

Update on
248th Accounting Standards Board Meeting
July14-15, 2018, Pune

1. The Board held its 248th meeting at Pune, a place other than regular places of ASB meetings. This was held to create awareness about functioning of ASB and importance of Accounting Standards across India. The Board also noted than an Outreach programme on Ind AS was held on July 13, 2018. A special outreach on Ind AS 115, *Revenue from Contracts with Customers* and Ind AS 116, *Leases* was also conducted on July 14, 2018 in order to create awareness about the new standards and to discuss issues related to applicability of the aforesaid standards in particular.

2. **IFRS Convergence**

- (i) The Board considered the comments received on following Exposure Drafts:
- ***Exposure Draft of Annual Improvements to Ind AS (2018) (Corresponding to Annual Improvements to IFRS Standards 2015-2017 Cycle issued by the IASB)***: The Board noted the broad subjects of amendments in Ind AS 103, *Business Combinations*, Ind AS 111, *Joint Arrangements*, Ind AS 12, *Income Taxes*, Ind AS 23, *Borrowing Costs*. With regard to amendments to Ind AS 12, the Board noted that the ASB had earlier issued an FAQ regarding Dividend Distribution Tax with an objective to illustrate and assist in clarifying the requirements regarding treatment of Dividend Distribution Tax. The Board decided that in light of the amendments in Ind AS 12 corresponding to Annual Improvements to IFRS 2015-2017, the FAQ issued by ASB needs to be reviewed. Accordingly, it was decided to constitute a Study Group. The Board authorised the Chairman, ASB, to finalise the draft amendments for placing the same before the Council for its consideration at its next meeting.
 - ***Exposure Draft of Plan Amendment, Curtailment or Settlement (Amendments to Ind AS 19, Employee Benefits) (Corresponding to Amendments to IAS 19, Employee Benefits issued by the IASB)***: The Board considered the comments received on the Exposure Draft of amendments and authorised the Chairman, ASB, to finalise the draft amendments for placing the same before the Council for its consideration at its next meeting.
 - ***Exposure Draft of Prepayment Features with negative Compensation (Amendments to Ind AS 109, Financial Instruments) (Corresponding to Amendments to IFRS 109, Financial Instruments issued by the IASB)***: The Board considered the comment received on the Exposure Draft of amendments

and authorised the Chairman, ASB, to finalise the draft amendments for placing the same before the Council for its consideration at its next meeting.

- ***Exposure Draft of Long – term Interests in associates and Joint Ventures (Amendments to Ind AS 28, Investments in Associates and Joint Ventures) (Corresponding to Amendments to IAS 28, Investments in Associates and Joint Ventures issued by the IASB):*** The Board considered the comments received on the Exposure Draft of amendments and authorised the Chairman, ASB, to finalise the draft amendments for placing the same before the Council for its consideration at its next meeting.

 - ***Exposure Draft of Amendment to Ind AS 40, Investment Property:*** The Board also discussed the pros and cons of permitting fair value model to consider recognising fair value changes in Other Comprehensive Income (OCI). The Board noted that the aforesaid approach would result into carve-out from IFRS Standard. Therefore, the Board decided to continue with the proposals given in Exposure Draft in this regard. The Board considered the comments received on the Exposure Draft of amendments and authorised the Chairman, ASB, to finalise the draft amendments for placing the same before the Council for its consideration at its next meeting.
- (ii) The Board noted that the IASB had issued Conceptual Framework in March 2018 with an effective date being January 1, 2020. The Secretariat explained the background of this project, elements that are converged with US GAAP. The Board decided to constitute a Study Group under the convenorship of Chairman, ASB, to study differences between the current *'Framework for the Preparation and Presentation of Financial Statements in accordance with Indian Accounting Standards'* and *'Conceptual Framework'* issued by IASB, its impact in India and other related issues.
- (iii) The Board also noted that the IASB in June 2018 issued a Discussion Paper on *'Financial Instruments with Characteristics of Equity'* with last date of comments being January 7, 2019. The Secretariat briefed that this Discussion Paper will have implications on certain critical items like Foreign Currency Convertible Bonds (FCCB), Preference Shares etc. The Board also decided to host Outreach Events jointly with IASB on this. Considering the importance of the subject, the Board decided to constitute a Study Group under the convenorship of Chairman ASB.

3. Ind AS Upgradation

- Comments received on Exposure Draft of upgraded Accounting Standards (AS) 109, *Financial Instruments*, were considered. Based on the comments, the

Board decided to add certain clarifications in initial measurement and subsequent measurement and add certain disclosures. The Board authorised the Chairman, ASB, to finalise the draft on the basis of deliberations held at the meeting for placing the same before the Council at its next meeting.

- The Board considered a matter regarding incorporation of amendments in AS 11, *The Effects of Changes in Foreign Exchange Rates* vide Companies (Accounting Standards) Amendments Rules, 2018 for incorporating the amendment in AS 11 issued by ICAI for non-corporate entities. In this regard, it was decided that the amendments will be incorporated in AS 11 issued by ICAI for non-corporate entities while upgrading the AS 11. At present the AS 11 issued by ICAI may not be amended.
- The Board considered the view of Study Group for formulation of upgraded AS 113, *Fair Value Measurement*, wherein, the Study Group recommended that considering the use of fair value in various standards a separate standard on fair value measurement may be formulated in the long run as there are number of standards that have reference to Fair Value Measurement. The Board after due deliberations decided that at present a separate standard on the subject is not required and decided that relevant guidance on fair value measurement may be incorporated in relevant standards appropriately. However, the Board decided that once upgraded standards are implemented successfully and stabilised, AS on 'Fair Value Measurement' may be formulated.

4. Other Developments

- The Board considered an issue regarding consolidation of not for profit entities under IFRS 10. It was noted that the Indian corporates undertake Corporate Social Responsibilities (CSR) activities on their behalf by constituting Special Purpose Not-for-Profit Entities (CSR SPVs). An issue was noted as to whether such CSR SPVs should be consolidated with entities promoting them under Ind AS 110, *Consolidated Financial Statements*. It was also noted that the issue was presented by ASB at International Forum of Accounting Standards Setters (IFASS) and Emerging Economies Group (EEG) held in April 2018 and May 2018 respectively wherein arguments on both the sides were expressed. The Board noted that a Study Group was constituted under convenorship of Vice-Chairman, ASB, for examining the issue. The Board accepted the recommendations of the Study Group that there is merit in arguments on both sides therefore, the matter should be taken up with the IASB for providing specific exemption from consolidating financial statements of the CSR SPVs.

- An issue referred by a Non-Banking Financial Companies (NBFC) seeking clarification regarding recognition of deferred tax on Provision on Loan Assets which is not allowed as admissible expense under income tax was considered. The Board noted that the deferred tax is the tax effect of timing differences wherein timing differences are the differences between taxable income and accounting income for a period that originate in one period and are capable of reversal in one or more subsequent periods.

In view of the above, it was noted that any difference between the provisions on loan assets created as per accounting and inadmissibility of that particular provision under the Income Tax Act results into a timing difference and, therefore in such situations deferred tax is to be created. It was also noted that under Ind AS 12, *Income Taxes* also the treatment would remain the same.

- The Board considered certain other matters, such as, approach to be followed in formulating upgraded AS on Leases, computation of Effective Interest rate as per Ind AS 109, *Financial Instruments*, in case of floating Interest Rate, etc.
