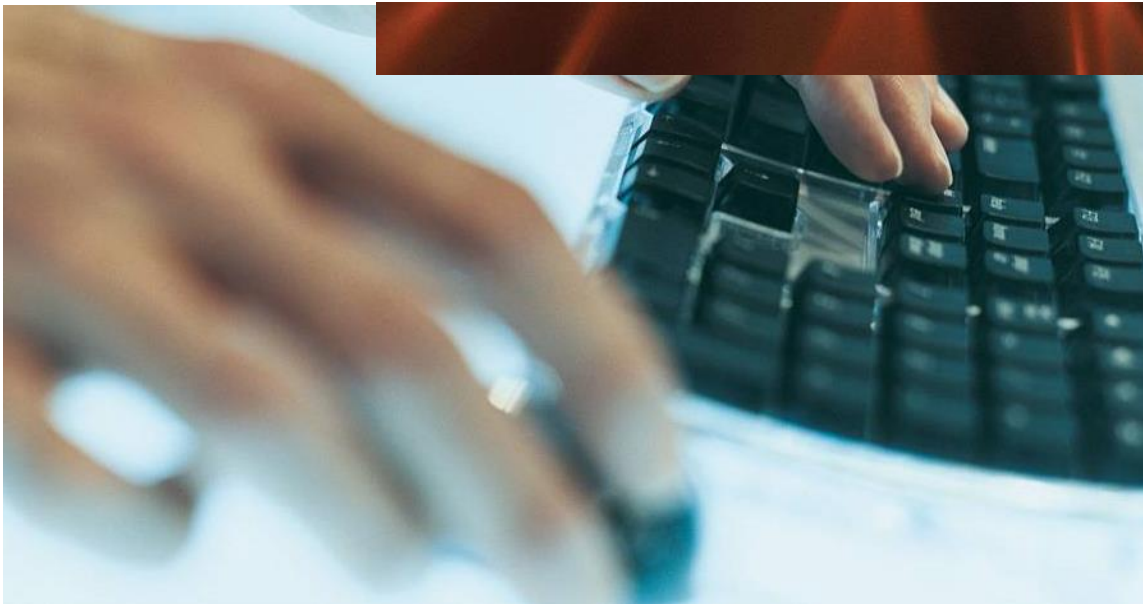
ICAI Releases

Ind AS: An Overview (Revised 2020)

This publication gives a glance on the basic aspects of applicable Ind AS in a summarised manner, differences between Ind AS and AS and Ind AS and IFRS. The said publication captures all the amendments to Ind ASs notified by the MCA vide notification dated 24th July 2020, as Companies (Ind AS) Amendment Rules, 2020, comprising critical amendments to Ind AS which are applicable for the accounting year beginning on or after 1st April 2020.

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Key Take Away

- Sustainability and climate change are global challenges, and there is now growing focus on how companies perform and report on these matters. So, sustainability reporting is continuing to increase in importance for various stakeholders. Auditing firms could also play a major role in providing assurance if sustainability reporting were to be standardised and the information provided.
- IASB's proposal to amend its Leases Standard would close the loophole in IFRS 16 but could be argumentative as they would, for e.g., require lessees to estimate expected variable lease payments based on sales or a consumer price index which be a substantial departure from the general model in IFRS 16.
- The possible new accounting requirements for mergers and acquisitions within a group would give investors the information they need without imposing unnecessary costs on companies.

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