Voices on Reporting

Quarterly updates

January 2020

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In this publication, we have summarised important updates relating to the quarter ending 31 December 2019 from the Securities and Exchange Board of India (SEBI), the Ministry of Corporate Affairs (MCA), the Institute of Chartered Accountants of India (ICAI) and the Ministry of Law and Justice.

Updates relating to SEBI Regulations

Mandatory disclosure on loan defaults by listed entities

Background

Regulation 30 of the Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) requires equity listed entities to disclose to stock exchange(s) all events or information, which are material. Further, Regulation 51 of the Listing Regulations (read with Part B of Schedule III) requires listed entities (with listed Non-Convertible Debt securities (NCDs)/Non-Convertible Redeemable Preference Shares (NCRPS)) to provide specific disclosures on certain matters such as delay/default in payment of interest/redemption of NCDs and NCRPS for a period of more than three months from the due date.

Currently, SEBI regulations do not mandate listed entities to provide disclosure in case of delay/default in payment of interest or principal with respect to loans from banks and financial institutions and unlisted debt securities like NCDs and NCRPS.

New development

SEBI through its circular dated 21 November 2019 mandated listed entities to provide disclosure to the stock exchanges when there is a default in payment of interest/instalment obligations on loans, including revolving facilities like cash credit, from banks/financial institutions and unlisted debt securities.

Applicability

The circular is applicable to all listed entities which have listed the following securities on a stock exchange:

- Specified securities (equity and convertible securities),
- Non-Convertible Debt securities (NCDs) and
- Non-Convertible Redeemable Preference Shares (NCRPS).

The term '*default*' for the purpose of this circular would mean non-payment of the interest or principal amount in full on the date when the debt has become due and payable (pre-agreed payment date). For revolving facilities like cash credit, an entity would be considered to be in 'default' if the outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for more than 30 days.

Timing of disclosure

The circular lays down the timing of disclosure of default for the following situations:

- *Loans from banks and financial institutions:* The disclosures would be required to be provided to stock exchanges when an entity has defaulted in payment of interest/instalment obligations on loans, including revolving facilities like cash credit, from banks/financial institutions beyond 30 days. The disclosure would be made promptly but not later than 24 hours from the 30th day of such default.
- *Unlisted debt securities i.e. NCDs and NCRPS*: In case of default in payment of interest/instalment, the disclosure would be made promptly but not later than 24 hours from the occurrence of the default.

Additionally, a listed entity is required to report within seven days from the end of the quarter in case there is any outstanding amount in the following cases as on the last date of any quarter:

- Any loan including revolving facilities like cash credit from banks/financial institutions where the default continues beyond 30 days or
- There is any outstanding debt security under default.

Disclosure formats

The circular prescribes two different reporting formats for complying with the disclosure requirements:

- *At the time of each instance of default*
  a) For loans including revolving facilities like cash credit from banks/financial institutions
  b) For unlisted debt securities i.e. NCDs and NCRPS
- *At the end of each quarter:* Disclosures in case there is any outstanding amount under default as on the last day of the quarter (to be reported within seven days from the end of the quarter).

Effective date: The circular is effective from 1 January 2020.

Key takeaways

The new approved norms increase the compliance requirements for the listed entities. Therefore, the listed entities should take note of the revised requirements and incorporate robust procedures to ensure compliance. The companies should develop a framework to ensure governance as well as compliance with the requirement of SEBI regulations.

Source: SEBI circular SEBI/HO/CFD/CMD1/CIR/P/2019/140 dated 21 November 2019 and KPMG in India's First Notes "SEBI mandates disclosure on loan defaults by listed entities and other updates" dated 3 December 2019

SEBI mandates prompt disclosure by banks on NPA divergence

Background

The Reserve Bank of India (RBI) requires banks to disclose material divergences in their asset classification and provisioning from the prescribed RBI norms. Banks are required to provide such disclosures in the notes to accounts to the annual financial statements under the category 'Asset Quality (non-performing assets)'. As per RBI circular (RBI/2018-19/157) dated 1 April 2019, banks are mandated to disclose divergences in their annual financial statements, if either or both of the following conditions are satisfied:

a) The additional provisioning for Non-Performing Assets (NPAs) assessed by RBI exceeds 10 per cent of the reported profit before provisions and contingencies for the reference period

b) The additional gross NPAs identified by RBI exceed 15 per cent of the published incremental gross NPAs for the reference period.

In line with the above mentioned requirements, SEBI also requires banks with listed specified securities to disclose to the stock exchanges (along with annual financial results) divergences in the asset classification and provisioning, if either or both of the above-mentioned conditions (as per RBI circular) are satisfied. The disclosures are required to be placed as an Annexure to the annual financial results filed with the stock exchanges in accordance with Regulation 33(3)(d) of SEBI Listing Regulations.

New development

Regulation 30 of SEBI Regulations requires listed entities to disclose to stock exchange(s) all events or information, which are material, as soon as reasonably possible and not later than 24 hours from the occurrence of event or information.

Further, SEBI (Prohibition of Insider Trading) Regulations, 2015 (PIT Regulations) mandates prompt disclosure of unpublished price sensitive information that would impact price discovery no sooner than credible and concrete information comes into being.

In view of above requirements, SEBI through its circular dated 31 October 2019 tightened the disclosure norms for banks after consultation with RBI. As per the circular, listed banks should provide the disclosure in case of NPA divergence and provisioning beyond specified threshold (as explained in the background section), as soon as reasonably possible and not later than 24 hours upon receipt of the RBI's final risk assessment report. Therefore, disclosure would be provided in a format prescribed by RBI circular (Annex-A to SEBI circular). They should not wait to publish these disclosures as part of their annual financial statements.

The provisions of the circular are effective from 31 October 2019.

Key takeaways

Considering the requirements of Listing Regulations, PIT Regulations and RBI circulars, SEBI noted that disclosures in respect of divergence and provisioning are in the nature of material events or information and would be price sensitive. Hence SEBI has necessitated prompt disclosure. Accordingly, banks are mandated to disclose this information to stock exchange within 24 hours of the receipt of the RBI's final risk assessment report .

Source: SEBI circular CIR/CFD/CMD1/120/2019 dated 31 October 2019 and KPMG in India's First Notes "SEBI mandates prompt disclosure by banks on NPA divergence" dated 25 November 2019

New requirements with regard to an auditor's resignation

Section 140(2) of the Companies Act, 2013 (2013 Act) specifies the procedure to be followed by an auditor when he/she resigns from a company. The procedure is as follows:

- File a statement in the prescribed form with the company and the Registrar of Companies within 30 days from the date of resignation. For a government or a state government company (companies specified in Section 139(5) of the 2013 Act), file such a statement with the Comptroller and Auditor General of India.
- Statement should indicate the reasons and other facts as may be relevant with respect to such resignation.

From 1 April 2019, Listing Regulations also cast responsibility on the listed entities in relation to an auditor's resignation. The listed entities are required to disclose detailed reasons to the stock exchanges when there is a resignation by an auditor as soon as possible but not later than 24 hours of receipt of such reasons from the auditor.

