

ICAI in Media : Glimpses of July -August 2020



Ind-AS 116 amendment useful for lessees with large number of leases: ICAI

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The corporate affairs ministry has amended various Indian Accounting Standards (Ind-AS) 1, 8, 103, 107, 109 and 116. Ind-AS is converged with the International Financial Reporting Standards (IFRS).

Chartered accountants' apex body ICAI on Monday said the amendment to the Ind-AS 116 would be useful for lessees having a large number of leases while accounting for COVID-19-related rent concessions.

The corporate affairs ministry has amended various Indian Accounting Standards (Ind-AS) 1, 8, 103, 107, 109 and 116. Ind-AS is converged with the International Financial Reporting Standards (IFRS).

Regarding amendments to Ind-AS 116, that pertains to leases, ICAI said they provide an option to lessees for relief as a practical expedient while accounting for COVID-19-related rent concessions such as rent waiver and temporary rent reductions.

One of the key rationale to provide a practical expedient is that the lessees could find it challenging to assess whether a potentially large volume of COVID-19-related rent concessions are lease modifications or not in the wake of the COVID-19 pandemic, ICAI said in a statement.

The amended Ind-AS 116 can also be applied by lessees that have not yet approved the financial statements for the annual reporting periods beginning on or after April 1, 2019, for issue as of the date of the notification, it added.

The notification was issued on Friday.

The Institute of Chartered Accountants of India (ICAI) President Atul Kumar Gupta said the practical expedient option for accounting for COVID-19-related rent modification should be useful for lessees having large number of leases.

According to ICAI, the definition of 'business' in Ind-AS 103 has been modified and that would help entities better determine whether an acquisition made is of a business or a group of assets. "Distinguishing between a business and a group of assets is important because an acquirer recognises

goodwill only when acquiring a business," it said.

Regarding definition of 'material', amendments have been made to Ind-AS 1 and Ind-AS 8.

The definition of material helps a company determine whether information about an item, transaction or other event should be provided to users of financial statements. However, companies sometimes experienced difficulties using the previous definition of material when making materiality judgements in the preparation of financial statements.

"The amendments aim at addressing concerns about the previous definition of material and aligned the definition used across all Ind ASs," the statement said.

There are also changes in Ind-AS 109 that pertains to financial instruments and Ind-AS 107 that relates to disclosures about financial instruments.

"These amendments are in context of specific hedge accounting requirements in Ind-AS 109 to provide exceptions during this period of uncertainty," ICAI said.

Interbank Offered Rates (IBORs) play an important role in global financial markets. The Financial Stability Board's (FSB) recommendations to reform some major benchmarks led to uncertainty about the future of some existing interest rate benchmarks, which may affect companies' financial reporting.

FSB's recommendations were made following the global financial crisis.

"Due to uncertainties arising from the impact of the reform on the timing and amount of designated future cash flows, some hedge accounting requirements may be affected. Due to such uncertainties, companies could be required to discontinue hedge accounting.

"Companies may also not be able to designate new hedging relationships. Discontinuation of hedge accounting solely due to such uncertainties would not provide useful information to users of financial statements," ICAI said.

ICAI formulates necessary Ind-ASs or makes amendments to existing Ind-AS and recommends to the ministry for notification under Companies Act, 2013, the statement noted.



ICAI to provide Medical Financial Assistance of Rs. 1.5 L to Members & their dependents suffering from COVID-19

Mariya Paliwala, July 28, 2020

The The Institute of Chartered Accountants of India (ICAI) on Sunday announced to provide Medical Financial

Assistance of Rs. 1.5 lakh to Members and their dependents suffering from COVID-19.

ICAI is sanctioning the COVID-19 grant of up to Rs 1.5 lacs

to those CA members who are Corona positive.

However, the financial assistance will be up to Rs.1.5 Lakhs and will be returnable to the Managing Committee of the Chartered Accountants Benevolent Fund (CABF) in full, if it is not utilized for the treatment of CORONA.

The Managing Committee of the Chartered Accountants Benevolent Fund (CABF), ICAI has considered the difficulties being faced by Members in the time of pandemic and has decided to grant Medical Financial Assistance to the Members and their dependents suffering

from Coronavirus.

“This help is going to be available to the Members and their dependents who are in distress and need financial assistance for treatment of Corona disease. To avail, this help members/dependents may file requests in prescribed Application Form-cum Undertaking hosted on the website of the ICAI at the CABF Portal at the link <https://cabf.icai.org/>. The application is to be accompanied by the CORONA positive report and is available only for the cases of hospitalization,” the announcement said.

BusinessLine

Audit quality not impacted by Covid-19: ICAI President

K.R. Srivats New Delhi | Updated on July 29, 2020 Published on July 29, 2020

‘Incorrect to assume conflict of interest between auditor and management in most cases’

The Covid-19-induced lockdown has not in any manner affected audit quality in the country, ICAI President Atul Kumar Gupta has said.

None of the auditing or accounting standards had been relaxed because of Covid-19 and auditors have not been given any leeway from compliance with standards on auditing despite the challenges from the pandemic, Gupta told BusinessLine in an interview.

He highlighted that the CA Institute had issued a detailed auditing advisory on the topic ‘Impact of novel corona virus (Covid-19) on audit of financial statements for the financial year ended March 31, 2020’, which focuses on special considerations for auditors while conducting audits of financial year 2019-20.

The ICAI has also issued a series of auditing guidance covering specific auditing aspects – going concern, inventory verification, subsequent events and auditor’s reporting – to provide guidance to auditors under the Covid-19 scenario, Gupta said. All these steps including webinars and regular webcasts with focus on special considerations for auditors under the current Covid-19 situation have helped to maintain audit quality during this pandemic, he added.

Gupta said that ICAI has already impressed upon the Corporate Affairs Ministry (MCA) the need to develop Audit Quality Indicators. The newly set up Centre of Audit Quality (of ICAI) is likely to be tasked to come up with the indicators, Gupta said.

Conflict of Interest

On the recent MCA consultation paper to examine the existing provisions of law and make suitable amendments therein to enhance audit accountability and independence, Gupta said that ICAI is of the “strong view” that accountability of any profession is crucial. But in the consultation paper, it was assumed that conflict of interest exists between the auditor and the management in most cases which is not



backed by proper evidence, Gupta said. “It will be incorrect to paint the whole profession with the same brush,” he said.

Audit Sector Reform

Gupta made it clear that the ICAI strongly believes that it is not required to have a blanket separation of audit and consultation functions on the lines adopted by the UK’s Financial Reporting Council (FRC), which is the audit and accounting regulator.

For the Indian situation, Gupta said that ICAI has made detailed recommendation to the MCA-appointed committee on this front and three aspects are under consideration: not allowing auditors to offer nonaudit services; making joint audits mandatory for companies with certain threshold; and appointing auditors through an independent agency.

“These are proposals on the table. You will see concrete decisions on this in the next few months. What the UK has decided is they will go in for bifurcation of auditing and consulting functions to improve audit quality,” Gupta said.

The FRC had recently announced operational separation of audit practices (from the rest of the firm) to improve the quality and effectiveness of corporate reporting and audit in the UK, following the Kingman and Brydon reviews. This will now require the Big Four accounting firms to put their UK auditing and consulting practices in separate business units by 2024; but they may keep them within the same parent companies.