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Voices on Reporting

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In this publication, we have summarised important updates relating to the quarter ended 30 June 2021 from the Ministry of Corporate Affairs (MCA), the Securities and Exchange Board of India (SEBI), the Institute of Chartered Accountants of India (ICAI) and the Reserve Bank of India (RBI).

1. Amendments to Ind AS including interest rate benchmark reform (phase 2): 1/3

On 18 June 2021, the MCA had issued the Companies (Indian Accounting Standards (Ind AS)) Amendments Rules, 2021 and made amendments to various Ind AS. Some of the key amendments relate to the following standards:

Standard	Overview of the amendments
Ind AS 107, *Financial Instruments: Disclosures*	Additional disclosures included relating to interest rate benchmark reform. Some of the important disclosures would include information about: • Nature and extent of risks to which the entity is exposed arising from financial instruments subject to interest rate benchmark reform and how the entity manages these risks and • Entity's progress in completing the transition to alternative benchmark rates and how the entity is managing the transition. **Effective date:** An entity should apply the amendments when it applies amendments to Ind AS 109, Ind AS 104 or Ind AS 116.
Ind AS 109, *Financial Instruments*	A new paragraph has been included on changes in the basis for determining the contractual cash flows as a result of Interest rate Benchmark Reform (IBOR reform). As per the guidance provided, the basis for determining the contractual cash flows of a financial asset or financial liability can change in the following manner: • By amending the contractual terms specified at the initial recognition of the financial instrument • In a way that was not considered by or contemplated in the contractual terms at the initial recognition of the financial instrument, without amending the contractual terms • Due to the activation of an existing contractual term. Guidance has been provided on accounting for modifications of contracts resulting from changes in the basis for determining the contractual cash flows as a result of the IBOR reform. Additionally, various exceptions and relaxations have been provided in terms of various aspects of hedge accounting. **Effective date:** An entity should apply the amendments for annual reporting periods beginning on or after 1 April 2021.

1. Amendments to Ind AS including interest rate benchmark reform (phase 2): 2/3

Standard	Overview of the amendments
Ind AS 116, *Leases*	In July 2020, MCA had issued amendments to Ind AS 116 with regard to COVID-19 related rent concessions. The aforementioned amendments introduced an optional practical expedient that simplified how a lessee accounted for rent concessions that were a direct consequence of COVID-19. Under that practical expedient a lessee was allowed to opt not to assess whether eligible rent concessions are lease modifications, and instead account for it under other applicable guidance provided certain conditions are met. MCA has extended the practical expedient by 12 months – i.e. by permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022. The 2021 amendments are effective for annual reporting periods beginning on or after 1 April 2021. Lessees are permitted to apply these amendments early, including in financial statements not authorised for issue before the issuance of the 2021 amendment. The 2021 amendments are applied retrospectively with the cumulative effect of initially applying it, being recognised in opening retained earnings. The disclosure requirements of paragraph 28(f) of Ind AS 8[1], *Accounting Policies, Changes in Accounting Estimates and Errors* do not apply on initial application. Additionally, guidance has been provided on accounting for modifications of lease contracts resulting from the IBOR reform.
References to Conceptual Framework	The ICAI has developed the *Conceptual Framework for Financial Reporting* (the Conceptual Framework) under Ind AS, which corresponds to IASB's revised Conceptual Framework for Financial Reporting, 2018. The 2021 amendments aims to align certain standards with the Conceptual Framework. For example, in Ind AS 102, *Share-Based Payment* definition of liabilities has been amended to **'a present obligation of the entity to transfer an economic resource as a result of past events'.** In Ind AS 103, the MCA clarified that for the purpose of this Ind AS, acquirers are required to apply the **definitions of an asset and a liability** given in the *Framework for Preparation and Presentation of Financial Statements with Indian Accounting Standards* rather than the Conceptual Framework.
Other minor/clerical changes	Other amendments refers to clerical changes, including rectification of certain errors, references or italics being brought in or some other minor changes to bring in convergence with IFRS. For example, the definition of 'recoverable amount' has been updated in Ind AS 105, Ind AS 36 and Ind AS 16 by substituting the term 'fair value less cost to sell' with 'fair value less cost of disposal'. There is no significant impact of these changes.

1. Paragraph 28(f) of Ind AS 8 requires a company that initially applies a standard or amendment to disclose to the extent practicable, the effect of adopting the standard or amendments on each financial statement line item and on basic and diluted EPS, for the current period and each prior period presented.

1. Amendments to Ind AS including interest rate benchmark reform (phase 2): 3/3

Key takeaways

- The amendments to various Ind AS are in line with the amendments made to the International Financial Reporting Standards (IFRS) by the International Accounting Standards Board (IASB). These amendments will help in keeping the Ind ASs converged with the IFRS.
- The amendments to Ind AS 109, Ind AS 107 and Ind AS 116 addresses issues that arise during the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one and assist companies in providing useful information to the investors about the effects of interest rate benchmark reform on financial statements.
- A company will need to provide additional information about:

  a. the nature and extent of risks to which the company is exposed arising from financial instruments subject to IBOR reform and how it manages those risks; and

  b. the company's progress in completing its transition to alternative benchmark rates and how it is managing that transition.
- The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting
- The extension of the practical expedient for COVID-19 related rent concessions is a practical response to the ongoing disruption to economic activity being caused by the COVID-19 pandemic. Many lessees will welcome 12 more months of relief, but need to be aware of the potential transition issues relating to previously ineligible rent concessions.
- The 2021 amendments have substituted the references of the Framework for Preparation and Presentation of Financial Statements with Indian Accounting Standards in various Ind AS with references to the Conceptual Framework. This provides appropriate guidance and a point of reference for preparers of financial statements when applying the Ind AS in question.

(Source: MCA notification no. G.S.R. 419(E) dated 18 June 2021)

2. CARO 2020

The 2013 Act requires auditors of specified class of companies to include a statement in their reports on specific matters as prescribed in the Companies (Auditors' Report) Order, 2016 (CARO 2016).

Companies (Auditors' Report) Order, 2020 (CARO 2020) contains significant changes and several new reporting requirements vis-à-vis CARO 2016. Many of the requirements require exercise of judgement rather than application of a purely objective test. With a view to provide guidance on application of the CARO 2020, the Institute of Chartered Accountants of India (ICAI) has issued a guidance note on CARO 2020 (GN).

CARO 2020 is applicable for audit of financial statements of eligible companies for the financial years commencing on or after the 1 April 2021.

Overview of CARO 2020 are as follows:

- *Applicability of CARO 2020:* Similar to CARO 2016, CARO 2020 is applicable to every company including a foreign company (as defined under the 2013 Act). It will not apply to banks, insurance companies, companies licensed to operate under Section 8 of the 2013 Act, one person and a small company.

  Further, CARO 2020 is not applicable to the auditor's report on Consolidated Financial Statements (CFS). However, an auditor is required to state in its report details of companies included in CFS with qualifications or adverse remarks by their respective auditors. This would include reporting of qualification/adverse remark made by every individual component including the parent.

- *Property, Plant and Equipment (PPE):* Currently, an auditor is required to report on maintenance of proper records including quantitative details and situation of fixed assets. CARO 2020 introduces a new reporting requirement as to whether a company has revalued its PPE (including right-of-use assets), intangible assets or both during the year. If so, it further requires reporting on whether the revaluation is based on the valuation by a registered valuer and specify the amount of change, if change is 10 per cent or more in aggregate of the net carrying value of each class of PPE or intangible assets.

