CNK & Associates LLP
Chartered Accountants

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

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Indian Accounting Standards (Ind AS)

Companies (Ind AS) (Amendment) Rules, 2024

Notification dated 12th August 2024

The Companies (Ind AS) Rules, 2015 has been amended through the notification of the aforesaid Rules. Through the amendment, Ind AS 117 *Insurance Contracts* has been inserted which supersedes Ind AS 104 *Insurance Contracts.*

Ind AS 117 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the Standard. The objective of Ind AS 117 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements **(FSs)** to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

An entity should apply Ind AS 117 to:

- insurance contracts, including reinsurance contracts, it issues;
- reinsurance contracts it holds; and
- investment contracts with discretionary participation features it issues, provided the entity also issues insurance contracts.

Ind AS 117 is effective for annual reporting periods beginning on or after 1st April 2024.

Consequential amendments have been made to the below mentioned Ind ASs:

Ind AS	Particulars
101	*First time adoption of Ind AS*
103	*Business Combination*
105	*Non -current Assets Held for Sale and Discontinued Operations*
107	*Financial Instruments Disclosures*
109	*Financial Instruments*
115	*Revenue from Contracts with Customers*
1	*Presentation of Financial Statements*
7	*Statement of Cash Flows*
19	*Employee Benefits*
28	*Investments in Associates and Joint Ventures*
32	*Financial Instruments Presentation*
36	*Impairment of Assets*
37	*Provisions, Contingent Liabilities and Contingents Assets*
38	*Intangible Assets*

Subsequently, through the notification of Companies (Ind AS) 3rd Amendment Rules, 2024 dated 28th September 2024, the MCA has amended the applicability of Ind AS 117 for insurance companies. The amendment states that an insurer or insurance company may provide its FS as per Ind AS 104 for the purposes of consolidated FSs by its parent or investor or venturer till Ind AS 117 is notified by the Insurance Regulatory and Development Authority. Schedule on Ind AS 104 has also been introduced.

Companies (Ind AS) 2nd Amendment Rules, 2024

Notification dated 9th September 2024

The MCA has amended Companies Ind AS Rules, 2015 through the notification of the aforesaid Rules. The aforesaid Rules amend Ind AS 116 *Leases* with respect to Lease liability in a sale and leaseback.

The amendment specifies the requirements on how the seller should measure the right-of-use asset and lease liability arising from leaseback. It specifies that the seller-lessee should determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right-of-use retained by the seller-lessee. It does not prevent the seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease.

A seller-lessee should apply Lease Liability in a Sale and Leaseback retrospectively in accordance with Ind

AS 8 to sale and leaseback transactions entered into after the date of initial application.

A seller-lessee should apply these amendments for annual reporting periods beginning on or after 1st April 2024.

International Financial Reporting Standards (IFRS)

IASB issues annual improvements to IFRS Accounting Standards

Announcement dated 18th July 2024

The International Accounting Standards Board **(IASB)** has issued narrow amendments to IFRS Accounting Standards and accompanying guidance as part of its regular maintenance of the Standards.

These amendments, include clarifications, simplifications, corrections and changes aimed at improving the consistency of several IFRS Accounting Standards.

Given below is the list of the amended Accounting Standards and accompanying guidance and the subjects of the amendments:

Accounting Standard	Subject of amendments
IFRS 1 *First-time Adoption of IFRSs*	Hedge accounting by a first-time adopter
IFRS 7 *Financial Instruments: Disclosures*	Gain or loss on derecognition
Guidance on implementing IFRS 7	▪ Introduction ▪ Disclosure of deferred difference between fair value and transaction price ▪ Credit risk disclosures
IFRS 9 *Financial Instruments*	▪ Derecognition of lease liabilities ▪ Transaction price
IFRS 10 *Consolidated Financial Statements*	Determination of a 'de facto agent'
IAS 7 *Statement of Cash Flows*	Cost method

The amendments are effective for annual periods beginning on or after 1st January 2026, with earlier application permitted.

