

Towards Better Financial Reporting

The Institute of Chartered Accountants of India (ICAI) is concerned about the impact of Coronavirus disease (known as COVID-19) on the health of people worldwide as well as on the state of economy and commerce of the world in general and on India specifically. COVID-19 first reported to World Health Organisation (WHO) in December 2019 has been rapidly spreading to many other countries and has been declared as global pandemic. COVID-19 has not only affected the health of people across the globe and it has also caused severe disturbances in global economic environment which has consequential impact on financial statements and reporting.

With the closure of fiscal year on March 31, 2020, the ICAI felt appropriate attention: to advise the preparers of financial statements to ensure that the potential impact of COVID-19 is suitably considered in preparing and reporting their financial statements. Accordingly, ICAI has issued an Accounting and Auditing Advisory (the same can be assessed at ICAI website) covering following specific requirements pertaining to Accounting Standards that may need special attention:

- Inventory Measurement
- Impairment of Non-Financial Assets
- Financial Instruments
- Leases
- Revenue
- Provisions, Contingent Liabilities and Contingent Assets
- Modifications or termination of Contracts or Arrangements
- Going Concern Assessment
- Income Taxes
- Consolidated Financial Statements
- Property, Plant and Equipment
- Presentation of Financial Statements
- Borrowing Costs
- Post Balance Events
- Interim Financial Reporting

However, the above stated requirements are only for drawing attention of preparers to some of the important requirements of Standards and this is not meant to be exhaustive and may differ based

on specific facts, circumstances and business of respective preparers.

It may also be appropriate to draw attention of stakeholders that keeping in view the spread of COVID 19 in India and decision of the Government of India to treat it as a notified disaster, the Ministry of Corporate Affairs in a circular dated March 23, 2020, clarified that spending of corporate social responsibility (CSR) fund for Covid-19 is eligible for CSR activity.

Developments at IFRS Foundation & IASB

Amendments to IFRS 17 Insurance Contracts – the IASB decided on new effective date for IFRS 17

The International Accounting Standards Board (IASB) has tentatively decided to confirm most of the proposals in the Exposure Draft Amendments to IFRS 17 issued in June 2019, with some changes to address feedback on those proposals. The IASB expects to issue the amendments to IFRS 17 in the second quarter of 2020. The IASB tentatively decided that IFRS 17 incorporating the amendments will be effective from 1 January 2023. The IASB also tentatively decided to extend the fixed expiry date of the exemption for some insurers from applying IFRS 9 to 1st January 2023.

Discussion Paper and comment letters – Business Combinations – Disclosures, Goodwill and Impairment

The IASB has published a Discussion Paper on possible improvements to the information companies report about acquisitions of businesses to help investors assess how successful those acquisitions have been. The IASB is also seeking feedback on how companies should account for goodwill arising from such transactions. The comment letter period is open until 15 September 2020. The Discussion paper can be assessed at <https://cdn.ifrs.org/-/media/project/goodwill-and-impairment/goodwill-and-impairment-dp-march-2020.pdf>

IFRS Foundation publishes IFRS Taxonomy 2020 and IFRS Taxonomy formula linkbase 2020

The IFRS Foundation has published the IFRS Taxonomy 2020. The IFRS Taxonomy enables electronic reporting of financial information prepared in accordance with IFRS Standards. Preparers can use the IFRS Taxonomy to tag disclosures, making them easily accessible to investors who prefer to

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

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receive financial information electronically. The IFRS Taxonomy 2020 is based on IFRS Standards as at 1 January 2020, including those issued but not yet effective.

The IFRS Taxonomy 2020 incorporates changes resulting from IFRS Taxonomy 2019—Update 1 Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7). This update includes new elements to enable users of financial statements reported electronically to understand how the uncertainty arising from interest rate benchmark reform affects an entity's hedging relationships.

The IFRS Taxonomy formula linkbase 2020 accompanies the IFRS Taxonomy 2020 and can help to validate disclosures reported using the IFRS Taxonomy and the XBRL technical format. For example, it can help preparers to avoid reporting negative values for IFRS Taxonomy elements where positive values are expected. The linkbase has been updated from the IFRS Taxonomy formula linkbase 2019, mainly to reflect changes in the IFRS Taxonomy 2020 content.

Comments on documents issued by IFRS Interpretations Committee

IFRS Interpretations Committee (IFRS IC) discussed the following matters and tentatively decided not to add it to its standard-setting agenda. The IFRS IC invited comments by May 13, 2020, on the tentative

agenda decision for consideration at its future meeting:

- (a) Sale and Leaseback with Variable Payments (IFRS 16) - can be assessed at <https://www.ifrs.org/projects/work-plan/sale-and-leaseback-with-variable-payments/comment-letters-projects/tentative-agenda-decision-and-comment-letters-sale-and-leaseback-with-variable-payments-ifs-16/>
- (b) Deferred Tax Related to an Investment in a Subsidiary (IAS 12) - can be assessed at <https://www.ifrs.org/projects/work-plan/deferred-tax-related-to-an-investment-in-a-subsiary-ias-12/comment-letters-projects/tad-deferred-tax-related-to-a-subsiarys-undistributed-profits/>

Lease Liability in a Sale and Leaseback

The IFRS IC discussed a question submitted to it about a sale and leaseback transaction with variable payments that do not depend on an index or rate. The IFRS IC has tentatively concluded that the principles and requirements in IFRS 16 provide an adequate basis for an entity to determine, at the date of the transaction, the accounting for such a sale and leaseback transaction. Nonetheless, the IFRS IC decided that it would be beneficial for the IASB to amend IFRS 16 to specify how the seller-lessee applies IFRS 16's subsequent measurement requirements to the lease liability that arises in such a sale and leaseback transaction. The IASB will consider the IFRS IC recommendation at a future meeting. ■