- *Title deed of immovable property:* CARO 2020 has modified the requirement relating to holding title of immovable properties by the company vis-a-vis CARO 2016. As per the modified requirement, an auditor is required to report on whether the title deeds of all the immovable properties (other than properties where the company is the lessee and the lease agreements are duly executed in favour of the lessee) disclosed in the financial statements are held in the name of the company. If they are not held in the name of the company, then prescribed details are required to be provided.

- *Investments and loans and advances in the nature of loans:* As per the revised requirement, an auditor is required to report whether the company has made investments in, provided any guarantee or security or granted any loans or advances in the nature of loans, secured or unsecured, to companies, firms, Limited Liability Partnerships (LLPs) or any other parties. Therefore, in addition to loans, the revised clause covers reporting on investments made, guarantee or security provided or advances in the nature of loans granted by companies.

- *Default in repayment of loans or other borrowings by companies:* Unlike CARO 2016, CARO 2020 requires an auditor to report on whether the company has defaulted in repayment of loans/other borrowings or in the payment of interest thereon to any lender (earlier reported only in case of defaults in repayment to a financial institution, bank or government) in a prescribed format.

- *Wilful defaulter:* CARO 2020 introduces a new reporting requirement relating to whether the company has been declared as a willful defaulter by any bank or financial institution or other lender.

- *Application of term loans:* Another new reporting requirement under CARO 2020 relates to whether term loans were applied for the purpose for which these loans were obtained. If not, then the auditor is also required to report the amount of loan so diverted and the purpose for which it is used.

2. CARO 2020

- *Application of short-term funds for long-term purposes:* CARO 2020 introduces a new reporting requirement relating to whether funds raised on short-term basis have been utilised for long-term purposes. If the answer is yes, then an auditor would be required to report the nature and amount so utilised.
- *Funds raised to meet obligations of subsidiaries, associates or joint ventures:* Another new reporting requirement relates to whether the company has taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries, associates or joint ventures. If yes, then an auditor is required to provide the details along with the nature of such transactions and the amount in each case.
- *Acceptance of deposits by a company:* Companies cater to their financial needs in various forms, such as raising capital through issuance of shares/debentures, acquiring funds from lending institutions, etc. An alternate mode through which companies fulfil their financial needs is through acceptance of deposits from members or public. Stringent provisions are laid down under the 2013 Act with respect to acceptance of deposits by a company. With a view to ensure whether these provisions are followed in spirit by the companies, CARO 2020 requires the auditors to report on the compliances met by companies vis-à-vis deposits accepted by them.
- *Fraud reporting:* CARO 2020 has modified the reporting requirement relating to fraud vis-à-vis CARO 2016. Earlier, reporting on fraud on the company was restricted to fraud by officers or employees of a company. The revised clause requires an auditor to report whether any fraud by the company or any fraud on the company has been noticed or reported during the year. Accordingly, fraud on the company by any person would now be reported. In case a fraud has been noticed/reported, then an auditor is required to disclose the nature of fraud and the amount involved in its report.
- *Whistle-blower complaints:* CARO 2020 has introduced a new reporting requirement which requires an auditor to consider whistle-blower complaints, if any, received by the company during the year under the audit.
- *Unrecorded income disclosed in tax assessments:* Another new reporting requirement that has been introduced by CARO 2020 requires an auditor to report on whether there are any transactions which have not been recorded in the books of account of a company but have been surrendered or disclosed as income during the year in the tax assessments under the IT Act. If yes, then an auditor would also need to report whether the previously unrecorded income has been properly recorded in the books of account during the year.

2. CARO 2020

Key takeaways

- CARO 2020 enhances the scope of matters to be provided in an auditor's report. While auditors would need to implement robust audit procedures along the requirements, companies on the other hand, would also need to ensure that they maintain proper and adequate records of the underlying information. Additionally, companies would need to start putting in place systems and processes to capture the new reporting requirements as envisaged by CARO 2020,
- CARO 2020 with its new bundle of clauses aims to provide a comprehensive position of the loans and advances taken or given by a company. These reporting requirements cast an additional responsibility on the management of the company to ensure that all documents and relevant processes are in place for an auditor to verify and report accordingly.
- Companies may need to maintain adequate system to identify amounts which may be considered as deemed deposits under the 2013 Act and consequently, would need to ensure compliances with the provisions of the 2013 Act with respect to such deposits.
- Reporting of frauds by the company or on the company could be an indicator of internal control failures and inefficient business operations. With the enhanced scope of reporting, there is an increasing need for companies to maintain adequate systems and controls, in particular those relating to financial reporting such that instances of fraud could be identified and addressed on a timely basis.
- Companies should also consider evaluating its whistle-blower mechanism/vigil mechanism to ascertain whether such a mechanism is able to capture and address all genuine grievances. These would also be subject to review by an auditor under CARO 2020. Companies should also ensure proper recording of transactions disclosed or surrendered as income in the income-tax assessments as such transactions would also now be reported in the auditor's report under CARO 2020.

3. Amendments to Schedule III to the 2013 Act

MCA through a notification dated 24 March 2021 has issued certain amendments to Schedule III to the 2013 Act. The amendments have been made in Division I (applicable to companies whose financial statements are required to comply with Accounting Standards {AS}), Division II (applicable to companies whose financial statements are required to comply with Accounting Standards {Ind AS} other than NBFCs) and Division III (applicable only to NBFCs whose financial statements are required to comply with Ind AS).

These amendments are applicable from 1 April 2021. Some key amendments to Schedule III are as follows:

Division I:

Balance sheet

- Disclose 'shareholding of promoters' in the specified format in the notes to the balance sheet.
- Disclosure for trade payables/trade receivables to include trade payables/trade receivables ageing schedule in the specified format (with specific sub-classification as disputed/undisputed) and separate disclosure of unbilled dues
- Reference of 'tangible assets' has been replaced with 'property, plant and equipment'.
- Specific disclosures to be made under the head 'additional regulatory requirement' such as those relating to:
  a. Title deeds of immovable property not held in name of the company
  b. Loans or advances granted to promoters, directors, Key Managerial Personnel's (KMPs) and the related parties
  c. Details of benami property held.
  d. Compliance with approved schemes of arrangements.

Division II:

Balance sheet

- Lease liabilities to be disclosed separately under the head 'financial liabilities' (current/non-current liabilities as the case may be) under 'equity and liabilities' section on the face of the balance sheet.
- Security deposits to be presented under the heading 'current/non-current other financial assets'
- Current maturities of long-term borrowings under the heading 'short term borrowings schedule'
- Ageing of trade receivables, trade payable (with specific sub-classification as disputed/undisputed) and separate disclosure of unbilled dues
- Ageing of Capital Work-in-Progress (CWIP) and intangible assets under development
- Effects of a scheme of arrangement accounted as per the approved scheme and accounting standards and any deviations
- Option to present remeasurement of defined benefit plans and fair value changes relating to own credit risk of financial liabilities designated at Fair Value Through Profit and Loss (FVTPL) as a separate column under reserves and surplus.
- Specific disclosures to be made under the head 'additional regulatory requirement' such as those relating to:
  a. Title deeds of immovable property not held in name of the company
  b. Loans or advances granted to promoters, directors, KMPs and the related parties
  c. Details of benami property held
  d. Compliance with approved schemes of arrangements
  e. Relationship with struck-off companies
  f. Compliance with number of layer of companies.