IASB proposes amendments for translating financial information into hyperinflationary currencies

Announcement dated 25th July 2024

The IASB has published proposals in an Exposure Draft to address accounting issues that affect companies that translate financial information from a non-hyperinflationary currency to a hyperinflationary currency. These proposals, which are narrow-scope amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates*, introduce translation requirements for these companies. The IASB expects the proposed translation requirements to improve information for users of FSs while being simple and cost-effective for companies to apply.

In a hyperinflationary economy, financial information is useful only if it reflects a measure of current purchasing power of the currency. Applying IAS 21 today does not always result in that outcome and in some cases has led to diversity in accounting practice.

Benefits of the proposed amendments include:

- more consistent and useful information in FSs presented in hyperinflationary currencies;
- removal of diversity in accounting practices related to translation into a hyperinflationary currency;
- improved comparability of FSs among companies and jurisdictions; and
- simpler and low-cost accounting requirements for affected companies.

IASB proposes amendments to IFRS 19 *Subsidiaries without Public Accountability: Disclosures*

Announcement dated 30th July 2024

The IASB has published an Exposure Draft proposing amendments to IFRS 19. The proposals would reduce disclosure requirements from new IFRS Accounting Standards and amendments issued between February 2021 and May 2024.

IFRS 19 simplifies financial reporting for eligible subsidiaries, enabling them to apply IFRS Accounting Standards with reduced disclosure requirements. As IFRS Accounting Standards are developed and amended, IFRS 19 will be amended alongside them-always with a view to reducing disclosure requirements for eligible subsidiaries.

To ensure that IFRS 19 would be issued without delay, the IASB decided that the Standard would initially include full disclosure requirements[@] from new Standards and amendments issued after the cut-off date of February 2021. The IASB is now consulting on whether and how to reduce these requirements with the aim that any amendments to the requirements will be effective at the same time as IFRS 19 itself.

The proposals would reduce or simplify the disclosure requirements related to:

- lack of exchangeability (amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates*);
- international tax reform—Pillar Two Model Rules (amendments to IAS 12 *Income Taxes*);
- supplier finance arrangements (amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures*);
- primary FSs (IFRS 18 *Presentation and Disclosure in Financial Statements*); and
- non-current liabilities with covenants (amendments to IAS 1 *Presentation of Financial Statements*).

The proposed amendments would reduce the disclosure requirements in IFRS 19. In particular, eligible subsidiaries might benefit from cost savings if they:

- have non-current liabilities with covenants;
- participate in supplier finance arrangements;
- are subject to Pillar Two income taxes; or
- account for transactions and balances in a currency that is not readily exchangeable.

If the IASB agrees to proceed with the proposed amendments, they will be effective for periods beginning on or after 1st January 2027, at the same time as the effective date of IFRS 19.

[@]Subsidiaries are eligible to apply IFRS 19 if they do not have public accountability, and their parent company applies IFRS Accounting Standards in preparing their consolidated FSs.

IASB proposes illustrative examples to improve reporting of climate-related and other uncertainties in financial statements

Announcement dated 31st July 2024

The IASB has published a consultation document, proposing 8 examples to illustrate how companies apply IFRS Accounting Standards when reporting the effects of climate-related and other uncertainties in their FSs.

The IASB developed this illustrative examples[@] in response to strong demand from stakeholders, particularly from investors. They expressed concerns that information about climate-related uncertainties in FSs was sometimes insufficient or appeared to be inconsistent with information provided outside the FSs. To respond to these concerns, the IASB's proposed examples aim to:

- improve transparency of information in FSs; and
- strengthen the connection between FSs and other parts of a company's reporting, such as sustainability disclosures.