New development

On 18 October 2019, SEBI issued a circular clarifying mandatory conditions to be complied with in case of resignation of the statutory auditor of a listed entity or its material subsidiary with respect to the limited review or auditor's report. The circular prescribed following conditions to be complied by a listed entity/material subsidiary while appointing/re-appointing an auditor are as following:

- **Auditor resigns within 45 days from the end of a quarter**: An auditor should, before resignation, issue the limited review/audit report for such quarter.
- **Auditor resigns after 45 days from the end of a quarter**: An auditor should, before resignation, issue the limited review/audit report for such quarter and the next quarter.
- **Auditor has signed the limited review/audit report for the first three quarters of a financial year**: An auditor should, before resignation, issue the limited review/audit report for the last quarter of such financial year and the audit report for the financial year.

The above conditions would be included in the terms of appointment of the statutory auditor at the time of appointment/re-appointment. In case the statutory auditor has already been appointed, the terms of appointment should be modified accordingly.

The circular also prescribes the manner in which the matters of concern, if any, with the management of the listed entity/material subsidiary, which are expected to hamper the audit process, are to be reported by an auditor.

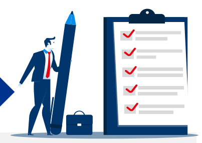
Additionally, the circular specifies the format in which the listed entity/its material subsidiary should obtain information from the auditor on resignation which includes the detailed reason for such resignation. The listed entity should disclose the same to the stock exchange(s) (as part of material deemed events) within 24 hours from the receipt of information.

Further during the period from when the auditor proposes to resign till the auditor submits the report for such quarter/financial year as specified above, the listed entity and its material subsidiaries are required to continue to provide all such documents/information as may be necessary for the audit/limited review.

Additionally, ICAI through its announcement dated 9 December 2019 clarified that that statutory auditors of listed entities and their material subsidiaries are required to comply with the aforesaid SEBI circular.

The provisions of the circular are effective from 18 October 2019.

Key takeaways



The listed entities should take note of the circular as additional onus is cast on them for disclosure of information in case of resignation of statutory auditors. The steps undertaken by SEBI are aimed at strengthening the corporate governance framework and protecting the interests of the investors. The circular does not prohibit resignation of auditors but aims at an orderly resignation after the relevant period end review/audit is completed and discourages resignations without communicating appropriate reasons.

Source: SEBI circular number CIR/CFD/CMD1/114/2019 dated 18 October 2019 and KPMG in India's First Notes "SEBI issued new requirements with regard to an auditor's resignation" dated 6 November 2019

New norms for rights issue process

On 21 May 2019, SEBI issued a discussion paper on Review of Rights Issue Process to explore ways to make the rights issue process more efficient and reduce the timelines both in the pre-issue opening phase and after issue closure.

Subsequently, SEBI in its board meeting dated 20 November 2019 approved a revised framework for rights issue process along with the amendments to relevant SEBI regulations.

New development

Based on recommendations received by SEBI on discussion paper, SEBI issued (Issue of Capital and Disclosure Requirements) (ICDR) (Sixth Amendment) Regulations, 2019. The revised framework aims to reduce the timeline for the completion of the rights issue by introducing the dematerialisation and trading of Rights Entitlements (REs).

The key amendments introduced by SEBI are as follows:

- **Electronic mode**: Introduction of dematerialised REs and trading of REs on stock exchange platform. The REs would be credited to the demat account of the shareholders before the date of opening of the issue. Further, allotment of specified securities would be made in the dematerialised form only.
- **Payment Mode**: All investors would be required to mandatorily use ASBA (Applications Supported by Blocked Amount) as payment mode for applying to rights issue. The payment through any other mode is only permitted in respect of an application made for any reserved portion outside the issue period.
- **Newspaper advertisement***:* Regulation 84 of the ICDR Regulations, 2018 requires the issuer to publish an advertisement in newspapers confirming completion of dispatch of the letter of offer and composite application forms. The amendment requires an issuer to publish such an advertisement at least two days before the date of opening of the issue instead of current requirement of three days. Additionally, now an issuer would also give an intimation to the stock exchange(s) for dissemination on their websites.

- **Period of subscription**: Currently Regulation 84 of the ICDR Regulations, 2018 requires that the rights issue should be kept open for subscription for a minimum period of 15 days and for a maximum period of 30 days. The recent amendment issued by SEBI provides that withdrawal of application would not be permitted after the issue closing date.

Effective date: The amendments are applicable from 26 December 2019.

Key takeaways

The process changes would reduce post issue timeline. Further, the electronic credit and trading of rights renunciation would make the process of renunciation more transparent and efficient. Payment through ASBA facility is investor friendly and enables faster completion of the post issue process.

Source: SEBI notification SEBI/LAD-NRO/GN/2019/47 dated 26 December 2019

BRR applicable to top 1,000 listed companies

Regulation 34(2)(f) of the Listing Regulations requires mandatory submission of Business Responsibility Report (BRR) for top 500 listed entities based on market capitalisation (calculated as on 31 March of every year) along with the annual report. The BRR should describe the initiatives taken by the said listed entities from an environmental, social and governance perspective, in the format specified by SEBI.

On 26 December 2019, SEBI has issued SEBI Listing Regulations (Fifth Amendment) Regulations, 2019 which inter-alia extends the requirement of submitting BRR as part of annual reports to top 1,000 listed companies based on market capitalisation.

The requirements are applicable from 26 December 2019.

Source: SEBI notification SEBI/LAD-NRO/GN/2019/45 dated 26 December 2019

Revised buy-back norms for listed companies

On 19 September 2019, SEBI has issued the SEBI (Buy-Back of Securities) (Second Amendment) Regulations, 2019 and made certain amendments to the buy-back norms. The amendments relate to identification of thresholds for compliance with the prescribed conditions for buy-back of securities.

The amendments are as follows:

- **Special resolution**: Currently, buy-back is required to be authorised by the articles of the company and a special resolution should be passed at its general meeting. When buy-back is for less than 10 per cent of the total paid up equity and free reserves of a company then an ordinary resolution has to be passed i.e. authorisation by articles and special resolution is not required.

  The amendments clarified that the above limit of 10 per cent of the total paid-up equity capital and free reserves would be based on both stand-alone financial statements and Consolidated Financial Statements (CFS) of the company.

- **Maximum limit of buy-back**: As per the amendment, the maximum limit of buy-back (i.e. 25 per cent or less of the aggregate of paid-up capital and free reserves of the company) should be considered on the basis of both stand-alone financial statements and CFS of the company.

- **Post buy-back debt-to-capital and free reserves ratio**: One of the important conditions for buy-back requires a listed company to ensure that the ratio of the aggregate of secured and unsecured debts owed by the company after buy-back should not be more than twice the paid-up capital and its free reserves. A higher ratio could be prescribed by the CG.

  The amendments clarified following with respect to:

  - *Listed companies with Non-Banking Financial Companies (NBFCs) and Housing Finance Companies (HFCs) as subsidiaries*: These companies should compute the post buy-back debt to capital and free reserves ratio of 2:1 on the basis of both their stand-alone financial statements and CFS. Also, while computing the ratio, financial statements of all subsidiaries that are NBFCs and HFCs regulated by the RBI or National Housing Bank (NHB) should be excluded.

