

## Conceptual Framework for Financial Reporting under Ind AS Conceptual Framework - Exposure Draft for Public Comments

*In the larger interest of the Indian economy and industries, ICAI always endeavours to ensure that Indian Accounting Standards (Ind AS) Framework remains converged at all time with globally acceptable IFRS Standards. The Institute continuously monitors the financial reporting developments globally and plays a critical role in the Nation's Standard-setting Framework by formulating new Ind ASs and amending the Ind ASs when required in line with IFRS Standards issued by the IFRS Foundation.*

In the past, the ICAI has issued a pronouncement with the title 'Framework for the Preparation and Presentation of Financial Statements under Indian Accounting Standards.' The Conceptual Framework is a practical tool that helps the Standard-setting body to develop requirements in the Standards based on consistent concepts. It also help preparers to develop consistent accounting policies for areas that are not covered by a standard or where there is choice of accounting policy, and to assist all parties to understand and interpret the accounting standards. Our conceptual framework was primarily based on the Conceptual Framework issued by IASB's predecessor body IASC Board in 1989. However, IASB had made significant revision to its conceptual framework in 2010 jointly with US National Standard-setter viz. FASB as part of US GAAP and IFRS Standards Convergence project. Further, in March, 2018 the IASB had fully completed its project in this regard and issued a new conceptual framework. New conceptual framework came into effect for IASB and IFRS Interpretation Committee immediately upon its issuance and for preparers and others it is applicable from 1 January, 2020. Accordingly, ICAI has initiated necessary steps to revise its conceptual framework for financial reporting under Ind AS. The Accounting Standards Board (ASB) has formulated a draft of new conceptual framework and it is in the process of issuing an exposure draft for public comments shortly. This new conceptual framework will also result into consequential amendments to references to conceptual framework in certain Ind ASs. New Conceptual Framework will be a comprehensive set of concepts for formulating financial reporting standards and financial reporting. It is structured into eight chapters into a systematic and orderly manner,

and includes an appendix of defined terms. The new conceptual framework incorporates specific chapters on measurements, presentation and disclosures and derecognition. Another important change brought out is in the area of certain critical definitions i.e., Asset and Liability and their recognition criteria. Additional clarification has been provided in some areas such as Prudence, Substance over Form, Stewardship and Measurement uncertainty.

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### Developments at IFRS Foundation and International Accounting Standards Board (IASB)

#### Consultative Forums :

#### Emerging Economies Group (EEG) Meeting in Xiamen, China

EEG is an important consultative forum of IFRS Foundation focuses on issues around the application and implementation of IFRS Standards in emerging economies. EEG was formed by IFRS Foundation Trustee in 2011 at the advise of G20 with the aim of enhancing the participation of emerging economies in the development of IFRS Standards and its membership includes prominent emerging economies such as Brazil, China, India, Malaysia, Russia, Saudi Arabia, South Africa. Its 18<sup>th</sup> Semi-annual meeting was

Contributed by Accounting Standards Board of ICAI. Comments can be sent to [asb@icai.in](mailto:asb@icai.in). Refer [https://www.icai.org/post.html?post\\_id=14058](https://www.icai.org/post.html?post_id=14058) for Ind AS-IFRS Standards Convergence Status

recently held in Xiamen, China from 2-4 December, 2019 and matters discussed included some of the important forthcoming initiatives of IASB such as Primary Financial Statements, Extractive Activities, Comprehensive review of IFRSs for SMEs and IASB's Agenda Consultation for its work plan during five year 2022 to 2026. ICAI representatives participated at this meeting.

