

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

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### Study on Compliance of Financial Reporting Requirements- Volume III (Ind AS Framework)

[ICAI Publication dated January 2025](#)

This publication by The Financial Reporting Review Board (FRRB) of the ICAI incorporates the instances of non-compliances identified in Ind AS based Financial Statements, along with the detailed explanations for each observation. The observation featured here serves as both a guide and a reference point for gaining a deeper understanding of best financial reporting practices. This publication covers non-compliances observed relating to Ind AS, Schedule III of the Companies Act, 2013, Standards on Auditing and Companies Auditors Report Order (CARO) along with the detailed explanations for each observation.

### NFRA Auditor- Audit Committee Interaction Series

In accordance with NFRA's obligations to suggest measures for improvement in overall audit quality and to promote awareness and significance of accounting and auditing standards, auditor's responsibilities, audit quality, and keeping in view NFRA's objectives of protecting public interest and investor protection, NFRA has published its series of Auditor-Audit Committee Interactions on significant areas of accounting and auditing. These include the following:

- **Series 1 - Part 1 - Audit of Accounting Estimates and Judgments – Expected Credit Losses (ECL) under Ind AS 109**

[Publication dated 10<sup>th</sup> January 2025](#)

This Auditor-Audit Committee Interactions Series 1 draws the attention of the auditors to the potential questions the Audit Committees/Board of Directors may ask them in respect of accounting estimates and judgments. It includes aspects pertaining to audit of ECL for financial assets and other items as required by Ind AS 109 *Financial Instruments*.

- **Series 1- Part 2- Audit of Accounting Estimates and Judgments Income Taxes - Ind AS 12**

[Publication dated 7<sup>th</sup> March 2025](#)

This communication being the 2<sup>nd</sup> in this series, includes aspects pertaining to the audit of Income Taxes, in particular, Deferred Tax Assets (DTA) and Deferred Tax Liabilities (DTL) as required by Ind AS 12 *Income Taxes*.

- **Series 2- Audit Strategy and Planning- SA 300 etc.**

[Publication dated 28<sup>th</sup> March 2025](#)

This Auditor-Audit Committee Interactions Series 2 draws the attention of the auditors to the potential questions the Audit Committees/Board of Directors may ask them in respect of their Audit Strategy and Audit Plan.

Development of an effective Audit Strategy and Audit Plan is the critical starting phase of an audit of financial statements. Its timely preparation, communication with those charged with governance (TCWG)/Audit Committee and its appropriate revisions during the course of audit will have several advantages leading to effective and efficient audit of financial statements. Audit Strategy is intended to set the overall scope, timing and direction of audit so as to guide the preparation of detailed audit plan including completion of the auditor's risk assessment procedures and design of audit procedures responsive to assessed risks

- **Series 3- Audit of Related Party - Ind AS 24, AS 18 & SA 550**

[Publication dated 28<sup>th</sup> March 2025](#)

This Auditor-Audit Committee Interactions Series 3 draws the attention of the auditors to the potential questions the Audit Committees/Board of Directors may ask them in respect of related party relationships, transactions and disclosures as required by Ind AS 24 *Related Party Disclosures* and SA 550 *Related Parties*.

Related party relationships and transactions have been a source of major frauds in the corporate

history and some of the modus operandi continues to be seen in recent corporate frauds as well. In some cases, transactions with unrelated parties have the purpose and effect of benefiting related parties.

## Treatment of Right-of-Use (ROU) Asset for Regulatory Capital Purposes

[Notification No. RBI/2024-25/128 dated 21<sup>st</sup> March 2025](#)

In terms of Ind AS 116 - *Leases*, most leases will be reflected on a lessee's Balance Sheet as an obligation to make lease payments (a liability) and a related ROU asset (an asset).

Based on references received from various NBFCs (in their capacity as lessees) on the treatment of ROU assets for calculation of regulatory capital/ Owned Fund, the Reserve Bank of India has clarified that regulated entities will not be required to deduct an ROU asset (created in terms of Ind AS 116-*Leases*) from Owned Fund/ CET 1 capital/ Tier 1 capital, provided the underlying asset being taken on lease is a tangible asset. The ROU asset will be risk-weighted at 100%, consistent with the risk weight applied historically to the owned tangible assets.

This circular is applicable to all NBFCs (including HFCs) and Asset Reconstruction Companies implementing Companies (Ind ASs) Rules, 2015 with immediate effect.

## International Financial Reporting Standards (IFRS)

### IASB issues a major update to the IFRS for SMEs Accounting Standard

[Announcement dated 27<sup>th</sup> February 2025](#)

The IASB has issued a major update to the IFRS for Small and Medium-Sized Entities (**SMEs**) Accounting Standard, which is currently required or permitted in 85 jurisdictions. This Standard aims to balance the information needs of lenders and other users of SMEs' financial statements with the resources available to

SMEs. The Standard defines SMEs as entities without public accountability that prepare general purpose financial statements.

The update of this Standard is the outcome of a periodic comprehensive review of the Standard. The highlights include:

- a revised model for revenue recognition;
- bringing together the requirements for fair value measurement in a single location; and
- updating the requirements for business combinations, consolidations and financial instruments.

This update is effective for annual periods beginning on or after 1<sup>st</sup> January 2027, with early application permitted.

## International Sustainability Standard Board (ISSB)

### IFRS Foundation publishes a guide to help companies understand how to report only climate-related information when applicable in accordance with ISSB Standards

[Announcement dated 30<sup>th</sup> January 2025](#)

The IFRS Foundation has published a new guide, [Applying IFRS S1 when reporting only climate-related disclosures in accordance with IFRS S2](#), which aims to help companies understand how to report only climate-related information when applicable using ISSB Standards.

The publication of this guide is part of the ISSB's commitment to supporting the implementation of ISSB Standards, helping companies to prepare information and helping investors to receive decision-useful information.

The ISSB has provided transition reliefs in ISSB Standards, including the 'climate-first' transition relief, which is the focus of this new guide. When providing only climate-related information in accordance with

ISSB Standards, companies are required to apply related requirements in IFRS S1.

This educational material will help preparers understand which requirements in IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* are applicable when a company discloses information on only climate-related risks and opportunities in accordance with IFRS S2 *Climate-related Disclosures*. The educational material reflects the intended approach to disclosing information on only climate-related risks and opportunities that is permitted by ISSB Standards.

## Roadmap Development Tool launched to support jurisdictions plan and design adoption roadmaps for ISSB Standards

[Announcement dated 26<sup>th</sup> March 2025](#)

As part of the ISSB's commitment to supporting jurisdictions advance their approaches towards the adoption or other use of ISSB Standards, the IFRS Foundation has launched one key pillar of its Regulatory Implementation Programme—the [Jurisdictional Roadmap Development Tool](#) (Roadmap Tool).

This interactive tool develops the concepts set out in the [Inaugural Jurisdictional Guide for the adoption or other use of ISSB Standards](#) (Inaugural Jurisdictional Guide) into a practical application, to support jurisdictions and implementation partners as they navigate the policy considerations and key steps of planning and designing their roadmap for the adoption or other use of ISSB Standards.

By using the Roadmap Tool, jurisdictions can make informed decisions on 4 key decision areas:

- [regulatory process](#)—how to adopt or otherwise use ISSB Standards
- [reporting entities](#)—who will be subject to the requirements
- [requirements](#)—what will be the specific content covered in the sustainability-related disclosure requirements?

- [readiness](#)—addressing when requirements will become effective, setting a suitable timeline and whether there is a case for scaling and phasing in.



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