The buy-back would be permitted if the subsidiaries (i.e. NBFC and HFC) also have debt (secured and unsecured) to paid-up capital and free reserves ratio of not more than 6:1 on a stand-alone basis.

  - *Other listed companies*: The post buy-back debt to capital and free reserves ratio of 2:1 (except for companies for which higher ratio of the debt to capital and free reserves has been notified under the 2013 Act) should be considered on the basis of both stand-alone financial statements and CFS of the company.

- **Method of buy-back**: Currently, a company can buy-back its shares or other specified securities following certain prescribed methods which, *inter-alia*, include buy-back from open market through book-building process or stock exchange. However, buy-back from open market should be less than 15 per cent of the paid-up capital and free reserves of the company. The amendments clarified that the above threshold for open market (i.e. 15 per cent of the paid-up capital and free reserves) should be based on both stand-alone financial statements and CFS of the company.

The amendments are effective from 19 October 2019.

Source: SEBI (Buy-Back of Securities) (Second Amendment) Regulations, 2019 dated 19 September 2019

Format for statement of deviation/ variation of end use of issue proceeds

Regulations 32 of the SEBI Listing Regulations requires listed entity to submit, a statement of deviation or variation, pursuant to review by the audit committee, to the stock exchange on a quarterly basis for public issue, rights issue, preferential issue etc. The statement should indicate following:

- Deviations, if any, in the use of proceeds of public issue, rights issue, preferential issue etc. and
- The category wise variation between projected utilisation of funds and the actual utilisation of funds.

Such a statement of deviation or variation is to be submitted till the issue proceeds have been fully utilised or the purpose for which these proceeds were raised has been achieved. Stock exchanges, during the course of interactions with SEBI, raised concerns that while listed entities submit the statement of deviation or variation, there is no uniformity in the formats so submitted.

New development

In order to address this concern, SEBI through its circular dated 24 December 2019, issued a format in compliance with Regulations 32 of the SEBI Listing Regulations.

The key features of the circulars are as below:

- **Applicability:** The format is applicable to every listed entity which has raised funds through public issue, rights issue, preferential issue, QIPs etc.
- **Frequency of Disclosure**: Disclose on a quarterly basis along with the declaration of financial results (within 45 days of end of each quarter/60 days from the end of the last quarter of the financial year) until such funds are fully utilised or the purpose for which these proceeds were raised has been achieved.
- **Role of the Audit Committee**: The statement of deviation report should be reviewed by the audit committee and after such review, the comments of audit committee along with the report would be disclosed/submitted to the stock exchange, as part of the format. In cases where the listed entity is not required to form an audit committee under the provisions of SEBI Listing Regulations or the 2013 Act, then such a report should be reviewed by the Board of Directors.

Effective date: The first such submission shall be made by the listed entities for the quarter ending 31 December 2019, subsequent submissions would be on quarterly basis.

Source: SEBI circular CIR/CFD/CMD1/162/2019 dated 24 December 2019.

FAQs on SEBI (Prohibition of Insider Trading) Regulations, 2015

On 4 November 2019, SEBI issued Frequently Asked Questions (FAQs) to clarify certain aspects relating to the provisions of the SEBI (Prohibition of Insider Trading) Regulations, 2015 (PIT Regulations).

The clarifications are as follows:

- **Information to be maintained in a structured digital database**: Currently, Regulation 3(5) of the PIT Regulations require board of directors of a listed company to maintain a structured digital database. Such a database would contain the names of persons/entities who receive Unpublished Price Sensitive Information (UPSI) (designated persons) (along with Permanent Account Number (PAN) or any other identifier, in case PAN is not available).

  The FAQ clarifies that in case the designated person is a fiduciary or intermediary, the data base of the listed entity should contain the names of the fiduciary or intermediary with whom they have shared information along with the PAN or other identifier, in case PAN is not available. Further, the fiduciary or intermediary will be required to maintain details of persons with access to UPSI as specified in Schedule C to the PIT Regulations.
- **Resignation of a designated person**: In case of resignation of a designated person, the listed company/ intermediary/fiduciary would be required to maintain the updated address and contact details of such designated person for one year after resignation. Such data should be preserved by the company/intermediary/fiduciary for a period of five years.
- **Pre-clearance for sale of shares under employee stock options**: The PIT Regulations requires use of a notional trading window to monitor trading by the designated persons. The trading window should be closed when the compliance officer determines that a designated person can reasonably be expected to have possession of UPSI. Designated persons and their immediate relatives should not trade in securities when the trading window is closed. However, trading window restriction is not applicable to certain specified transactions subject to pre-clearance by the compliance officer, for instance, transaction undertaken pursuant to the exercise of stock options. The FAQ further clarified that the sale of shares by designated employees obtained after exercise of stock options would not require any pre-clearance from the compliance officer.
- **Trading in depository receipts by designated persons**: It has been clarified that trading in American Depository Receipts (ADRs) and Global Depository Receipts (GDRs) of listed companies is covered under PIT Regulations. Accordingly, employees of listed companies including foreign nationals (designated persons) are required to follow the code of conduct for trading in ADRs and GDRs.

Source: FAQs on SEBI (PIT) Regulations, 2015 dated 4 November 2019

SEBI introduces an informant policy under insider trading laws

On 17 September 2019, SEBI issued SEBI PIT (Third Amendment) Regulations, 2019 to amend provisions relating to insider trading. The amendment introduced a new chapter dealing with the informant policy in relation to insider trading. The chapter institutes a formal process that enables timely reporting of instances of insider trading violations. It also provides for grant of reward with adequate checks and balances that could incentivise timely reporting of information relating to insider trading to SEBI at the first available opportunity.

Additionally, on 24 December 2019, SEBI through its press release highlighted the key features of the informant policy including manner of submission of information to SEBI. The amended regulations are effective from 26 December 2019.

The following section discusses the key provisions of the informant policy relating to insider trading:

I. **New definitions:** The amendment has introduced various new definitions. Following are the key definitions inserted:
    - Informant: An 'Informant' is any individual who voluntarily provides original information to SEBI relating to any violation of insider trading laws that has occurred, is occurring or has a reasonable belief that it is about to occur. Voluntarily providing information means the voluntarily submission of information to SEBI not being at the instance of SEBI,

Central or State authorities or any other authority.

- Original information: It is defined as any relevant information submitted in accordance with the Regulations pertaining to any violation of insider trading laws that is:

  a) Derived from the independent knowledge and analysis of the informant;

  b) Not known to the SEBI from any other source, except where the informant is the original source of the information;

  c) Is sufficiently specific, credible and timely to (1) commence an examination, an inquiry, or an audit, (2) assist in an ongoing examination or investigation or an inquiry or an audit, (3) open or re-open an investigation or inquiry, or (4) inquire into a different conduct as part of an ongoing examination or investigation or inquiry or audit directed by the SEBI;

  d) Not exclusively derived from an allegation made in a judicial or administrative hearing, in a Governmental report, hearing, audit, or investigation, or from the news media, except where the Informant is the original source of the information;

  e) Not irrelevant, frivolous, or vexatious; and

  f) Information which does not in the opinion of the SEBI add to the information already possessed by the SEBI is not original information.