Statement of profit and loss

- Additional disclosures relating to undisclosed income, Corporate Social Responsibility (CSR) and crypto or virtual currency specified under the head 'additional information' in the notes to the statement of profit and loss.

3. Amendments to Schedule III to the 2013 Act

Key takeaways

- The recent amendments to Schedule III mandate enhanced disclosures in the financial statements by a company. The amendments to presentation and disclosure requirements are aimed at enabling the higher level of corporate governance and additional tools with the regulators to ensure closer observation on the financial transactions of a company.
- The amendments to Schedule III are largely driven by requirements relating to CARO 2020. This is an important and imperative step from MCA as several companies in India are in the process of complying with the requirements of CARO 2020 from 1 April 2021.
- The amended Schedule III requires lease liabilities to be disclosed separately under the head financial liabilities. The amendment removes the anomaly as prior to the amendment Schedule III required finance lease obligations to be disclosed under borrowings. However, Ind AS 116 requires disclosure of lease liabilities separately from other liabilities. The amendment to Schedule III has been introduced in order to maintain uniformity in relation to presentation and disclosure requirement of Ind AS 116.
- Introduction of disclosure requirement of crypto or virtual currency is an important step towards regulating digital assets in India and is expected to bring in a lot of transparency in reporting in such direction.

(Source: MCA notification dated 24 March 2021, AAU May 2021)

4. Clarifications on the Corporate Social Responsibility (CSR) framework 1/2

Background

The MCA has notified certain provisions of the Companies (Amendment) Act, 2019 and the Companies (Amendment) Act, 2020 (2020 Act) relating to CSR. Additionally, MCA has issued certain amendments to the Companies (CSR Policy) Rules, 2014 (CSR Rules). These amendments were largely related to treatment of unspent amount of CSR on ongoing CSR projects and other than ongoing CSR projects effective from 22 January 2021.

New developments

- **Clarifications on unspent CSR amount:** On 10 May 2021, the ICAI issued a Frequently Asked Question (FAQ) to clarify the effect of the amendments on accounting treatment of amounts to be incurred towards CSR. Key clarifications are as follows:
  - *During the Financial Year(FY), when carrying on CSR activities (spending/incurring):* CSR expenditure would be recognised as an expense in the statement of profit and loss as and when such expenditure is incurred on the CSR activities as per the board approved CSR policy and CSR projects during the FY.
  - *At the end of the FY, to the extent of the unspent amount relating to ongoing projects and other:* For the 'unspent amount', a legal obligation arises to transfer to specified unspent CSR account depending upon the fact whether such unspent amount relates to ongoing projects or not. Therefore, liability needs to be recognised for such unspent amount as at the end of the FY as per Ind AS 37 *Provisions, Contingent Liabilities and Contingent Assets.*

  Further, as per Ind AS 34, *Interim Financial Statements,* CSR obligation will be recognised based on the principles for recognition of the same in annual financial statements.

  The conclusions drawn above will equally apply for companies preparing financial statements as per the Companies (Accounting Standards) Rule, 2006.

  (Source: FAQ on 'Accounting for amounts to be incurred towards CSR pursuant to the Companies (CSR Policy) Amendment Rules, 2021' issued by ICAI on 10 May 2021)

- **Clarification on offsetting excess CSR spent for FY2019-20:** The MCA through a notification dated 20 May 2021 has provided clarification where a company has contributed any amount to 'PM CARES Fund' on 31 March 2020, which is over and above the minimum amount as prescribed under Section 135(5) of the 2013 Act for FY2019-20, and such excess amount or part thereof is offset against the requirement to spend under Section 135(5) for FY2020-21 in terms of the aforementioned appeal. This set off would not be viewed as a violation subject to the following conditions:
  - The amount offset as such should have factored the unspent CSR amount for previous FYs, if any
  - The Chief Financial Officer (CFO) should certify that the contribution to PM CARES Fund was indeed made on 31 March 2020 in pursuance of the appeal and the same should also be certified by the statutory auditor of the company and
  - The details of such contribution should be disclosed separately in the annual report on CSR as well as in the board's report for FY2020-21 in terms of Section 134(3)(o) of the 2013 Act.

  (Source: MCA circular dated 20 May 2021)

- **Additions to eligible CSR activities:** MCA, through circular dated 22 April 2021 and 5 May 2021 has clarified that spending of CSR funds for following activities as an eligible CSR activity. Companies may undertake these activities directly by themselves or in collaboration as shared responsibility with other companies, subject to the fulfillment of the CSR rules.
  - Creating health infrastructure for COVID-19 care
  - Establishment of medical oxygen generation and storage plants
  - Manufacturing and supply of oxygen concentrators, ventilators, cylinders and other medical equipment for countering COVID-19 or
  - Other similar activities
  - Setting up makeshift hospitals and temporary COVID-19 care facilities (Companies may undertake these activities in consultation with state governments subject to the fulfillment of CSR rules.)

4. Clarifications on the Corporate Social Responsibility (CSR) framework 2/2

Key takeaways

- The clarifications on CSR is expected to bring more discipline among corporates as they will have to transfer the unspent amount to certain designated accounts. Additionally, accounting for the unspent CSR amount as liability would bring consistency in the financial reporting across the companies.

(Source: MCA general circular no. 05/2021 dated 22 April 2021 and 09/2021 dated 5 May 2021)

5. Amendments to certain Rules in the 2013 Act

The MCA through various notifications has amended certain Rules in connection with matters to be included in board's report, additions to auditor's report, etc.: The amendments are as following:

- *Amendment to matters to be included in the Board's Report':* Rule 8, inter alia, prescribes information and details to be provided in the board's report. The amendment introduced clause 'xi & xii' which provides additional details to be included in the board's report. The amendment now require board's report to also include following:
  i. The details of application made or any proceeding pending under the Insolvency and Bankruptcy Code, 2016 during the year along with their status as at the end of the financial year
  ii. The details of difference between amount of the valuation done at the time of one-time settlement and the valuation done while taking loan from the banks or financial institutions along with the reasons thereof.

Effective date: The amendment is effective from 1 April 2021

(Source: MCA notification no G.S.R. 205(E) dated 24 March 2021 and MCA notification no G.S.R. 247(E) dated 1 April 2021)

- *Amendments to the Companies (Audit and Auditors) Rule 2014:* MCA through notification dated 24 March 2021, issued the 'Companies (Audit and Auditors) Amendment Rules, 2021' which effectively amended 'Rule 11-*Other Matters to be Included in Auditors Report'* of the Companies (Audit and Auditors) Rule 2014.

