CNK & Associates LLP
Chartered Accountants

Quarterly Update
July 2025

Indian Accounting Standards (Ind AS), International Sustainability Standard Board (ISSB) and International Financial Reporting Standards (IFRS)

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Indian Accounting Standards (Ind AS)

Companies (Ind AS) Amendment Rules, 2025

[Notification dated 7th May 2025]

The MCA has notified the aforesaid rules primarily amending Ind AS 21 *The Effects of Changes in Foreign Exchange Rates* in the Companies (Ind AS) Rules, 2015. Key amendments include the following:

- **Insertion of Definition of Exchangeable**

  A currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

- **Elaboration on the definition**

  An entity must assesses whether a currency is exchangeable into another currency:

  (a) at a measurement date; and

  (b) for a specified purpose.

  If an entity is able to obtain only an insignificant amount of the other currency at the measurement date for the specified purpose, the currency is not exchangeable into the other currency.

- **Estimating the spot exchange rate when a currency is not exchangeable and disclosure**

  An entity should estimate the spot exchange rate at a measurement date when a currency is not exchangeable into another currency at that date.

  In such a case, it should disclose the following information:

  (a) the nature and financial effects of the currency not being exchangeable into the other currency;

  (b) the spot exchange rate(s) used;

  (c) the estimation process; and

  (d) the risks to which the entity is exposed because of the currency not being exchangeable into the other currency

These amendments are applicable for annual reporting periods beginning on or after 1st April 2025. However, entities are not permitted to restate comparative information. Consequential amendments have also been made to Ind AS 101 *First-time Adoption of Indian Accounting Standards.*

International Sustainability Standard Board (ISSB)

ISSB publishes Exposure Draft proposing targeted amendments to IFRS S2 to ease application for companies

[Announcement dated 28th April 2025]

The ISSB has published the aforesaid [Exposure Draft] proposing targeted amendments to IFRS S2 *Climate-related Disclosures* that would provide relief to ease application of requirements related to the disclosure of greenhouse gas **(GHG)** emissions. The amendments are not focused on reductions in disclosures about GHG emissions but are instead making it easier for companies to apply the Standards while retaining the decision-usefulness of information provided to investors.

The proposed amendments relate to the application of GHG emissions disclosure requirements in IFRS S2, including:

- relief from measuring and disclosing Scope 3 Category 15 GHG emissions associated with derivatives and some financial activities;
- relief from the use of the Global Industry Classification Standard (GICS), in some circumstances, in disclosing disaggregated financed emissions information;
- clarification on the jurisdictional relief to use a measurement method other than the GHG Protocol for measuring GHG emissions; and
- permission to use jurisdiction-required Global Warming Potential (GWP) values that are not from the latest Intergovernmental Panel on Climate Change (IPCC).

All the proposed amendments relate to or provide optional reliefs which are designed in such a way that:

- entities would be able to choose whether to apply these reliefs, without affecting their compliance with IFRS Sustainability Disclosure Standards; and
- jurisdictions would be able to choose whether to make these reliefs available to entities in their jurisdictions, without affecting the jurisdiction's degree of alignment with IFRS Sustainability Disclosure Standards.

The reliefs would support preparers in applying IFRS S2 by reducing the risk of potential duplication of reporting and the related costs associated with applying the Standards.

Companies currently applying IFRS S1 and IFRS S2 as issued in June 2023 can continue to do so, while jurisdictions that have their own Standards that are 'based on' ISSB Standards will be encouraged to maintain consistency to make it more straightforward for preparers globally to report on an efficient basis and to ensure the global baseline is maintained.

IFRS Foundation publishes educational material about greenhouse gas emissions disclosure requirements in IFRS S2

Announcement dated 29th May 2025

The IFRS Foundation has published educational material about the requirements in IFRS S2 *Climate-related Disclosures* related to measurement and disclosure of GHG emissions. This material is structured as questions and answers about the requirements for an entity to disclose its GHG emissions in accordance with IFRS S2.

The educational material includes answers to questions about:

- the context and reasoning underlying the GHG emissions-related requirements;
- the use of *The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard* (2004) and *Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard* (2011) (collectively the GHG Protocol Standards); and
- specific aspects of the GHG emissions-related requirements.

The objective of this educational material is to help readers understand the GHG emissions disclosure requirements in IFRS S2, including those related to:

- providing information about absolute gross GHG emissions generated during the reporting period; and
- disclosing information about GHG emissions, such as GHG emissions targets

The material does not add or otherwise change the requirements in IFRS S2.

IFRS Foundation publishes guidance on disclosures about transition plans

Announcement dated 23rd June 2025

The IFRS Foundation has published a new guidance document Disclosing information about an entity's climate-related transition, including information about transition plans, in accordance with IFRS S2 as part of its commitment to supporting the implementation of ISSB Standards. The document builds on disclosure-specific material developed by the Transition Plan Taskforce (TPT), for which the IFRS Foundation took responsibility in 2024.

The guidance:

- supports entities applying IFRS S2 *Climate-related Disclosures*;
- is designed to enable entities to provide high-quality information about their climate-related transition when applying IFRS S2; and
- covers disclosures about any 'transition plan' an entity has, including both mitigation and adaptation efforts.