- Reward: 'Reward' means any gratuitous monetary amount for which an informant is declared eligible as per the provisions of these regulations.

II. **Submission of information** - An informant may voluntarily submit original information pertaining to any violation of insider trading laws to the Office of Informant Protection (OIP), through a Voluntary Information Disclosure (VID) form. The information may be submitted by the informant directly in which case his/her identity would be required to be revealed at the time of submission of the VID form. In case, the information is submitted through a legal representative, the identity of the informant is not required to be revealed at the time of submission of VID form. However, the identity of the informant would be required to be revealed prior to payment of reward, if any.

III. **Office of Informant Protection (OIP)**: OIP has been established by SEBI as an independent office for receiving and processing VID forms.

IV. **Informant confidentiality**: The regulations provides policy to ensure confidentiality of the informant. The original information and the identity of the informant is required to be held in confidence by SEBI and is exempted from disclosures under the Right to Information Act, 2005. Further, prohibition is also prescribed that no person would compel on disclosure of the identity, existence of an informant or of the information provided by an Informant.

V. **Reward**: An Informant may become eligible to claim a reward or an interim reward (payable out of the total reward) from SEBI. The reward may extend upto 10 per cent of the monetary sanctions collected or recovered, but not exceeding INR1,00,00,000 and an interim reward may extend upto INR10,00,000.

VI. **Protection against retaliation and victimisation**: Every entity is required to have a code of conduct and ensure that the code provides for suitable protection against any discharge, termination, demotion, suspension, threats, harassment or discrimination, directly or indirectly, against any employee who submits information to SEBI. Further it provides right to informant to proceed legal recourse if the such informant has been subjected to retaliation or victimisation by his or her employer. The employers on violating the provisions may be made liable for penalty, debarment, suspension, and/or criminal prosecution by SEBI.

Source: SEBI PIT (Third Amendment) Regulations, 2019 dated 17 September 2019.

Updates relating to the Companies Act, 2013

MCA issues norms for data bank of independent directors

Background

Section 150 of the Companies Act, 2013 (2013 Act) provides that an independent director can be selected from a data bank maintained by any body, institute or association, as may by notified by the Central Government (CG). The data bank would contain names, addresses and qualifications of persons who are eligible and willing to act as independent directors. The company needs to ensure exercise of due diligence before selecting an independent director from the data bank. The CG has been authorised to prescribe the manner in which the aforesaid data bank should be created and maintained.

New development

On 22 October 2019, the Ministry of Corporate Affairs (MCA) has issued certain notifications relating to the creation and maintenance of the data bank for independent directors. These relates to the following:

I. Constitution of an institute for data bank of independent directors

The MCA has notified Indian Institute of Corporate Affairs (the institute) at Manesar (Haryana), as an institute to create and maintain an online data bank of persons who are eligible and willing to act as independent directors for the use of the company making such appointment.

II. Notification of Companies (Creation and Maintenance of data bank of Independent Directors) Rules, 2019 (Rules)

The Rules provide the manner of creation and maintenance of data bank by the institute along with its duties. The key requirements are as follows:

- *Particulars of independent directors*: The data bank should contain prescribed details of individuals who are eligible and willing to be appointed as independent directors which, inter alia, includes Director Identification Number (DIN), list of companies in which he/she was a director along with the nature of directorship and the pending criminal proceedings, if any.
- *Data available online*: The data bank so created would be an online data bank which would be placed on the website of the institute for use by companies.

- *Online proficiency test*: The institute is required to conduct an online proficiency self-assessment test for persons willing and eligible to be appointed as independent directors. The test would cover the companies law, securities law, basic accountancy and such other areas relevant to the functioning of an individual acting as an independent director.
- *Duties of the institute*: Apart from conducting the online proficiency test, the institute would be responsible to prepare a basic study material, online lessons including audio visuals to assist individuals taking the online proficiency test. An option would be provided to individuals to take advanced tests in areas specified above (companies law, securities law, etc.) and accordingly, the institute would be required to prepare the necessary advanced study material.
- *Others*: Some of the other key points to be considered are as follows:
    - The information available in the data bank would be provided only to companies required to appoint independent directors after paying a reasonable fee to the institute.
    - A person (whose name is included in the data bank) may restrict the personal information to be disclosed in the data bank.
    - Any change in the particulars of the person whose name is included in the data bank can be made within 30 days of such change by the person through web-based framework available by the institute.
    - A disclaimer would be placed on the website hosting the data bank reiterating the fact that the company should carry out its own diligence before appointment of any person as an independent director.

III. **Compliances required by independent directors:** The MCA has amended Rule 6 of the Companies (Appointment and Qualifications of Directors) Rules. The amended Rule prescribes the following compliances for the independent directors:

- *Mandatory enrolment in the data bank*: Following persons should apply online to the institute for inclusion of their names in the data bank for a period of one year, five years or for their life-time:

    a) Every individual who has been appointed as an independent director in a company as on 1 December 2019: Within a period of three months from 1 December 2019 i.e. up to 29 Feb 2020 and

    b) Every individual who intends to get appointed as an independent director in a company after 1 December 2019: Before his/her appointment.

    An individual (including an individual who does not have a DIN) can also apply voluntarily to the institute.
- *Qualifying an online proficiency test*: An individual whose name has been included in the data bank is required to pass an online proficiency self-assessment test (with 60 per cent score in aggregate) conducted by the institute within a period of one year from the date of inclusion of his/her name in the data bank. In case he/she fails to undertake the test, his/her name would be removed from the data bank of the institute.
- *Persons exempt from online proficiency test*: An individual will not be required to pass the online proficiency test in case, he/she has served for a period of 10 years or more as on the date of inclusion of his/her name in the data bank as director or key managerial personnel in the following companies:

    a) A listed public company

    b) An unlisted public company with a paid-up share capital of INR10 crore or more.
- *Renewal of name in the data bank*: In case of expiry of the period for which the name of an individual was initially included in the data bank, an application for renewal for a further period of one year, three years or for his/her life time has to be filed by the individual with the institute. Such a renewal should be applied within a period of 30 days from the date of expiry of period up to which the name was initially applied for.

An application for renewal would not be required in case an individual has paid life-time fees for inclusion of his/her name in the data bank.

- *Declaration for compliance:* The Data bank Rules require every independent director to submit an additional declaration for compliance with the norms relating to enrolment in the data bank and those relating to renewal of name in the data bank each time declaration of independence under Section 149(7) is submitted by the independent director.

IV. Additional disclosure in board's report

The MCA has amended Rule 8 of the Companies (Accounts) Rules. As per the amendment, the board's report should also contain 'a statement regarding opinion of the board of directors with regard to the integrity, expertise and experience (including the proficiency) of the independent directors during the year'.

Effective date: All the above amendments and rules are effective from 1 December 2019 (except rule pertaining to definitions and panel to be created for approving the courses and study material of the institute which are effective from 22 October 2019).

