CNK & Associates LLP
Chartered Accountants

Quarterly Updates
April 2024

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

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Indian Accounting Standard (Ind AS)

Educational Material on Ind AS 12 *Income Taxes*

ICAI Announcement dated 13th March 2024

Ind AS 12 seeks to provide a structured framework for recognising and measuring income taxes, ensuring that financial statements accurately reflect an entity's tax obligations and the associated impacts on its financial performance and position.

This educational material on Ind AS 12 offers clarity in navigating the complexities of income taxes, from elucidating fundamental concepts to exploring the nuances of deferred tax assets and liabilities. It addresses all relevant aspects envisaged in the Standard by way of brief summary of the Standard and frequently asked questions (FAQs) on practical issues that the preparers of the financial statements face while applying this Ind AS.

International Financial Reporting Standard (IFRS)

IASB consults on proposals to improve reporting of acquisitions

Announcement dated 14th March 2024

The International Accounting Standards Board **(IASB)** has published the Exposure Draft which sets out proposals to amend IFRS 3 *Business Combinations* and IAS 36 *Impairment of Assets*. The proposals cover the disclosure requirements in IFRS 3 and the requirements for the impairment test of cash generating units containing goodwill in IAS 36. This package of proposals is expected to provide users of financial statements with more useful information, at a reasonable cost, about an entity's business combinations.

The proposals in the Exposure Draft respond to stakeholder feedback that reporting on acquisitions poses difficulties for both investors and companies:

- Investors lack sufficient and timely information about acquisitions and post-acquisition performance.
- Companies seek to provide useful information to investors but see risks and costs in providing some information, particularly commercially sensitive information that could be used by competitors.

The proposed amendments mainly relate to:

- **the disclosure requirements in IFRS 3 *Business Combinations***

  The proposed amendments to IFRS 3 would require companies to report the objectives and related performance targets of their most important acquisitions, including whether these are met in subsequent years. Companies would also be required to provide information about the expected synergies for all material acquisitions. However, companies would not be required to disclose information that could compromise their acquisition objectives.

  The proposed changes to IFRS 3 would affect any entity that enters into a business combination. Some of the proposals would apply only to a subset of an entity's business combinations—strategic business combinations.

- **the impairment test in IAS 36 *Impairment of Assets***

  The IASB proposes some targeted amendments to the requirements in IAS 36 relating to the calculation of value in use, the allocation of goodwill to cash-generating units and the disclosure requirements.

  The proposed changes to IAS 36 would affect any entity that has cash generating units containing goodwill. The proposed amendments to how value in use is calculated would also affect the impairment test of all assets to which IAS 36 applies.

IASB consults on supplementary proposals to update the IFRS for Small and Medium Sized Entities (SMEs) Accounting Standard

Announcement dated 28th March 2024

The **IASB** has published the Addendum to the Exposure Draft 3rd edition of the IFRS for SMEs Accounting Standard, which supplements the Exposure Draft published in September 2022.

The IASB is supplementing its proposals to respond to feedback from users of SMEs' financial statements and from the SME Implementation Group. Both groups said the amendments made to full IFRS Accounting Standards relating to lack of exchangeability between two currencies and disclosure requirements for supplier finance arrangements are relevant to SMEs and should be included in the 3rd edition of the Standard.

The proposals in the Exposure Draft would update the IFRS for SMEs Accounting Standard and reflect improvements made to the full IFRS Accounting Standards.

International Sustainability Standard Board (ISSB)

New resource on emissions reporting using GRI and ISSB Standards

Announcement dated 18th January 2024

The Global Reporting Initiative **(GRI)** and the IFRS Foundation have jointly published a new analysis and mapping resource: Interoperability considerations for GHG emissions when applying GRI Standards and ISSB Standards.

This document illustrates the areas of interoperability between GRI 305: *Emissions 2016* and IFRS S2 *Climate-related Disclosures* that a company should consider when measuring and disclosing Scope 1, Scope 2 and Scope 3 greenhouse gas **(GHG)** emissions in accordance with both Standards.

The requirements in GRI 305 and IFRS S2 demonstrate a high degree of alignment. For e.g. both draw on the GHG Protocol. The alignment means companies that already disclose Scope 1, 2 and 3 GHG emissions using the GRI Standards will be well positioned to report information about GHG emissions in accordance with IFRS S2. In addition to this, other GHG emissions disclosures can be aligned, depending on the choices a company makes in applying GRI 305 and IFRS S2.

The resource is the result of ongoing collaboration between the IFRS Foundation and GRI and aims to support more efficient reporting for companies using both the ISSB Standards and the GRI Standards.

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