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### Accounting Standards Advisory Forum (ASAF) Quarterly Meeting in London, UK

The objective of ASAF is to provide an advisory forum in which members can constructively contribute towards the achievement of the Board's goal of developing globally accepted high-quality accounting standards. ASAF comprises of twelve members representing standard-setters across the globe. Asian-Oceanian Standards-setters Group (AOSSG) is a member of this forum and ICAI, represented by CA. S. B. Zaware, participates in these meeting being Chair of AOSSG. 3<sup>rd</sup> quarterly meeting for 2019 was held on 17 December, 2019 and the main items discussed were research project on Intangible Assets, Amendments to IFRS 17 Insurance Contracts, Post implementation review of Consolidation related standards and IASB's Agenda Consultation for its work plan.

### Capital Markets Advisory Committee (CMAC)- New Appointments

The Capital Markets Advisory Committee has appointed five new members to the CMAC effective 1 January, 2020. The new members are Florian Esterer from Switzerland,, Koei Otaki from Japan, Anthony Scilipoti from Canada, Sunil Singhania from India and Joao Toniato from UK.

### Comments on Exposure Draft issued by IASB

(i) **Exposure Draft of Disclosure of Accounting Policies (Proposed amendments to IAS 1 and IFRS Practice Statement 2):** The Exposure Draft proposes amendments that are intended to help entities to provide accounting policy disclosures that are more useful to primary users of financial statements. IAS 1 requires entities to disclose their 'significant' accounting policies. The

amendments propose to replace that requirement with a requirement to disclose 'material' accounting policies. In addition, the IASB also proposed amendments to IAS 1 and IFRS Practice Statement 2 to help entities apply the concept of materiality in making decisions about accounting policy disclosures. The ICAI had submitted its comments on the Exposure Draft. The comments submitted can be accessed at ICAI website at <https://resource.cdn.icaai.org/57560asb46724.pdf>

(ii) **Exposure Draft of General Presentation and Disclosures (Primary Financial Statements) for comments:** The Exposure Draft includes the proposals of the IASB to improve how information is communicated in the financial statements, with a focus on information about performance the statement of profit or loss. The IASB is proposing limited changes to the statement of cash flows and the statement of financial position. The proposals in the Exposure Draft were developed by the IASB as part of its Primary Financial Statements project, which is part of the IASB's larger project on Better Communication in Financial Reporting. It responds to the strong demand from stakeholders, and in particular users of financial statements, to undertake a project on performance reporting. The comments on the Exposure Draft can be submitted by June 30, 2020, and the same can be accessed online at: <https://cdn.ifrs.org/-/media/project/primary-financial-statements/exposure-draft/ed-general-presentation-disclosures.pdf>

The said Exposure Draft is being hosted on the ICAI website to invite comments from Indian stakeholders. The revisions in the IFRS Standards as part of this project are expected to have far reaching and significant impact on the presentation of financial performance of the entity and it intends to introduce a few mandatory line and sub line items for uniformity and consistency. ICAI is also planning to conduct outreach events across India to involve stakeholders, viz., preparers, auditors, users including regulators to express their views and suggestions.

(iii) IASB *Vice-Chair*, Ms. Sue Lloyd, speech on 9 December, 2019, at Washington DC, USA: The Vice Chair delivered a speech at the Annual Conference on regulatory developments organised by the American Institute of Certified Public Accountants. With a new decade on the horizon, she set out the IASB's near-term priorities and reflected on how the Board's work is evolving. The speech of Ms. Lloyd can be accessed at: <https://www.ifrs.org/news-and-events/2019/12/enhancing-relevance-in-2020-and-beyond/>