The 8 illustrative examples include the following:

Example	Particulars
1	Materiality judgements leading to additional disclosures (IAS 1/IFRS 18)
2	Materiality judgements not leading to additional disclosures (IAS 1/IFRS 18)

Example	Particulars
3	Disclosure of assumptions: specific requirements (IAS 36)
4	Disclosure of assumptions: general requirements (IAS 1/IAS 8)
5	Disclosure of assumptions: additional disclosures (IAS 1/IFRS 18)
6	Disclosure about credit risk (IFRS 7)
7	Disclosure about decommissioning and restoration provisions (IAS 37)
8	Disclosure of disaggregated information (IFRS 18)

The principles and requirements illustrated in these examples apply equally to other types of uncertainties (which include economic, regulatory, technological, societal and environmental uncertainties) beyond climate-related uncertainties.

In developing these examples, the IASB collaborated with members of the International Sustainability Standards Board (ISSB) and its technical staff. This collaboration helped ensure that the illustrative examples work with the ISSB's sustainability-related disclosure requirements.

The illustrative examples do not add to or change the requirements in IFRS Accounting Standards. Instead, they provide guidance on how the requirements in the Standards should be applied to provide investors with better information about climate-related risks and other uncertainties.

[@] *Illustrative examples are non-mandatory guidance that accompany IFRS Accounting Standards. Their purpose is to illustrate how the requirements in the Standards apply to particular fact patterns.*

IASB proposes improvements to the equity method

Announcement dated 19th September 2024

The IASB has announced a public consultation on proposed amendments aimed at helping companies to account for their investments in associates and joint ventures.

IAS 28 *Investments in Associates and Joint Ventures* sets out how companies report on these investments applying the equity method.

The proposed amendments add to and clarify how to apply the equity method by answering application questions the IASB has received over a number of years. The IASB is also proposing new disclosure requirements that will enhance the information companies provide about these investments. The IASB expects the proposed amendments will reduce diversity in practice and provide users of FSs with more comparable and useful information.

The Exposure Draft sets out proposed amendments to IAS 28 to answer application questions about how an investor applies the equity method to:

- changes in its ownership interest on obtaining significant influence;
- changes in its ownership interest while retaining significant influence
- recognition of its share of losses;
- transactions with associates—for e.g., recognition of gains or losses that arise from the sale of a subsidiary to its associate, in accordance with the requirements in IFRS 10 *Consolidated Financial Statements* and IAS 28;
- deferred tax effects on initial recognition related to measuring at fair value the investor's share of the associate's identifiable assets and liabilities of the associate;
- contingent consideration; and
- the assessment of whether a decline in the fair value of an investment in an associate is objective evidence that the net investment might be impaired.

The Exposure Draft also sets out proposals to improve the disclosure requirements in IFRS 12 *Disclosure of Interests in Other Entities* and IAS 27 *Separate Financial Statements* to complement the proposed amendments to IAS 28, along with a reduced version of those proposed disclosure requirements for entities applying IFRS 19 *Subsidiaries without Public Accountability: Disclosures.*

International Sustainability Standard Board (ISSB)

IFRS Foundation publishes guide for companies as investors call for voluntary application of ISSB Standards

Announcement dated 25th September 2024

Investors globally have called on companies to voluntarily apply ISSB Standards to provide investors with decision-useful, globally comparable information in the absence of regulatory requirements to apply ISSB Standards.

To support companies meet this demand, the IFRS Foundation has published Voluntarily applying ISSB Standards—A guide for preparers.

This voluntary application guide is designed to help companies clearly communicate their progress as they begin to apply IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures* in advance of or in the absence of jurisdictional regulation, which may specify or restrict the reporting that entities in a jurisdiction can do voluntarily. It is not part of IFRS Standards and does not add to or change the requirements in IFRS S1 or IFRS S2. Nor does this guide override jurisdictional rules and guidance.

The guide also highlights 2 elements of the Standards that are designed to support implementation for preparers:

- transition reliefs so that preparers can use a phased-in approach to the requirements. These transition reliefs include 'climate-first' reporting, the timing of reporting, comparative disclosures and reliefs around the disclosure of greenhouse gas emissions;
- proportionality mechanisms built into the ISSB Standards to provide adequate measures to address the range of capabilities and circumstances of companies.

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