Key takeaways

The recent notifications are expected to provide a repository of qualified independent directors at one place. The data bank would contain the names, addresses and qualifications of such individuals. However, while selecting individuals from the data bank, companies are required to ensure exercise of due diligence.

(Source: MCA notifications dated 22 October 2019 and KPMG in India's First Notes MCA issues norms for data bank of independent directors dated 8 November 2019)

Revised threshold for transactions with related parties

Currently, Section 188 of the 2013 Act requires that the transactions with related parties that are not in the ordinary course of business and which are not at an arm's length would require consent of the Board of Directors of the company. Additionally, Rule 15(3) of the Companies (Meetings of Board and its Powers) Rules, 2014 (Board Meeting Rules) prescribes certain transactions (with specified thresholds) which would require prior shareholders' approval by an ordinary resolution.

On 18 November 2019, MCA amended Rule 15(3) of the Board Meeting Rules and specified revised thresholds for transactions with related parties which would require shareholders' approval by an ordinary resolution.

The table below provides summary of revised thresholds:

Prescribed transaction categories	Amount beyond which shareholders' approval is required	
	Existing	Revised
Sale, purchase, or supply of any goods or materials (directly or through an agent)	10 per cent or more of the turnover or INR100 crore, whichever is lower*	10 per cent or more of the turnover
Selling or otherwise disposing of, or buying, property of any kind (directly or through an agent)	10 per cent or more of the net worth or INR100 crore, whichever is lower*	10 per cent or more of the net worth
Leasing of property of any kind	10 per cent or more of the net worth or 10 per cent or more of the turnover or INR100 crore, whichever is lower*	10 per cent or more of the turnover
Availing or rendering of any services (directly or through an agent)	10 per cent or more of the turnover or INR50 crore, whichever is lower*	10 per cent or more of the turnover
Appointment to any office or place of profit in the company, subsidiary company or associate company	Remuneration exceeding INR2.5 lakh per month	No change
Underwriting the subscription of any securities or derivatives of the company	Remuneration exceeding one per cent of net worth	No change

(Source: KPMG in India's analysis basis provisions of the 2013 Act and the MCA **notification** dated 18 November 2019)

(*Applies to transaction or transactions to be entered into either individually or taken together with the previous transactions during a FY.)

The amendments are effective from 18 November 2019.

Source: MCA notification dated 18 November 2019

Key takeaways

The amendment issued by MCA removes the monetary threshold limit for the requirement relating to shareholder approval for related party transactions. The new thresholds are proportionate to the turnover and net worth of the company. The change would make the approval process for related party transactions easier.

Additionally, the revised thresholds has been majorly aligned with the materiality threshold prescribed under SEBI Listing Regulations. Listing Regulations requires all material transactions with a related party need shareholder approval. Further it provides that a transaction with a related party would be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

Amendment to Schedule VII of the 2013 Act

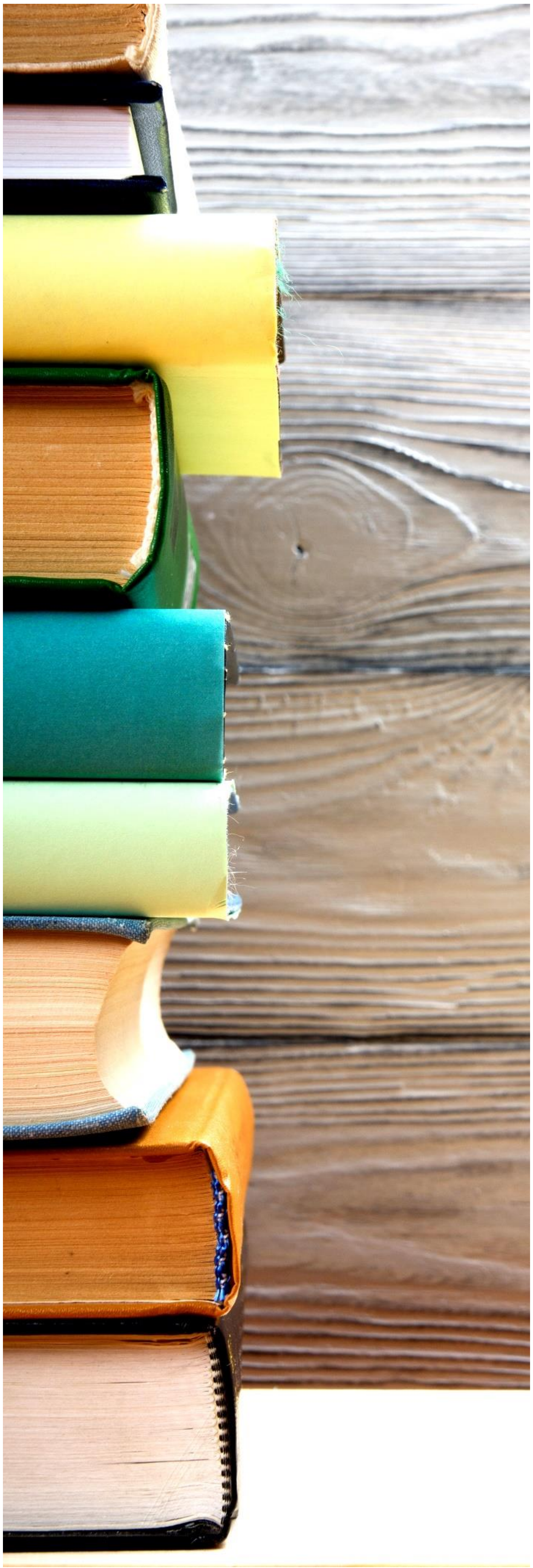
Schedule VII of the 2013 Act lays down a list of activities which are eligible for the Corporate Social Responsibility (CSR) expenditure and can be included by companies in their CSR policies. These, inter alia, includes, contributions or funds provided to technology incubators located within academic institutions which are approved by the CG.

On 11 October 2019, MCA through its notification amended aforesaid mentioned provision of Schedule VII of the 2013 Act. As per the amendment, CSR policy of a company may now include contributions to:

- Incubators funded by CG, State Government (SG), any agency or Public Sector Undertaking (PSU) of CG or SG or
- Public funded universities, Indian Institute of Technology (IITs), national laboratories and autonomous bodies (established under the auspices of Indian Council of Agricultural Research (ICAR), Indian Council of Medical Research (ICMR), Council of Scientific and Industrial Research (CSIR), Department of Atomic Energy (DAE), Defence Research and Development Organisation (DRDO), Department of Biotechnology (DBT), Department of Science and Technology (DST), Ministry of Electronics and Information Technology) engaged in conducting research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals (SDGs).

The amendment is effective from 11 October 2019.

Source: MCA notification no. G.S.R. 776(E) dated 11 October 2019



Updates relating to Ind AS

ITFG Clarifications' Bulletin 22 and 23

The Ind AS Technical Facilitation Group (ITFG) of the Institute of Chartered Accountants of India (ICAI) issued its clarifications' bulletin 22 and 23 on 14 October 2019 and 26 October 2019 respectively. The bulletins provide clarifications on issues relating to application of Ind AS.

The following section summarises key clarifications of ITFG bulletin 22 and 23.