  Rule 11 prescribes the matters to be included in the auditor's report. Additional matters to be included in the audit report under 'Other Matters paragraph' are as below:

  a. The management has represented that to the best of its knowledge and belief, other than as disclosed in the notes to the accounts:
     i. No funds have been advanced or loaned or invested (either from borrowed funds, share premium or any other sources/kind of funds) by the company to/in any other person(s) or entity(ies), including foreign entities (intermediaries), with the understanding (recorded in writing or otherwise) that the intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company (ultimate beneficiaries) or provide any guarantee, security or the like on behalf of the ultimate beneficiaries.
     ii. No funds have been received by the company from any person(s) or entity(ies), including foreign entities (funding parties), with the understanding (recorded in writing or otherwise) that the company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the funding party (ultimate beneficiaries) or provide any guarantee, security or the like on behalf of the ultimate beneficiaries.
  b. Based on such audit procedures that the auditor has considered reasonable and appropriate in the circumstances, nothing has come to its notice that has caused an auditor to believe that the representations under points (i) and (ii) above contain any material misstatement.
  c. The dividend declared or paid during the year by the company is in compliance with Section 123 of the 2013 Act.
  d. The company has used such accounting software for maintaining its books of account which has a feature of recording audit trail (edit log) facility. Further, it has been operated throughout the year for all transactions recorded in the software, the audit trail feature has not been tampered with and the audit trail has been preserved by the company as per the statutory requirements for record retention.

5. Amendments to certain Rules in the 2013 Act

Further, the requirement relating to disclosures relating to specified bank notes has been done away with from Rule 11.

Effective date: The amendment for points (a) to (c) above is effective from 1 April 2021 and point (d) would be applicable from financial year commencing on or after 1 April 2022.

Also refer to KPMG in India's First Notes on 'Accounting software for maintaining books of accounts, changes to board's report and additional reporting in auditor's report-new norms' dated 14 April 2021.

Key takeaways

- Companies and auditors should carefully evaluate the amendments in the auditor's report as it could practically cover all types of outflows/inflows including funds advanced in the form of supplier advances. Additionally, the term 'intermediary' has not been defined and may also cover a branch, subsidiary, associate or joint venture. It seems whenever a company makes an investment in another company, gives loans or advances, it may have to put in place a mechanism for tracking the end use of the funds, where relevant, and also take an end use confirmation from the counterparty to provide this representation letter to its auditor.
- A company would need to ensure that when dividend is declared, carried over previous losses and depreciation not provided in previous year or years are set off against profit of the company for the current year. Further, while calculating the profits or reserves available for distribution, due care has to be taken to ensure that amount representing unrealised gains, notional gain or revaluation of assets and any change in carrying amount of an assets or of a liability on measurement of the asset or the liability at fair value shall be excluded. This is particularly relevant for companies that are reporting under Ind AS, as the extensive use of fair value in the financials statements could result in such amount being included in its profits or reserves.

(Source: Source: MCA notification no G.S.R. 206(E) dated 24 March 2021 and MCA notification no G.S.R. 248(E) dated 1 April 2021)

6. MCA notifies accounting standards for SMCs under the 2013 Act

MCA through a notification dated 23 June 2021 has issued the Companies (Accounting Standards) Rules, 2021. The Accounting Standards (AS) notified under the Rules will be applicable to companies (other than companies to which Ind AS are applicable) including Small and Medium sized Companies (SMCs) in preparation of financial statements. The Rules prescribe revised definition of a SMC. According to it, SMC would mean a company which meets the following criteria as at the end of the relevant accounting period:

- Whose equity or debt securities are not listed or are not in the process of listing on any stock exchange, whether in India or outside India
- Which is not a bank, financial institution or an insurance company
- Whose turnover (excluding other income) does not exceed INR250 crore (earlier INR50 crore) in the immediately preceding accounting year
- Which does not have borrowings (including public deposits) in excess of INR50 crore (earlier INR10 crore) at any time during the immediately preceding accounting year and
- Which is not a holding or subsidiary company of a company which is not a SMC.

The key standards notified under the Rules include:

- AS 9, *Revenue Recognition*
- AS 10, *Property, Plant and Equipment*
- AS 12, *Accounting for Government Grants*
- AS 14, *Accounting for Amalgamations*
- AS 15, *Employee Benefits*
- AS 16, *Borrowing Costs*
- AS 18, *Related Party Disclosures*
- AS 19, *Leases*
- AS 21, *Consolidated Financial Statements*
- AS 25, *Interim Financial Reporting*
- AS 26, *Intangible Assets*
- AS 28, *Impairment of Assets*
- AS 29, *Provisions, Contingent Liabilities and Contingent Assets.*

Effective date: The AS are effective for accounting periods beginning on or after 1 April 2021.

(Source: MCA notification dated 23 June 2021)

1. Amendments to Listing Regulations

On 5 May 2021, SEBI issued various amendments to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) with an aim to strengthen corporate governance practices and disclosure requirements, ease compliance burden on listed entities and realign it with recent regulatory developments. The amendments are effective from the date of publication in the official gazette i.e. from 6 May 2021.

Below is a snapshot of some key recommendations to the Listing Regulations:

- **Business Responsibility and Sustainability Report (BRSR):**

  Currently, top 1,000 listed companies (based on market capitalisation) in India are required to furnish a Business Responsibility Report (BRR) to the stock exchanges as a part of their annual reports.

  SEBI issued the following amendments relating to BRR:

  – The BRR would be applicable to the top 1,000 listed entities (by market capitalisation) until financial year 2021-22

  – With effect from financial year 2022-23, top 1,000 listed entities would be required to submit BRSR instead of BRR in the format prescribed by SEBI

  – The top 1,000 listed entities (by market capitalisation), can report BRSR on a voluntary basis for financial year 2021-22.

  Additionally, SEBI through a notification dated 10 May 2021 has prescribed the format of new report, BRSR along with the guidance note to enable companies to interpret the scope of disclosures required to be made in the report.

  Also refer to KPMG in India's First Notes on 'Mandatory BRSR reporting for top 1,000 listed companies from FY2022-23' dated 8 June 2021.

- **Amendments relating to applicability and role of a Risk Management Committee (RMC):**

  Following amendments have been issued to Regulation 21 of the Listing Regulations relating to the applicability and role of the RMC:

  – Extension of the requirement of constituting RMC to top 1,000 listed entities on the basis of market capitalisation as at the end of the immediate previous financial year.

  – The role and responsibility of the RMC has been specified to, inter alia, include formulation of a detailed risk management policy and monitoring its implementation, periodic review of such policy, review of the appointment, removal and terms of remuneration of the Chief Risk Officer (if any), etc.

  – The quorum for a meeting of the RMC should be either two members or one-third of the members of the committee, whichever is greater, including at least one member of the board of directors in attendance.

  – The RMC should have minimum three members with majority of them being members of the board of directors, including at least one independent director.

- **Revision of provisions relating to re-classification of promoter/promoter group entities:**

  Currently, Regulation 31A of the Listing Regulations permits reclassification of promoters of listed entities as public shareholders in different scenarios, subject to the specified conditions. The reclassification scenarios, inter alia, include the following:

  – When a promoter is replaced by a new promoter

  – Where a company ceases to have any promoters (i.e. becomes professionally managed).

  Relaxation from existing requirement on a case to case basis was given by SEBI. Difficulties were faced by the entities in cases where promoters have desired reclassification but have experienced challenges. Therefore, SEBI had issued following revisions to the existing provisions of the Listing Regulations:

  – The board of directors would be required to analyse the reclassification request immediately in the next board meeting or within three months from the date of receipt of the request from its promoter(s), whichever is earlier. Before the amendment there was no definitive timeline for the board of directors to analyse such requests.