Requirements in IFRS S2

Although IFRS S2 does not require an entity to have a transition plan, it does require an entity to provide material information about the sustainability-related risks and opportunities that could reasonably be expected to affect its prospects. This includes information about its climate-related transition because it relates to how the entity mitigates and adapts to climate-related transition and physical risks.

This guidance document:

- explains that an entity's climate-related transition is a process through which the entity, in the context of its overall strategy, pursues targets, undertakes actions or deploys resources to respond to climate-related risks and opportunities.
- explains to entities the information that is necessary to disclose when applying IFRS S2, if the entity has set a strategy for its transition to a lower-carbon and/or climate-resilient economy.
- sets out guidance on disclosures about entities climate-related transitions.

IASB issues revised Practice Statement on management commentary

Announcement dated 23rd June 2025

The IASB has issued a revised Practice Statement on management commentary. The revised Practice Statement supports improvements to and greater global alignment in management commentary and narrative reports accompanying the financial statements.

The Practice Statement is an important tool to support connected reporting. The Practice Statement will facilitate better connections between financial statements and sustainability-related financial disclosures.

IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* requires sustainability-related financial disclosures to be provided in a company's general purpose financial report. However, it does not specify a particular location within that report—this enables a company to provide sustainability-related financial disclosures prepared in accordance with ISSB Standards within management commentary.

The ISSB Standards and the Practice Statement are both designed to provide context to the financial statements and to explain matters affecting a company's prospects over the short, medium and long term. A company could benefit from applying the ISSB Standards with the Practice Statement incorporating sustainability-related financial disclosures within its management commentary.

GRI 102 and IFRS S2—Reporting on both standards and equivalence for IFRS S2 on GHG Emissions Disclosures

Announcement dated 26th June 2025

The ISSB announced that the Global Sustainability Standards Board (GSSB) has granted equivalence to IFRS *S2 Climate-related Disclosures* for entities preparing disclosures of GHG emissions under *GRI 102*, the new climate standard issued by the Global Sustainability Standards Board (GSSB).

Organisations that report using both *GRI 102* and IFRS S2 can use the equivalent IFRS S2 disclosures for Scope 1, Scope 2 and Scope 3 GHG emissions to meet *GRI 102* requirements.

To be able to provide the equivalent IFRS S2 GHG emission disclosures, organisations reporting *in accordance with* or *with reference to* the GRI Standards will have to:

- measure their GHG emissions in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004); and
- include a reference to the location where the information for each of the disclosures can be found as per the *Publish a GRI content index* requirement in *GRI 1: Foundation 2021*.

ISSB proposes comprehensive review of priority SASB Standards and targeted amendments to others

Announcement dated 3rd July 2025

The ISSB has published 2 exposure drafts proposing amendments to the SASB Standards and consequential amendments to the *Industry-based Guidance on Implementing IFRS S2*.

The proposed amendments:

- present a comprehensive review of 9 industries that were prioritised (all 8 industries in the Extractives & Minerals Processing sector and the Processed Foods industry);
- align some *metrics* in a further 41 industries for topics such as Water Management and Workforce Health & Safety; and

- propose updates to *Industry-based Guidance on Implementing IFRS S2* (affecting the 9 prioritised industries and 37 of the 41 industries) to maintain alignment with climate-related content in the SASB Standards.

The ISSB included these enhancements in its 2024–2026 work plan to provide timely support to companies applying IFRS Sustainability Disclosure Standards (ISSB Standards) and to enhance the decision-usefulness of information provided to investors. This work will support implementation of the ISSB Standards, IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures* and will also benefit the many companies that apply the SASB Standards on a voluntary basis.

International Financial Reporting Standards (IFRS)

IFRS Foundation updates going concern educational material to reflect latest developments

Announcement dated 13th May 2025

The IFRS Foundation has published an updated version of its educational material to support the consistent application of IFRS Accounting Standards related to going concern assessments.

Companies preparing financial statements using IFRS Accounting Standards are required to assess their ability to continue as a going concern. This educational material brings together the relevant requirements and explains how they might apply to a range of company situations. It is designed to support understanding and consistent application of the Standards but does not change or add to existing requirements.

This educational material was first published in January 2021, and it has been updated to reflect recent developments, most notably, the IASB's issuance of IFRS 18 *Presentation and Disclosure in Financial Statements*.

The updated educational material also removes outdated references to the International Auditing and Assurance Standards Board (IAASB) and its project on Going Concern. In December 2024, the IAASB approved International Standard on Auditing (ISA) 570 (Revised 2024), *Going Concern*, which is now referenced in the updated educational material.

New educational materials to support implementation of the IFRS for SMEs Accounting Standard

Announcement dated 28th May 2025

The IFRS Foundation has published new educational materials to support the application of Section 11 *Financial Instruments* of the 3rd edition of the *IFRS for SMEs* Accounting Standard.

The IFRS for SMEs Accounting Standard is intended for use by small and medium sized entities **(SMEs)** that publish general purpose financial statements and that do not have public accountability.

This educational module supports the requirements for accounting and reporting of financial instruments in accordance with Section 11 *Financial Instruments* of the IFRS for SMEs Accounting Standard. The module:

- provides explanations and examples to improve understanding of the requirements in Section 11;
- identifies the significant judgements required to account for and report financial instruments and transactions;
- includes questions to test your understanding of the requirements in Section 11; and
- includes case studies that provide a practical opportunity to apply the Section 11 requirements.

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