Determination of lease term

To determine the lease term (and therefore to determine whether a lease is a short-term lease) only the enforceable rights of the lessee to renew or extend the lease beyond the non-cancellable period should be considered. Ind AS 116, *Leases* provides recognition exemption for short term leases and leases of low-value items i.e. a lessee may elect not to apply the lease accounting model in such cases.

A lease agreement would qualify as a short-term if it is for a lease term of 12 months or less at its commencement and it does not contain a purchase option. In relation to this, ITFG discussed the following situations with reference to guidance given under Ind AS 116:

- *Renewal or extension of the lease beyond the non-cancellable period without the consent of the lessor*: If the lease agreement provides lessee with a right to renew or extend the lease beyond the non-cancelable period without the consent of the lessor, then the period covered by the lessee's option to renew or extend the lease is included in the lease term if the lessee is reasonably certain to exercise that option.
- *Renewal or extension beyond the non-cancellable period with the consent of the lessor*: If the lease can be renewed or extended beyond the non-cancellable period only with the consent of the lessor, the lessee does not have the right to use beyond the non-cancellable period, then if there are no enforceable rights and obligations existing between the lessee and lessor beyond that term, then there is no contract beyond the non-cancellable period.

Further ITFG clarified that, where a lease agreement (including addendum, if any) which is entered for a period of 12 months or less and does not grant a renewal or extension option to the lessee, then such an agreement would qualify as a short-term lease even if there is a past practice of the lease being renewed upon expiry for a further one year at a time with the mutual consent of the lessee and the lessor. Accordingly, such lease agreements would qualify to avail the exemption of not applying the lease accounting model under Ind AS 116.

Whereas, in case where a lease agreement grants a renewal or extension option to the lessee, the lessee is required to determine whether it is reasonably certain to extend the lease or not to exercise an option to terminate a lease. The ITFG has clarified that in determining the lease term, the lessee is required to make an assessment if, at lease commencement, there is an economic incentive to not exercise the option to terminate the lease prematurely. The lessee would make this assessment by considering all relevant facts and circumstances including any expected changes in facts and circumstances during the lease period.

In case an entity concludes that it is reasonably certain at lease commencement that the termination option would not be exercised, the lease term would be for entire period and, consequently, the lease will not qualify as a 'short term lease'. *(Issue 1, ITFG 22)*

Accounting for lease rental income in case of operating lease by a lessor

In respect of accounting for operating leases by a lessor, Ind AS 17, *Leases* did not require or permit, scheduled lease rental increases to be recognised on a straight-line basis over the lease term if lease rentals were structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases. Instead, Ind AS 17 required such increases to be recognised in the respective period of increase. This was a significant difference (a carve out) from its corresponding International Financial Reporting Standard (IFRS), IAS 17, *Leases.*

However, it is important to note that above carve out has not been carried forward in Ind AS 116. Thus, in the books of lessor Ind AS 116 requires operating lease rentals to be recognised on a straight-line basis (or on another systematic basis if such other basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished).

Considering the above guidance, ITFG clarified that a lessor on transition to Ind AS 116 should recognise operating lease rentals on a straight-line basis over the lease term, even though the lease rentals are structured to increase in line with expected general inflation to compensate for its expected inflationary cost increases. The resultant change in manner of recognition of operating lease rentals represents a change in an accounting policy which would need to be accounted for as per Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, in the absence of specific transitional provisions in Ind AS 116 dealing with the change. *(Issue 2, ITFG 22)*

Accounting for mining lease rights

ITFG discussed the accounting for mining lease rights and considered a scenario where ABC Limited, a cement manufacturer has entered into a lease agreement with PQR Limited for rights for the extraction of lime stone which is the principal raw material for manufacture of cement.

ITFG considered the following two issues related to extraction of mineral resources (such as lime stone), after the establishment of technical feasibility and commercial viability of extracting the mineral resource:

- Classification of such rights as assets
- Amortisation of such rights i.e., whether to be based on lease term in years (period-based) or based on quantity of mineral reserves (quantity based).

ITFG discussed the following guidance under Ind AS to assess the classification of rights as assets:

- Ind AS 16, *Property, Plant and Equipment* does not apply to mineral rights and mineral reserves such as oil, natural gas and similar non-regenerative resources.
- Leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources are also excluded from the scope of Ind AS 116.
- Ind AS 106, *Exploration for and Evaluation of Mineral Resources* provides accounting guidance related to exploration for and evaluation of mineral resources, However, Ind AS 106 too does not apply to the rights where technical feasibility and commercial viability of extracting the limestone has already been established.

ITFG concluded that the mining rights under the current scenario would be classified as intangible assets and accordingly be accounted for as per Ind AS 38, *Intangible Assets* because of following reasons:

- The rights do not relate to a mine in exploration and evaluation stage but to a mine for which the technical feasibility and commercial viability of extracting the limestone has already been determined.
- The payment made (or to be made) by the entity for obtaining the mining lease rights is neither expenditure on 'development' nor on 'extraction' of minerals or other non-regenerative resources.

Further, ITFG discussed the manner of amortisation of the mining rights i.e., whether period-based or quantity-based. Ind AS 38 requires that the amortisation method used should reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity and is applied consistently from period to period, unless there is a change in the expected pattern of consumption of those future economic benefits. Also, Ind AS 38 recognises that in choosing an appropriate amortisation method, an entity could determine the predominant limiting factor that is inherent in the intangible asset. Identification of such a predominant limiting factor could serve as the starting point for the identification of the appropriate basis of amortisation, but another basis may be applied if it more closely reflects the expected pattern of consumption of economic benefits.

Considering the above guidance, ITFG clarified that while making selection of an appropriate amortisation method for the mining lease, an entity should evaluate facts and circumstances of the case. *(Issue 3, ITFG 22)*

Applicability of Ind AS 115, *Revenue from Contracts with Customers* to distribution of gifts

A pharmaceutical company (ABC Ltd.) distributed gifts such as mobile phones, decorative items etc. along with its product catalogues to doctors to encourage them to prescribe medicines manufactured by it. ITFG discussed the accounting treatment of distribution of such gifts by the entity.

Applicability of Ind AS 115 to such gifts: Considering the guidance under Ind AS 115, ITFG clarified that the distribution of gifts to doctors does not fall under the scope of Ind AS 115 due to the following scope restrictions:

- Gifts are distributed to doctors as a part of sales promotion activities without creating enforceable rights and obligations
- Doctors to whom gifts were distributed were not customers of ABC Ltd. since they do not have a contract to obtain goods or services in exchange for consideration
- The items distributed as gifts are not an output of ABC Ltd.'s ordinary activities.

Accounting treatment of distribution of such gifts by the entity under Ind AS 38: Ind AS 38 applies, among other things, to expenditure on advertising, training, start-up, research and development activities. Further, Ind AS 38 prohibits an entity from recognising internally generated goodwill, brands, customer lists and items similar in substance as intangible assets on the basis that expenditure on such internally generated items cannot be distinguished from the cost of developing the business as a whole.