1. Amendments to Listing Regulations

– The current relaxations applicable to the companies whose resolution plans have been approved under section 31 of the Insolvency and Bankruptcy Code, 2016 would be extended to re-classification pursuant to an order/direction of the Government/regulator and/or as a consequence of operation of law subject to the condition that such promoter(s) seeking re-classification should not remain in control of the listed entity.

– Current time gap of a minimum of three months and maximum six months between the date of board meeting and the shareholders' meeting for considering the request of the promoter(s) seeking re-classification has been reduced to a minimum of one month and maximum three months.

– Exemption from the procedure for reclassification would be granted in cases where reclassification is pursuant to an open offer or a scheme of arrangement and if the intent of the erstwhile promoter(s) to reclassify has been disclosed in the letter of offer or scheme of arrangement

– The requirement of seeking approval of shareholders in cases where the promoter seeking reclassification holds shareholding of less than one per cent, subject to the promoter not being in control.

- **Disclosures pertaining to analyst and investor meet and conference calls:**

  – Listing Regulations have been amended to include following requirements relating to audio or video recordings and transcripts of post earnings/quarterly calls:

    a. Audio/video recordings to be uploaded on the website of the listed company and the stock exchanges immediately after the conclusion of the earnings conference call, before the commencement of the next trading day or within 24 hours of the occurrence of event, as required under Regulation 30 of the listing regulations, whichever is earlier.

    b. Written transcript of such earnings call to be uploaded on the website of the listed company and stock exchanges within five working days of the earnings call.

  – The requirement for disclosure of audio/video recordings and transcript would be applicable on a voluntary basis from 1 April 2021 and on a mandatory basis from 1 April 2022.

- **Other amendments to the Listing Regulations:**

  a. *Dividend distribution policy:* The current requirement of formation of dividend distribution policy has been extended to top 1,000 listed entities (currently top 500 listed entities) based on market capitalisation (calculated as on 31 March of every financial year).

  b. *Disclosure of financial results:* In case of board meetings held for more than one day, the financial results should be disclosed by the listed entities within 30 minutes of end of the board meeting for the day on which the financial results are considered.

  c. *Applicability of listing regulations:* The amendment provides that once any of the provisions of the Listing Regulations become applicable to a listed entity on the basis of market capitalisation, then they would continue to apply to such entities even if they fall below such thresholds. Also, once corporate governance provisions become applicable to a listed entity, then these provisions would continue to remain applicable till such time the equity share capital or the net-worth of such an entity reduces and remains below the specified threshold for a period of three consecutive financial years.

  d. *Newspaper advertisement:* The requirement to publish newspaper advertisements for the notice to board meetings where financial results are to be discussed and for quarterly statement on deviation or variation in use of funds has been dispensed with.

1. Amendments to Listing Regulations

e. *Submission of periodic reports:* The timelines for submission of periodic reports viz. statement of investor complaints, corporate governance report and shareholding pattern would be harmonised to 21 days from the end of each quarter.

f. Frequency of submission of compliance certificates relating to share transfer facility and issuance of share certificates within 30 days of lodgement for transfer, sub-division, etc. is revised from half-year to annual submission.

Also refer to KPMG in India's Accounting and auditing update-chapter 3-'Amendments to Listing Regulations and an action plan' issue no 59/2021 for the month of June 2021.

Key takeaways

The amendments to the SEBI Listing Regulations seeks to further strengthen corporate governance practices, enhance disclosure requirements and incorporate other regulatory amendments. The amendments streamline some of the corporate governance practices and ease the compliance burden on listed entities.

- *BRSR by listed entities:* Companies mandatorily required to prepare BRR should take cognisance of the additional reporting requirements. These changes may require updation of the systems or policies for implementation of BRSR requirements, once effective.

  Other large companies in India should start evaluating the new reporting requirements of BRSR and assess their level of preparedness.

- *Disclosures pertaining to analyst and investor meet and conference calls:* The amendment is expected to streamline disclosures within the capital markets and ensure timely information availability to all participants. This is likely to enable informed decision making and accurate price discovery.

- RMC: Companies should take note of the enhancement of the role of the RMC and its functioning.

(Source: SEBI notification no. SEBI/LAD-NRO/GN/2021/22 dated 5 May 2021 and KPMG AAU June 2021 edition)

2. SEBI issues a new format of compliance report on corporate governance for listed entities

Background

Regulation 27(2) of the Listing Regulations requires every entity with listed specified securities to submit a quarterly compliance report on corporate governance to the recognised stock exchanges. The report should be submitted within 15 days from close of the quarter in the format specified by SEBI. SEBI through its notifications dated 24 September 2015 and 16 July 2019 prescribed the formats of the compliance report to be submitted:

a. On a quarterly basis

b. At the end of Financial Year (FY)

c. At the end of six months from the close of FY.

New development

SEBI has tried to strengthen the disclosures around loans/guarantees/comfort letters/security provided by a listed entity, directly or indirectly to a promoter/promoter group entities or any other entity controlled by them. On 31 May 2021, it issued a circular and decided to mandate disclosures around loans, guarantees, comfort letters, etc. These disclosures have to be provided by a listed entity in the compliance report on corporate governance on a half-yearly basis. Accordingly, in addition to the current disclosures, SEBI has issued a new format of specified disclosures to be made on a half-yearly basis as part of the compliance report on corporate governance. The format is effective from first half-year of FY2021-22.

(Source: SEBI circular no. SEBI/HO/CFD/CMD-2/P/CIR/2021/567 dated 31 May 2021)

3. Recent SEBI board decisions related to independent directors

SEBI in its meeting dated 29 June 2021, approved amendments to Listing Regulations relating to regulatory provisions of Independent Directors (IDs). The amendments are effective from 1 January 2022. Below is an overview of the SEBI decisions:

a. *Appointment/re-appointment and removal:*

   i. Shareholders' approval for appointment of a director including IDs should be taken at the next general meeting or within 3 months of appointment, whichever is earlier.

   ii. The process to be followed by Nomination and Remuneration Committee (NRC), while selecting candidates for appointment as IDs, has been elaborated and made more transparent including enhanced disclosures regarding the skills required for appointment as an ID and how the proposed candidate fits into that skillset.

   iii. Composition of NRC has been modified to include two-third of IDs (currently majority of IDs).

   iv. Appointment/re-appointment/removal of IDs would be through special resolution of shareholders.

b. *Eligibility requirement:* A cooling off period of three years has been introduced for KMPs (and their relatives) or employees of the promoter group companies excluding relatives of employees of the company, its holding, subsidiary or associate company to become IDs.

c. *Resignation:* Resignation letter of ID to be disclosed along with a list of her/his present directorships and membership in board committees and introduced a cooling-off period of one year for an ID transitioning to a whole-time director in the same company/ holding/ subsidiary/ associate company or any other company belonging to the promoter group.

d. *Audit Committee:* At least two third of the members of the audit committee to be IDs and all related party transactions to be approved by only IDs on the audit committee.

e. *Directors and Officers (D&O) insurance:* The requirement of undertaking D&O insurance has been extended to the top 1,000 listed companies (by market capitalisation).

The SEBI Board also agreed to make a reference to the MCA, for giving greater flexibility to companies while deciding the remuneration for all directors (including IDs), which may include profit linked commissions, sitting fees, ESOPs, etc., within the overall prescribed limit specified under the 2013 Act.