# Ind AS Alert

## Exposure Draft issued by IFRS Interpretations Committee

- (i) IFRS Interpretations Committee (IFRS IC) in its November 2019 meeting discussed the following matters and tentatively decided not to add it to its standard-setting agenda. The IFRS Interpretations Committee will reconsider this tentative decision, including the reasons for not adding the matter to its standard-setting agenda, at a future meeting. IFRS IC invites comments on its tentative agenda decision. The last date for submitting the comments on the proposals is 14 February, 2020.
- a) Tentative Agenda Decision- Player Transfer Payments (IAS 38, Intangible Assets) can be assessed at <https://www.ifrs.org/projects/work-plan/player-transfer-payments/comment-letters-projects/tad-presentation-of-player-transfer-payments/>
- b) Tentative Agenda Decision-Multiple Tax Consequences of Recovering an Asset (IAS 12, Income Taxes) can be assessed at <https://www.ifrs.org/projects/work-plan/multiple-tax-consequences-of-recovering-an-asset/comment-letters-projects/tad-multiple-tax-consequences-of-recovering-an-asset/>
- (ii) IFRS IC in its November 2019 meeting discussed a request about a sale and leaseback transaction for which the payments under the leaseback vary with sales (IFRS 16). IFRS IC considered how, in the transaction described in the request, the seller-lessee measures the right-of-use asset arising from the leaseback, and thus determines the amount of any gain or loss recognised at the date of the transaction. IFRS IC did not make any decisions and will continue its discussion of the matter at a future meeting. The summary of the decisions reached by the IFRS IC can be assessed at <https://www.ifrs.org/news-and-events/updates/ifric-updates/november-2019/#4>
- (iii) ICAI had submitted its comments to IFRS Interpretations Committee on the Tentative Agenda Decision (TAD) on Training Costs to Fulfill a Contract (IFRS 15); and Definition of Lease: Shipping contract (IFRS 16).

## Initiatives of Ind AS Implementation Committee

### Release of publication Quick Referencer on Indian Accounting Standards (Ind AS)

Looking at the vast literature of the Indian Accounting Standards and the practical problems of skimming through the entire literature when in need of an aspect to be looked upon, this publication has been brought out that provides a glance on the basic aspects of applicable

standards in a summarised manner with an objective to provide a basic understanding of Ind AS to the members. This publication will be very useful for the members of the Institute and other concerned stakeholders.

### ITFG invites suggestions regarding possible responses to various issues on applicability/implementation of Ind AS

With a view to making the process of issuing the clarifications more participative and effective, it has been decided to invite the stakeholders to make suggestions as to possible responses on the various queries received by the Group.

Members of the Institute as well as other stakeholders are invited to send their suggested responses (or any other comments) on the queries. These suggestions will be considered by the Group at its meeting. After due discussions, clarifications will be issued wherever considered appropriate. The suggested responses should be supported by appropriate reasoning and reference to specific paragraph number(s) of the relevant Standard(s) or other basis for the suggested response. The suggested responses or any other comments should be submitted through e-mail at [indas@icai.in](mailto:indas@icai.in).

Queries on which the Group invites suggestions can be accessed on the below mentioned links: [https://www.icai.org/new\\_post.html?post\\_id=15594&c\\_id=240](https://www.icai.org/new_post.html?post_id=15594&c_id=240)

### Certificate Course on Ind AS

The Ind AS Implementation Committee is conducting a Certificate Course on Ind AS (Indian Accounting Standard). The Course aims at educating the members about the concepts enunciated under Ind AS, Comparison of Ind AS with IFRS, Differences between Ind AS and AS, Ind AS Implementation issues and their clarifications, Conversion of Financial Statements prepared on the basis of Indian GAAP to Ind AS based financial statements.

Certificate Course on Ind AS/IFRS is organised across India and abroad. So far, around 10068 members have been successfully trained in the said course. Recently, the batch has been completed at Bangalore on 21<sup>st</sup> December, 2019. The ongoing batches are at Delhi, Dubai, Hyderabad & Mumbai. Further, the next batch of the Certificate Course on Ind AS is scheduled to commence from December 28<sup>th</sup>, 2019 at Goa. Batches of the Course have also been proposed to be held at Delhi, Mumbai, Nagpur, Kanpur, Ludhiana, Pune, Kolkata, Noida, Jaipur, Ghaziabad, and Bhubaneswar. For further details, please follow the link: [https://www.icai.org/post.html?post\\_id=3562&c\\_id=266](https://www.icai.org/post.html?post_id=3562&c_id=266) ■