Items acquired by ABC Ltd. to be distributed as gifts as a part of sales promotion activities have no other purpose than to undertake those activities i.e. the only benefit of those items for ABC Ltd. is to develop or create brands or customer relationships, which in turn generate revenue. Ind AS 38 specifically requires an entity to recognise expenditure on such items as an expense when the entity has a right to access those goods regardless of when the goods are distributed. Accordingly, in view of the above, the ITFG clarified the timing of recognition of expenditure on items to be distributed as gifts as an expense when it owns those items or otherwise has a right to access them regardless of when it distributes the items to doctors. *(Issue 4, ITFG 22)*

Restatement of comparative information in case of common control business combinations

Appendix C, *Business combinations of entities under common control* of Ind AS 103, *Business Combinations* require that the financial information in the financial statements in respect of prior periods should be restated as if the business combination had occurred from the beginning of the preceding period in the financial statements, irrespective of the actual date of the combination.

The ITFG considered two scenarios as below:

Scenario I – Restatement in case of change in composition of reporting entity retrospectively

In a situation, a company ABC Ltd. merges into PQR Ltd. The merger is a common control business combination included within the scope of Appendix C of Ind AS 103. The order of the National Company Law Tribunal (NCLT) approving the scheme of merger was received on 27 March 2019 and the appointed date for the merger is 1 April 2016.

In this situation, ITFG clarified that PQR Ltd would be required only to restate financial statements for the year ended 31 March 2019 with comparative information for 31 March 2018. Since Appendix C of Ind AS 103 requires only restatement of comparative information and does not require a third balance sheet at the beginning of the preceding period.

Scenario II – Applicability of restatement of comparative information to the transferor and transferee in case of common control business combination

Entity B and Entity C (both under common control of Entity A) filed a scheme of arrangement with NCLT in the year 2017. As per the scheme, one of the business divisions of Entity B was to be demerged and merged with C. The scheme was approved by the NCLT in June 2019 i.e. before the approval (by the board of directors) of the financial statements for the year ended 31 March 2019. The appointed date of merger as per the scheme was 1 April 2018.

In this situation, ITFG considered the following two issues:

a) *Whether the financial statements of the Entity C for the financial year 2017-18 should be restated considering that the appointed date of the merger is 1 April 2018*

   The ITFG clarified that as per Appendix C of Ind AS 103, Entity C would be required to restate financial statements for the year ended 31 March 2019 with comparative information for 31 March 2018 (financial year 2017-18) regardless of appointed date as 1 April 2018.

b) *Whether the financial statements of Entity B (demerged entity) for the financial year 2017- 18 should be restated given the fact that Ind AS 103 is not applicable to the demerged entity*

   The issue under consideration is with regard to applicability of Appendix C of Ind AS 103 to demerged entity (i.e. transferor in the given case) with respect to restatement of comparative information. It was noted that Appendix C of Ind AS 103 requires accounting for a common control business combination only from the perspective of the transferee. Accordingly, restatement of comparative information only applies to the transferee (Entity C) and not the transferor (Entity B). However, Entity B is required to evaluate any disclosure to be made in consonance with Ind AS 105, *Non-current Assets Held for Sale and Discontinued Operations*. *(Issue 5, ITFG 22)*

Accounting treatment and presentation of waiver of interest on the loan taken

The ITFG considered the issue related to the accounting treatment of interest on the loan for the year 2018-19. Entity A has an outstanding loan as at the year-end 2018-19 repayable on demand taken from one of its directors during the year 2015-16. In previous years, the interest was charged and paid to the directors. However, in respect of interest on the loan for the year, 2018-19, a waiver was obtained from the director without an amendment of the loan agreement.

ITFG considered the facts of the case that Entity A is contractually obligated to pay interest on the loan obtained from the director but the same has been waived off in the current year. Therefore, in order to order to achieve fair presentation requirements in accordance with Ind AS 1, *Presentation of Financial Statements*, appropriate accounting treatment would be to recognise contractual obligation for payment of interest as well as the waiver thereof. Thus, Entity A would be required to recognise interest as an expense and the waiver thereof as an item of income. Further, the same would also require to be disclosed as related party transactions. *(Issue 6, ITFG 22)*

Measurement of current tax and DTA or DTL to give effect to lower tax rate in accordance with the Ordinance 2019

The Taxation Laws (Amendment) Ordinance, 2019 (Ordinance 2019) came into effect from 20 September 2019. In accordance with the Ordinance 2019, the domestic companies have now been provided with an option to pay income-tax at a rate lower than the normal corporate income-tax rate of 30 per cent depending upon certain specified conditions.

The issue under consideration was whether a domestic company could give effect to lower tax rate (in accordance with the Ordinance 2019) while determining current tax and Deferred Tax Asset (DTA) or Deferred Tax Liability (DTL) with the purpose to present interim results/interim financial statements as on 30 September 2019 (financial year 2019-20).

The ITFG has clarified that, as per the requirements of Ind AS 12, *Income Taxes* such lower rates should be applied by a company for measurement of current and deferred taxes only if it expects to opt for the lower rates. Accordingly, if company expects to opt for the lower tax rate (with an intention appropriately evidenced), the current and deferred taxes are required to be measured using lower tax rate as per the Ordinance 2019 for the purpose of presenting interim results/interim financial statements for the quarter/half year ended 30 September 2019.

Additionally, it was clarified that in case the company expects to opt for the lower tax rate from the next financial year 2020-21 onwards, the lower tax rate is required to be applied only to the following extent:

- The DTA is expected to be realised or
- The DTL is expected to be settled

in the periods during which the company expects to be subject to lower tax rate. The normal tax rate is required to be applied to the extent DTA/DTL is expected to be realised (settled) in earlier periods. *(Issue 1, ITFG 23)*

Accounting treatment of deferred tax adjustments recognised in equity on first-time adoption of Ind AS in accordance with Ind AS 101, *First-time Adoption of Ind AS* at the time of transition to Ind AS 115 and Ind AS 116

The ITFG considered a situation where an Entity X at the time of first-time adoption of Ind AS, made adjustments resulting from recognition of DTA and DTL directly in equity as required by Ind AS 101. Subsequently, similar deferred tax adjustments were made directly in equity at the time of initial application of Ind AS 115 and Ind AS 116.

In the financial year 2019-20, Entity X decided to opt for the lower tax rate as per the Ordinance 2019. As a result, DTA and DTL, to the extent unrealised/not settled, would be required to be remeasured.

The issue under consideration is whether Entity X should recognise the resultant differences in the amount of DTA and DTL arising from change in tax rates directly in equity.

The ITFG deliberated the intended meaning of terms 'directly in equity' and 'transaction or event' as envisaged in Ind AS 12. Consequently, the emerging view was that the words 'directly in equity' relate to the base transaction/event and the term 'transaction or event' refers to the source which gave rise to the deferred tax implication.

The ITFG clarified that entity is required to determine (using the current accounting polices) the underlying items (source transaction/events) with respect to which deferred taxes were recognised by it at the time of first-time adoption of Ind AS or at the time of transition to Ind AS 115 or Ind AS 116.