(Source: SEBI-Press release PR.22/2021 dated 29 June 2021)

Relaxations for companies amid COVID-19 outbreak

During the quarter ended 30 June 2021, regulators in India such as the MCA, SEBI and RBI have provided a number of relaxations/exemptions to the companies in relation to various regulatory requirements. Some important relaxations have been listed below:

MCA

- **Relaxation in matters to be dealt in the board meetings through VC or OAVM facility**

  Currently, Rule 4 of the Companies (Meetings of Board and its Powers) Rules, 2014 (Board Meeting Rules) specify certain matters which cannot be considered in a meeting through VC or OAVM facility. Those are as follows:

  – Approval of the annual financial statements

  – Approval of the board's report

  – Approval of the prospectus

  – Audit committee meetings for consideration of financial statements including consolidated financial statements, if any, to be approved by the BoD under Section 134(1) of the 2013 Act and

  – Approval of the matter relating to amalgamation, merger, demerger, acquisition and takeover.

  MCA through a notification dated 15 June 2021 has issued an amendment to the Board Meeting Rules and omitted Rule 4. Accordingly, meetings to discuss the matters specified in Rule 4 of the Board Meeting Rules (i.e., approval of the annual financial statements, board's report, prospectus, etc.) can now take place through VC or OAVM facility.

  The amendment is effective from the date of its publication in the official gazette i.e., 15 June 2021.

  (Source: MCA notification no. G.S.R 409(E) dated 15 June 2021)

- **Relaxation for conducting EGMs through VC**

  MCA through a circular dated 23 June 2021 has extended the timeline for conduct of Extraordinary General Meetings (EGMs) by companies through VC/OAVM or transact items through postal ballot upto 31 December 2021. This will be in accordance with the framework provided in the circulars dated 8 April 2020, 13 April 2020, 15 June 2020, 28 September 2020 and 31 December 2020.

  (Source: MCA general circular no. 10/2021 dated 23 June 2021)

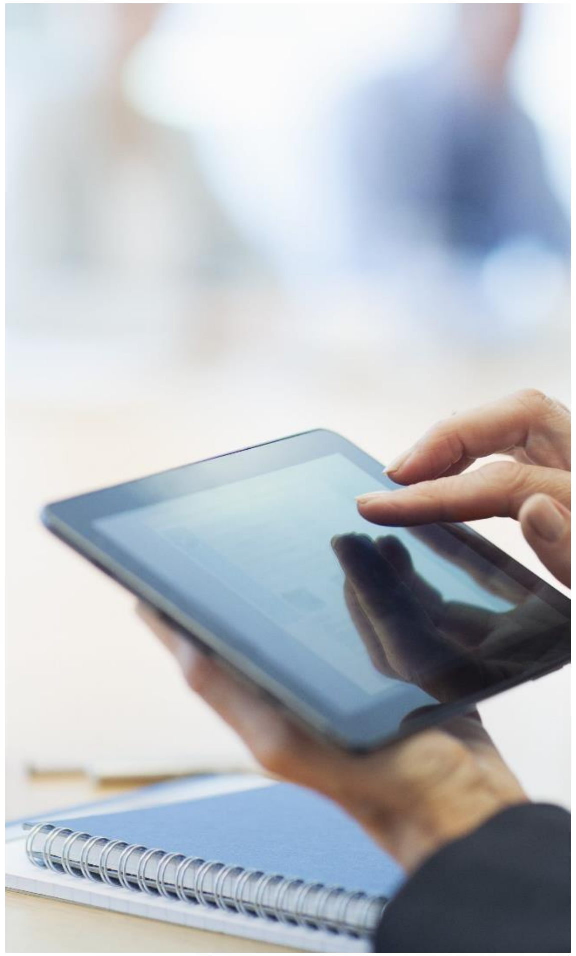
- **Time gap between two board meetings**

  Currently, Section 173(1) of the 2013 Act requires every company to hold minimum four meetings of its Board of Directors (BoD) every year with a gap of at least 120 days between two consecutive meetings.

  ### Relaxation

  MCA has decided to extend the gap between two board meetings by a period of 60 days for the first two quarters of FY2021-22. Accordingly, the gap between two consecutive board meetings may be extended to 180 days during the quarters from 1 April 2021 to 30 June 2021 and 1 July 2021 to September 2021, instead of 120 days as required under Section 173(1) of the 2013 Act.

  (Source: MCA general circular no. 08/2021 dated 3 May 2021)



Relaxations for companies amid COVID-19 outbreak

SEBI

- **Relaxation under SEBI (Share Based Employee Benefit) Regulations, 2014**

  Currently, Regulation 18(1) and 24(1) of the SEBI (Share Based Employee Benefit) Regulations, 2014 (Share based Regulations) provide that there shall be a minimum vesting period of one year in case of employee stock options (options) and Stock Appreciation Rights (SAR).

  Further, Regulation 9(4) of the Share based Regulations states that in the event of death of an employee while in employment, all the options, SAR or any other benefit granted to him/her under a scheme till such date shall vest in the legal heirs or nominees of the deceased employee.

  Relaxation

  SEBI has decided to provide the following relief to the families of the deceased employees of listed companies in view of the COVID-19 situation:

  a. The provisions under Share Based Regulations relating to minimum vesting period of one year shall not apply in case of death (for any reason) of an employee. In such instances, all the options, SAR or any other benefit granted to such employee(s) shall vest with his/her legal heir or nominee on the date of death of the employee.

  b. The relaxation will be available to all employees who have deceased on or after 1 April 2020.

(Source: SEBI circular no. SEBI/HO/CFD/DCR2/CIR/P/2021/576 dated 15 June 2021)

Relaxations for companies amid COVID-19 outbreak

RBI

- **Resolution framework 2.0 for COVID-19 related stress of MSME:**

  In view of the uncertainties created by the resurgence of the COVID-19 pandemic in India,

  RBI has decided to extend the resolution framework (for Micro, Small and Medium Enterprises (MSMEs)) for restructuring existing loans without a downgrade in the asset classification subject to specified conditions. which, inter alia, includes the following:

  a. The borrower should be classified as a MSME as on 31 March 2021 and should be GST-registered on the date of implementation of the restructuring.

  b. The aggregate exposure, including non-fund based facilities, of all lending institutions to the borrower does not exceed INR50 crore (earlier INR25 crore) as on 31 March 2021.

  c. The borrower's account was a 'standard asset' as on 31 March 2021.

  d. The borrower account was not restructured in terms of the earlier MSME restructuring circulars.[2]

  e. Upon implementation of the restructuring plan, the lending institutions should keep provision of 10 per cent of the residual debt of the borrower.

  f. The restructuring of the borrower account is invoked by 30 September 2021.

  g. The restructuring of the borrower account is implemented within 90 days from the date of invocation.

