

Update on
246th Accounting Standards Board Meeting
May 31st & June 1, 2018, New Delhi

1. IFRS Convergence

(i) Ind AS 117: Comments on Exposure Draft

The IASB in May 2017 issued a new IFRS viz IFRS 17, *Insurance Contracts* to improve the financial reporting of insurance contracts by the insurers. It is a major accounting reform for insurance industry which plays a vital role for any economy. IFRS 17 is globally effective from January 1, 2021. In India, considering the Ind AS implementation date announced by the IRDA, this standard is proposed to be effective from accounting periods beginning on or after April 1, 2020. The Board noted that the Exposure Draft of Ind AS 117 was issued for comments with last date being April 30, 2018. Accordingly the comments received were considered by the Board and it was decided to finalise Ind AS 117 for consideration of the Council. The comments related to need for illustrations, guidance on implementation, alignment of prudential regulations (eg. solvency ratios) and deferral of effective date to April 2021 etc. ASB decided to provide implementation guidance through ICAI's Education Material and Outreach programs. In respect of alignment with insurance prudential regulations, it was noted that such an alignment is nearly impracticable all over the world and not desirable as objectives of both are different. ASB decided not to defer Insurance standard to April 2021 because stakeholders have adequate time of 24 months' for preparing financial statements and since more than a year they have been engaged in the exercise by IRDAI/ICAI.

(ii) The International Accounting Standards Board (IASB) had issued various amendments to IFRS standards and IAS. In order to remain converged with IFRS standards, draft amendments in Ind AS corresponding to amendments issued by IASB were considered by the Board which are as follows:

(a) In December 2017, the IASB issued amendments to IFRS 3, IFRS 11, IAS 12, IAS 23 under the Annual Improvement cycle 2015-2017. Following were the broad subjects of the amendments:

Standard	Subject of amendment
Ind AS 103, <i>Business Combinations</i>	Previously held interest in a joint operation
Ind AS 111, <i>Joint Arrangements</i>	
Ind AS 12, <i>Income Taxes</i>	Income tax consequences of payments on financial instruments classified as equity

Ind AS 23, <i>Borrowing Costs</i>	Borrowing costs eligible for capitalisation
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The amendments in aforesaid IFRS and IAS are effective from 1 January 2019, early application is permitted. The Board considered the draft amendments in abovementioned Ind AS and decided to issue the same as an Exposure Draft seeking comments from public. The amendments in Ind AS are proposed to be applicable from April 1, 2019, with early application option to entities.

- (b) In October 2017, the IASB issued narrow scope amendments to IFRS 9, *Financial Instruments*, to aid implementation. The amendments to IFRS 9 allow companies to measure particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met instead of at fair value through profit or loss. The amendments in IFRS 9 are effective from 1 January 2019, early application is permitted. The Board considered the draft amendments in Ind AS 109 and decided to include certain transitional provisions of IFRS 9 in Ind AS 109 as these would be relevant in applying these amendments and Ind AS 117 as well. The Board also decided to issue the same as an Exposure Draft seeking comments from public. The amendments in Ind AS 109 are proposed to be applicable from April 1, 2019, with early application option to entities.
- (c) In October 2017, the IASB issued narrow scope amendments to IAS 28 *Investments in Associates and Joint Ventures*. The amendments to IAS 28 clarify that the companies account for long-term interests in an associate or joint venture to which the equity method is not applied, using IFRS 9. The IASB has also published an example that illustrates how companies apply the requirements in IFRS 9 and IAS 28 to long-term interests in an associate or joint venture. The amendments in IAS 28 are effective from 1 January 2019, early application is permitted. The Board considered the draft amendments in Ind AS 28 and decided to include the aforementioned illustration as an example in the standard. The Board decided to issue the same as an Exposure Draft seeking comments from public. The amendments in Ind AS 28 are proposed to be applicable from April 1, 2019, with early application option to entities.
- (d) In February 2018, the IASB had issued amendments in IAS 19, *Employee Benefits*. The amendments require an entity to use the updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the amendment, curtailment or settlement when the entity re-measures its net defined benefit liability (asset) in accordance with paragraph 99. Before the amendments, IAS 19 did not require an entity to use updated assumptions to determine current service cost

and net interest for the period after the plan amendment, curtailment or settlement. The amendments are effective on or after 1 January 2019, early application is permitted. The Board considered the draft amendments in Ind AS 19 and decided to issue the same as an Exposure Draft seeking comments from public. The amendments in Ind AS 19 are proposed to be applicable from April 1, 2019, with early application option to entities.