Accordingly, ITFG concluded that depending on the nature of an underlying item, the change in the amount of the related DTA or DTL resulting from the remeasurement of the same at lower tax rates introduced by the Ordinance 2019 should be recognised in statement of profit and loss, OCI or directly in equity. *(Issue 2, ITFG 23)*

Please refer KPMG in India's Accounting and Auditing Update, Issue 41, December 2019 – Chapter 2 'Recent ITFG clarifications' which discusses Clarifications issued by bulletin 22 and 23 in detail.

Source: ICAI ITFG clarification bulletin 22 and 23 dated 14 October and 26 October 2019

Other regulatory updates

The Taxation Laws (Amendment) Act, 2019

Background

On 20 September 2019, the Ministry of Law and Justice issued the Taxation Laws (Amendment) Ordinance, 2019 (Ordinance 2019) to made substantial amendments in the Income-tax Act 1961 (the Act) and the Finance (No. 2) Act 2019 with effect from financial year 2019-20.

The key amendments made by the ordinance are as follows:

- Tax concession for domestic companies
- Tax concession for new domestic manufacturing companies
- Reduction in Minimum Alternate Tax (MAT) rate including removal of MAT for companies availing the concessional tax rates.
- Buy back provisions

New development

On 11 December 2019, the Taxation Laws (Amendment) Bill, 2019 (Tax Bill) which seeks to replace the Ordinance 2019 has received the presidential assent. Consequently, the Taxation Laws (Amendment) Act, 2019 (the Tax Act) has been made effective from 20 September 2019. In addition to the changes made by the Ordinance 2019, the Tax Act has introduced certain other amendments to the IT Act and the Finance (No.2) Act, 2019.

The key amendments are as follows:

a) Business of manufacture - Specific exclusions:

The Tax Act clarified that the business of manufacture or production of any article or thing referred in Section 115BAB of the IT Act would not include business of:

- Development of computer software in any form or in any media
- Mining
- Conversion of marble blocks or similar items into slabs
- Bottling of gas into cylinder
- Printing of books or production of cinematograph film or
- Any other business as may be notified by Central Government (CG) in this behalf.

b) Set-off of unabsorbed depreciation/loss not allowed from total income

In order to avail the option to pay tax at concessional rates under Section 115BAA/Section 115BAB of the IT Act, the total income of the company should, inter alia, be computed without set-off of any loss or allowance for unabsorbed depreciation deemed so under Section 72A, if such loss or depreciation is attributable to any of the prescribed ineligible deductions.

c) Failure to comply with the conditions specified for concessional tax rates

As per the Tax Act, in case a person fails to satisfy the conditions specified under Section 115BAA/Section 115BAB of the IT Act in any previous year, then the option (to pay tax at the reduced rate of 22 per cent/15 per cent) would become invalid in respect of assessment year relevant to that previous year and subsequent assessment years.

Source: The Taxation Laws (Amendment) Act, 2019 issued by the Ministry of Law and Justice dated 12 December 2019)

ICAI publications relevant for the quarter ended 31 December 2019

Publications	Overview
Report on Audit Quality Review (2018-19) of the Quality Review Board (QRB)	• The QRB issues periodic reports to provide guidance to the Audit firms for ensuring improvement in audit quality by providing key audit quality review findings and necessary guidance. • The publication includes key findings, analysis and summary of observations made by the technical reviewers for reviews completed during the financial year 2018-19.
Guidance Note on Division III to Schedule III to the Companies Act 2013 for NBFC that is required to comply with Ind AS	• The guidance note is based on the recently notified Division III to Schedule III to the 2013 Act, containing the format of financial statements as well as disclosure requirements for Non-Banking Financial Companies (NBFCs) that are required to comply with the Ind AS. • It provides guidance on each of the items of the Balance Sheet and Statement of Profit and Loss along with few illustrations on application of the principles provided in the Guidance Note.
Quick Referencer on Ind AS	• Provides an overview of the basic aspects of Ind AS to provide a basic understanding on Ind AS.
Updated background material on GST	• Contains analysis of the GST law including Rules, recent notifications etc. upto 30 October 2019 issued by the government.

Source: ICAI announcements dated 26 November 2019, 29 November 2019, 7 November 2019 and 5 November 2019

Expert Advisory Committee (EAC) opinions issued by ICAI during the quarter ended 31 December 2019

Topic	Month
Classification of consumer deposits collected for LPG connections under Ind AS	October 2019
Company's policy on transfer price for segment revenue and segment results under segment reporting under Ind AS 108, *Operating Segments*	November 2019
Deferred Tax under Ind AS 12, *Income Taxes* on Fair Value Changes of Investments under Section 112A of Income-tax Act, 1961	December 2019

Source: The Chartered Accountant - ICAI journal for the month of October, November and December 2019

Glossary

SEBI	The Securities and Exchange Board of India
2013 Act	The Companies Act, 2013
MCA	The Ministry of Corporate Affairs
Listing Regulations	SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
RBI	The Reserve Bank of India
ICAI	The Institute of Chartered Accountants of India
ITFG	Ind AS Technical Facilitation Group
CFS	Consolidated Financial Statements
PIT Regulations	SEBI (Prohibition of Insider Trading) Regulations, 2015
Ind AS	Indian Accounting Standards
NPA	Non-Performing Assets
NCDs	Non-Convertible Debt securities
NCRPs	Non-Convertible Redeemable Preference Shares
ICDR	Issue of Capital and Disclosure Requirements
UPSI	Unpublished Price Sensitive Information
CG	Central Government
CSR	Corporate Social Responsibility
NCLT	National Company Law Tribunal
DTA	Deferred Tax Asset
DTL	Deferred Tax Liability
MAT	Minimum Alternate Tax
GST	Goods and Services Tax
FY	Financial Year
IT Act	The Income-tax Act, 1961

Our publications

First Notes

SEBI mandates disclosure on loan defaults by listed entities and other updates

3 December 2019

On 20 November 2019, SEBI in its board meeting approved certain matters relating to disclosures on loan defaults, portfolio managers and rights issue.

To bring effect to proposal approved in board meeting, SEBI through its circular dated 21 November 2019 mandated listed entities to provide disclosure to the stock exchanges when there is a default in payment of interest/instalment obligations on loans, including revolving facilities like cash credit, from banks/financial institutions and unlisted debt securities.

The provisions of the circular are effective from 1 January 2020.

This issue of First Notes provides an overview of the SEBI circular and other decisions approved at the SEBI board meeting.

Accounting and Auditing Update

Issue no. 41 | December 2019

The new standard on leases, Ind AS 116, *Leases* is now applicable for Ind AS companies from the accounting period beginning on or after 1 April 2019 In this edition of Accounting and Auditing Update (AAU), we aim to discuss some of the key issues relating to the implementation of Ind AS 116 along with the clarifications provided by IFRS Interpretations Committee (IFRIC).

The Ind AS Technical Facilitation Group (ITFG) of the Institute of Chartered Accountants of India (ICAI) through its bulletins (bulletin 22 and 23) provided clarifications relating to implementation of various Ind AS. Our article on the topic aims to provide an overview of the key clarifications issued by the ITFG.

Our publication also carries a regular synopsis of some recent regulatory updates.

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