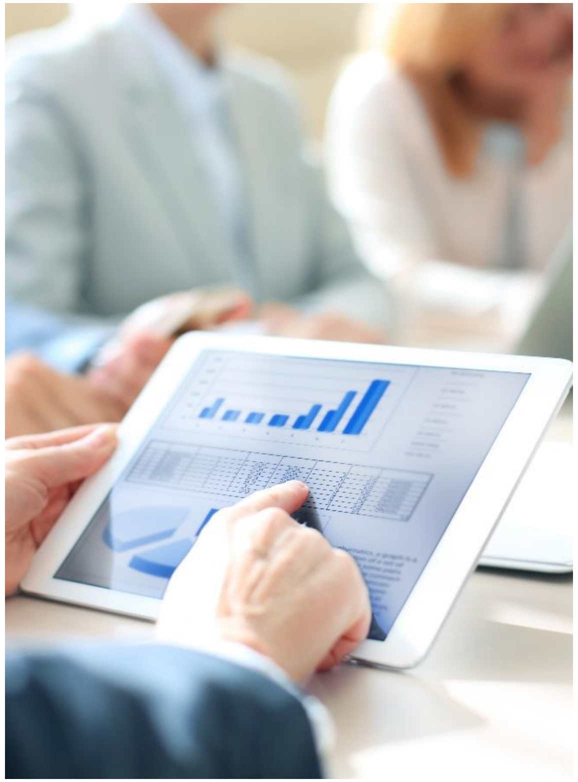
  h. The lending institutions should put in place a Board approved policy on restructuring of MSME advances under these instructions at the earliest, and in any case not later than a month from the date of this circular.

  In respect of restructuring plans implemented as above, asset classification of borrowers classified as standard may be retained as such, whereas the accounts which may have slipped into NPA category between 1 April 2021 and date of implementation may be upgraded as 'standard asset', as on the date of implementation of the restructuring plan.

  In respect of accounts of borrowers which were restructured in terms of the MSME restructuring circulars[3], lending institutions are permitted, as a one-time measure, to review the working capital sanctioned limits and/ or drawing power based on a reassessment of the working capital cycle, reduction of margins, etc. without the same being treated as restructuring. The decision with regard to above shall be taken by lending institutions by 30 September 2021.

  The reassessed sanctioned limit/drawing power should be subject to review by the lending institution at least on a half-yearly basis and the renewal/reassessment at least on an annual basis. The annual renewal/reassessment should be expected to suitably modulate the limits as per the then-prevailing business conditions.

  (Source: RBI notification no. RBI/2021-22/32 dated 5 May 2021 and RBI/2021-22/47 dated 4 June 2021)



2. DOR.No.BP.BC/4/21.04.048/2020-21 dated 6 August 2020; DOR.No.BP.BC.34/21.04.048/2019-20 dated 11 February 2020; or DBR.No.BP.BC.18/21.04.048/2018-19 dated 1 January 2019 (collectively referred to as MSME restructuring circulars).

3. RBI circular DOR.No.BP.BC/3/21.04.048/2020-21 dated 6 August 2020

Relaxations for companies amid COVID-19 outbreak

CBDT

Central Board of Direct Taxes (CBDT) extended timelines for certain filings:

Particulars	Due date	Revised timeline
Certificate of Tax Deducted at Source (TDS) in Form No 16	15 June 2021	31 July 2021
Statement of income paid or credited by an investment fund to its unit holder in Form No 64C for the PY2020-21	30 June 2021	31 July 2021
Return of income for the Assessment Year (AY) 2021-22	31 July 2021	30 September 2021
Report of audit under any provision of the IT Act for the PY2020-21	30 September 2021	31 October 2021
Report from an accountant by persons entering into international transaction or specified domestic transaction under Section 92E of the IT Act for PY2020-21	31 October 2021	30 November 2021
Return of income for AY2021-22	31 October 2021 30 November 2021	30 November 2021 31 December 2021
Belated/revised return of income for AY2021-22	31 December 2021	31 January 2022

Key takeaways

- Considering the continued disruptions in operations and difficulties faced by the companies amid COVID-19, the above extensions and relaxation in timelines will ease companies in their compliance burden.
- Companies should plan their operations in an effective and efficient manner in order to utilise the relaxation and meet the revised timelines.

(Source: CBDT press release dated 20 May 2021 and 25 June 2021)

RBI updates

1. Corporate governance in banks - appointment of directors and constitution of committees of the board

Basis a comprehensive review of the framework for governance in the commercial banks, RBI through a notification dated 27 April 2021 had issued certain instructions with regard to the chair and meetings of board, composition of certain committees of the board, appointment of whole-time directors. The instructions would be applicable to all the private sector banks including Small Finance Banks (SFBs) and wholly owned subsidiaries of foreign banks. In respect of State Bank of India (SBI) and nationalised banks, these guidelines would apply to the extent the stipulations are not inconsistent with provisions of specific statutes applicable to these banks or instructions issued under the statutes.

Key instructions are as follows:

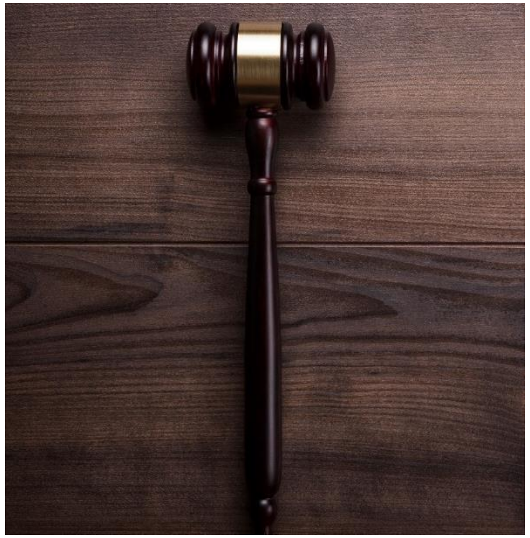
- **Chair and meetings of the board**: The Chair of the board should be an independent director. In the absence of the Chair of the board, the meetings of the board should be chaired by an independent director. The quorum for the board meetings should be one-third of the total strength of the board or three directors, whichever is higher. At least half of the directors attending the meetings of the board should be independent directors.
- **Committees of the board:**
  a. *Audit Committee of the Board (ACB):* The ACB should be constituted with only Non-Executive Directors (NEDs). The Chair of the board should not be a member of the ACB. The ACB should meet at least once a quarter with a quorum of three members. At least two-thirds of the members attending the meeting of the ACB should be independent directors.

  b. *Risk Management Committee of the Board (RMCB):* The board shall constitute an RMCB with a majority of NEDs. The RMCB should meet at least once in each quarter with a quorum of three members. At least half of the members attending the meeting of the RMCB should be independent directors of which at least one member should have professional expertise/qualification in risk management.

  c. *Nomination and Remuneration Committee (NRC):* The board shall constitute an NRC made up of only NEDs. The NRC should meet with a quorum of three members. At least half of the members attending the meeting of the NRC should be independent directors, of which one should be a member of the RMCB.
- **Tenure of MD and CEO and WTDs:** The post of the Managing Director (MD) and Chief Executive Officer (CEO) or Whole-Time Director (WTD) cannot be held by the same incumbent for more than 15 years. An individual may be considered for reappointment only after a minimum gap of three years subject to meeting other conditions. During this three-year cooling period, the individual should not be appointed or associated with the bank or its group entities in any capacity, either directly or indirectly.

Effective date: The instructions come into effect from the date of issue of the circular i.e. 26 April 2021. To enable smooth transition to the revised requirements, banks are permitted to comply with these instructions latest by 1 October 2021.