(e) MCA Core Group:

Chairman ASB gave a brief overview of Ind AS Core Group meeting held at MCA on May 25, 2018. The participants included senior officials from all key Regulators (C&AG, RBI, SEBI, IRDAI, NHB) and Government Authorities (DFS, DEA, CBDT) and Industry bodies (CII, FICCI, ASSOCHAM, CREDITAI, etc.). In relation to transitional issues in respect of new revenue standard i.e., Ind AS 115, representatives of Real Estate industry were of the view that they have no problem with implementing Ind AS 115 but concerns of taxation on transition adjustment were to be forwarded to CBDT. The Board was also apprised about the NBFCs request for deferment of Ind AS to April 2019 and that there was no strong identifiable reason for deferment of Ind AS for NBFCs.

2. International developments

(i) IFRS Exposure Draft:

The Board considered the comments received on Exposure draft of Accounting Policy Changes (proposed amendments to IAS 8) issued by IASB in March 2018 with last date of comments being July 27, 2018. The IASB has attempted to clarify that an agenda decision issued by IFRS Interpretation Committee (IFRIC) is non-authoritative and, therefore, any change resulting from agenda decision is voluntary change in Accounting Policy. To facilitate the application of particular voluntary changes in accounting policy that result from an agenda decision, the IASB proposes amending IAS 8 to lower the impracticability threshold for retrospective application of such changes.

The Board raised the concerns that since the IFRIC Agenda decisions are not a part of IFRS standards and are not authoritative, how the same will be recognised in those jurisdictions where IFRS converged standards are notified as a part of law like India. The Board also noted concerns around other provisions of the ED pertaining to IFRIC agenda decisions. The Board authorised the Chairman to submit its comments to IASB on the aforementioned Exposure Draft accordingly.

(ii) Training for Tax Officials of Bhutan:

A training programme on international Financial Reporting Standards (IFRS) was organised at Paro (Bhutan) for three days from May 7-9, 2018 by Bhutanese Accounting Standards for the tax officials of Income tax division, Bhutan for which technical support was provided by ICAI. Sessions were conducted by ICAI representatives.

(iii) Update on Emerging Economies Group (EEG) of International Accounting Standards Board:

The Board noted that the 15th EEG meeting held on May 14-16, 2018 at Kuala Lumpur, Malaysia, was attended by ASB representatives. At the meeting discussions were held on topics such as IFRS 16, *Leases*, accounting for involuntary common infrastructure cost, digital currencies, accounting for micro, private and subsidiary entities and implementation of IFRS 9 in Malaysia/Korea. ICAI representatives presented on the implementation issues and highlighted the issues relating to lease standard and accounting for digital currencies. Later, IFRS Foundation Regional Workshop on IFRS 17, *Insurance Contracts* was also held on May 17, 2018.

3. Other Developments

- (i) The Board considered a presentation on the accounting of Gold by the Banks and its borrowers prepared by the Study Group member. The Board also noted the key provisions of various gold schemes of RBI and borrowers lending arrangement. The Board decided to further deliberate the matter at its next meeting and was of the view that in order to provide further clarification of accounting of Gold by the Banks and its borrowers, a Technical Guide may be issued in the regard.

- (ii) The Board considered the draft report dealing with comprehensive Ind AS impact study conducted by the office to assess the qualitative and quantitative impact of Ind AS implementation. The Board appreciated the initiative as it will help in understanding the impact of Ind AS on various performance or other parameters of the companies and experience of corporates in this regard. The Board also noted that ASB will publish a guidance material on Ind AS disclosure checklist which is only coming from Ind AS requirements.
