

**Update on  
245<sup>th</sup> Accounting Standards Board Meeting  
April 18-19, 2018, Mumbai**

**1. AS Upgradation Project**

➤ ***AS 109, Financial Instruments and AS 32, Financial Instruments: Presentation***

The Board continued its deliberations on its ambitious financial reporting reform project i.e. upgradation of existing Accounting Standards (AS) which will be applicable for non-Ind AS entities (SMEs). The Board has prioritised finalisation of standards on financial instruments as critical and fundamental part of upgradation project. The Board discussed the remaining two parts of the exposure draft viz. Section B Other Financial Instruments and Section C Liabilities and Equity of the Financial Instruments Standard. Section B is intended to cover complex financial instruments i.e. Derivatives, Financial Instruments with Embedded Derivatives and the Hedge Accounting. This section is largely based on existing pronouncement of ICAI viz. Guidance Note on Derivatives and Hedge Accounting. Section C is all about classification and presentation of financial instruments as either Liability or Equity. This section is based on relevant part of IFRS for SME which in turn is based on Ind AS 32. The Board also decided to incorporate fair value measurement prescriptions in respective ASs instead of a separate standard like Ind AS 113, which would be operationally complex for SMEs. The Board completed its deliberations and decided to issue the same as Exposure Draft for inviting comments.

**2. IFRS Convergence**

➤ The Board noted the following regulatory developments which have significant impact on the India's mission towards IFRS convergence:

- RBI Press Release dated April 5, 2018: Deferment of Ind AS for one year for Scheduled Commercial Banks (SCBs), excluding Regional Rural Banks (RRBs).
- The Board noted the contents of a Circular no. 88/2017-18 dated April 16, 2018 issued by National Housing Bank (NHB) addressing all registered Housing Finance companies (HFCs) regarding implementation of Indian Accounting Standards, wherein it has been stated that the Accounting Standards shall be followed to the extent they are not inconsistent with any of its Directions. In the circular, it has also been stated that HFCs are required to follow the extant directions on Prudential Norms, including on asset classification, provisioning etc. that are issued by NHB.
- The Board was of the view that roadmap for implementation of Ind AS converged with IFRS Standards was decided long ago keeping in view the

commitment of the honourable Prime Minister of India in G20 in 2009 and clarion call given by Hon'ble Union Finance Minister in July 2014. One of the larger objectives is to enable the Indian Economy and Entities to derive the full benefits of convergence with IFRS Standards – Gateway to Global Capital Markets. Therefore, Ind ASs should be followed in their entirety without any such regulatory carve-outs and the needs/necessities of prudential regulations should be dealt with in Prudential Regulations and not Accounting Regulations. The Board decided to communicate with MCA and NHB about the potential adverse consequences of such prudential regulatory interventions on general purpose financial statements. The Board also decided to prepare a comprehensive position paper on implementation of Ind AS across different forms of legal entities cutting across various sectors.

- The Board noted that Companies (Indian Accounting Standards) Amendment Rules, 2018, were notified by the MCA vide notification dated March 28, 2018 which are effective from April 1, 2018. The notification includes Ind AS 115, *Revenue from Contracts with Customers*, which replaces Ind AS 11, *Construction Contracts* and Ind AS 18, *Revenue*. In this regard, the Board was of the view that the Guidance Note on Accounting for Real Estate Transactions (for entities to whom Ind AS is applicable) issued in May 2016 which is based on principles of Ind AS 11 and Ind AS 18 also needs to be withdrawn formally. Accordingly, a noting item regarding withdrawal of the aforementioned Guidance Note will be placed before the Council.
- The Board noted that an issue pertaining to consolidation of CSR Foundation with the entity promoting the same under Ind AS was presented at the last IFASS meeting by India. The Board was apprised of the discussions held at the aforesaid forum. In order to further study the issue, the Board decided to constitute a Study Group under convenorship of CA. M.P. Vijay Kumar, Vice Chairman, ASB.

### **3. APRIL 9-13, 2018 – A Week of Global Partnership**

The Board noted a Report of International Events organised by ASB recently. The week beginning 9<sup>th</sup> April 2018 witnessed many events of high significance for Indian Accountancy Profession. On 12<sup>th</sup> and 13<sup>th</sup> April 2018, International Forum of Accounting Standard Setters (IFASS) met in Mumbai. IFASS is a group of National Accounting Standard Setters from around the world, plus other organisations that have a close involvement in the financial reporting issues. IFASS is one of the National Standard-Setters (NSS) forums used by International Accounting Standards Board of IFRS Foundation to collaborate in its research programme and standard-setting activities. ICAI was very proud to host this conference for the second time. Over 60 delegates from more than 25 jurisdictions, including prominent ones i.e. US, Europe, Japan, Australia etc, took part in the event. IFASS conference was inaugurated by Chief Guest Shri Vinod Rai, Trustee, IFRS Foundation and former

Comptroller and Auditor General of India (C&AG), CA. Naveen N. D. Gupta, President, CA. Prafulla Chhajed Vice-President, ICAI CA, CA.S.B. Zaware, Chairman, ASB, ICAI, Ms. Sue Lloyd, Vice Chair, IASB and Ms Liesel Knorr, Chair, IFASS.

Taking benefit of visit of IASB delegation to India, ICAI also organised series of interactive meetings and conferences to bring together the Indian stakeholders and the international bodies. “Interaction of IASB official with National Regulators” was organised on 10th April, 2018, “IFRS – 17 (Ind AS 117, Insurance Contracts) Insurance Industry Outreach” and ICAI – IASB Joint Stakeholders’ Seminar on “IFRS 9 (Ind AS 109) ECL Model Challenges in Banking Industry were organised on 11th April, 2018, which were attended by relevant stakeholders. The Board noted the contents of the detailed report of the aforesaid events.

#### **4. Other Developments**

- The Government of India has recently made amendments in the Payment of Gratuity Act, 1972, thereby increasing the gratuity limit from Rs 10 lakhs to Rs 20 lakhs. In this regard, an issue was considered regarding accounting treatment for increase in gratuity on account of increase in liability due to enhancement of the gratuity limit. Considering the same, the Board noted that the such increase in liability due to enhancement of the gratuity limit should be recognised as expense as per the principles of AS 15, *Employee Benefits* or Ind AS 19, *Employee Benefits*.