(Source: RBI notification no. RBI/2021-22/24 dated 26 April 2021)



RBI updates

2. Declaration of dividends by banks

The RBI through its circular dated 4 December 2020 has prohibited banks from making any dividend payment on equity shares from the profits pertaining to the financial year ended 31 March 2020. Recently, RBI decided to review the dividend declaration norms for the year ended 31 March 2021 as follows:

- **Commercial banks:** Banks may pay dividend on equity shares from the profits for the financial year ended 31 March 2021, subject to the quantum of dividend being not more than 50 per cent of the amount determined as per the dividend payout ratio.
- **Cooperative banks:** Banks will be permitted to pay dividend on equity shares from the profits of the financial year ended 31 March 2021.

Further, banks should continue to meet the applicable minimum regulatory capital requirements after dividend payment. While declaring dividend on equity shares, it would be the responsibility of the board of directors to, inter alia, consider the current and projected capital position of the bank vis-à-vis the applicable capital requirements and the adequacy of provisions, taking into account the economic environment and the outlook for profitability.

(Source: RBI notification no. RBI/2021-22/23 dated 22 April 2021)

Other regulations

1. Amendment Securities Contracts (Regulations) (Amendment) Rules, 2021

A public company desirous of getting its securities listed on a recognised stock exchange is required to comply with the prescribed minimum offer and allotment to public requirements under the Securities Contracts (Regulations) Rules, 1957.

The Ministry of Finance through a notification dated 18 June 2021 has issued certain amendments to the Securities Contracts (Regulations) Rules, 1957. Those, inter alia, includes:

- **Minimum public shareholding**: The amendments modified conditions relating to minimum offer and allotment to public as follows:
  - Currently all issuers with the post issue capital calculated at offer price above INR4,000 crore are required to dilute atleast 10 per cent to public shareholding. As per the amended requirements, if the post issue capital of the company calculated at offer price is above INR4,000 crore **but less than or equal to INR1 lakh crore,** *(inserted by amendment)* then atleast 10 per cent of each class or kind of equity shares or debentures convertible into equity shares issued by the company should be the minimum offer and allotment to public in terms of an offer document.

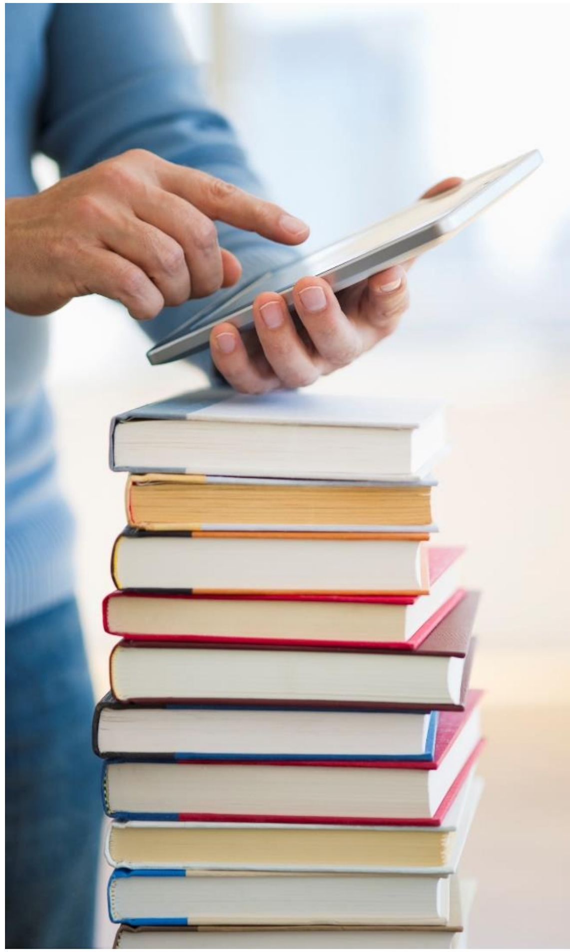
    (Emphasis added to highlight the change)
  - The amendment has also introduced a new classification as per which, if the post issue capital of the company calculated at offer price is above INR1 lakh crore, in such a case, at least such percentage of each class or kind of equity shares or debentures convertible into equity shares issued by the company equivalent to the value of INR5,000 crore and at least five per cent of each such class or kind of equity shares or debenture convertible into equity shares issued by the company should be the minimum offer and allotment to public.

  Such a company should increase its public shareholding to at least 10 per cent within a period of two years and at least 25 per cent within a period of five years, from the date of listing of the securities, in the manner specified by SEBI.
- **Norms for listed companies going through Corporate Insolvency Resolution Process (CIRP):** As per the amendments, during Corporate Insolvency Resolution Process (CIRP) under the Insolvency and Bankruptcy Code, 2016 (Code), if the public shareholding of the listed companies falls below 10 per cent, they are required to bring the public shareholding to at least 10 per cent within a period of **12 months** (earlier 18 months).

Additionally, every listed company shall maintain public shareholding of atleast five per cent as a result of implementation of the resolution plan under the Code.

The amendments are effective from the date of their notification in the official gazette i.e., 18 June 2021.

(Source: Ministry of Finance notification G.S.R. 423(E) dated 18 June 2021)



ICAI publications

EACs issued by ICAI during the quarter ended 30 June 2021

Topic	Month
Method of accounting to be followed by the society under the Societies Registration Act, 1860 and a Public Trust under the Bombay Public Trusts Act, 1950	June 2021
Disclosure of changes in inventory of scrap in the statement of profit and loss	May 2021
Amortisation of stamp duty and registration charges paid/payable towards execution of mining lease deeds	April 2021

(Source: The Chartered Accountant – ICAI Journal for the April 2021, May 2021 and June 2021)

Our publications

Accounting and Auditing Update: Issue no. 59 – June 2021

In this edition of Accounting and Auditing Update (AAU), we discussed the International Accounting Standards Board (IASB) proposal of a major overhaul to the existing IFRS Practice Statement 1, Management Commentary. The article provides an overview of the proposals regarding management commentary by IASB.

While IASB has proposed to include specific reporting on ESG matters in management commentary, on the other hand, the Financial Accounting Standards Board (FASB) has issued an educational material to provide an overview of the intersection of ESG matters with financial accounting standards. The article publication summarises the guidance provided by FASB vis-à-vis consideration of relevant ESG matters in financial reporting by entities.

The publication also provides an overview regulatory and financial reporting developments in India.

First Notes
Mandatory BRSR reporting for top 1,000 listed companies from FY2022-23

SEBI through a notification dated 5 May 2021 has amended the Listing Regulations. The amendments, inter alia, relates to discontinuance of the requirement of submitting BRR by listed companies after FY2021-22. Accordingly, the companies would be required to submit a new report on ESG parameters, namely Business Responsibility and Sustainability Report (BRSR) in the following manner:

- **Mandatory from FY2022-23:** For top 1,000 listed companies by market capitalisation
- **Voluntary for FY2021-22:** For top 1,000 listed companies by market capitalisation
- **Voluntary for other companies:** Listed companies (other than top 1,000) and companies which have listed their specified securities on the Small and Medium Enterprises (SME) exchange may voluntarily submit BRSR in place of BRR effective FY2021-22 onwards.

This issue of First Notes aim to summarise the key features of the new report along with highlighting the differences between BRSR and BRR.


KPMG josh
IT SHOWS
IN OUR ABILITY TO TRIUMPH OVER ANYTHING
IN OUR SPIRIT OF UNDYING ENTHUSIASM
OUR DRIVE TO ACHIEVE THE EXTRAORDINARY
UNMOVED BY FEAR OR CONSTRAINT
WE'RE DRIVEN BY JOSH AND IT SHOWS

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