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MCA UPDATES FOR THE MONTH OF JULY 2020**RULES****1. Companies (Indian Accounting Standards) Amendment Rules 2020****(July 24, 2020)**

MCA has made changes in following Accounting Standards, through Companies (Indian Accounting Standards) Amendment Rules, 2020:

Indian AS-1 & 8- Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors

Indian AS-10- Events after the Reporting Period

Indian AS-37- Provisions, Contingent Liabilities & Contingent Assets

Indian AS-103- Business Combinations

Indian AS-107- Disclosure to be made in respect of Financial Statements

Indian AS-109- Financial Reporting of Financial Assets & Liabilities

Indian AS-116- Accounting for Leases

Indian AS-1 & 8

New definition of material:

“Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

Materiality depends on the information; on its nature, magnitude or both. An entity assess whether information is material in the context of its financial statements, taken as whole.

Information is not easy to see if it is communicated in a way that it would have similar effect for prime users of financial statements. Following are the examples of circumstances that may result in whether an information is obscured or not

Information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear.

Information regarding a material item, transaction or other event is scattered throughout the financial statements.

Dissimilar items, transactions or other events are inappropriately aggregated.

Similar items, transactions or other events are inappropriately disaggregated.

The understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

Indian AS 10

Additional disclosure for any non-adjusting events that could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those Financial Statements which provide financial information about a specific reporting entity. The following disclosures are required to be provided:

The nature of the event

An estimate of its financial effect, or a statement that such an estimate cannot be made.

Indian AS-37

A management or board decision to restructure taken before the end of the reporting period does not give rise to a constructive obligation at the end of the reporting period unless the entity has, before the end of the reporting period-

Started to implement the restructuring plan

Announced the main features of the restructuring plan to those affected by it in a sufficiently specific manner to raise a valid expectation in them that the entity will carry out the restructuring.

Indian AS-103

An entity shall determine whether a transaction or other event is a business combination by applying the definition in this Indian AS, which requires that the assets acquired and liabilities assumed constitute a business. If the assets acquired are not a business, the reporting entity shall account for the transaction or other event as an asset acquisition.

Definition of a business:

An integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to the customers, generating investment income, generating other income from ordinary activities.

Indian AS-107 & 109

For hedging relationships, the following disclosure should be in the financial statement made by the reporting entity:

- a) The significant interest rate benchmarks to which the entity's hedging relationships are exposed;
- b) The extent of the risk exposure the entity manages that is directly affected by the interest rate benchmark reform;
- c) How the entity is managing the process to transition to alternative benchmark rates;
- d) A description of significant assumptions or judgements the entity made in applying these paragraphs
- e) The nominal amount of the hedging instruments in those hedging relationships.

Indian AS-116

An amendment has been made as per which businesses is not required to treat the rent concession as a lease modification. If the below mentioned conditions are fulfilled, the rent concession may be treated without lease modification.

The change in lease payments results in revised consideration for the leases.

Any reduction in lease payments affects only those payments which are due or made before 30th June 2021.

There is no substantive change to the terms and conditions of the lease.

Few disclosures to be made by reporting entity in their financial statements

It has applied the practical expedient to all rent concession that met the conditions, if not applied to all such rent concession, information about the nature of the contracts to which it has applied

the practical expedient,
The amount recognized in the P&L for the reporting period.

For more information:

https://www.mca.gov.in/Ministry/pdf/Rule_24072020.pdf

CIRCULARS

1. General Circular 26/2020 (July 06, 2020)

Extension of the last date of filing of Form NFRA-2.

The time limit for filing of Form NFRA2, for the reporting period FY 2018-19, will be 270 days from the date of deployment of this form on the website of National Financial Reporting Authority (NFRA).

For more information: https://www.mca.gov.in/Ministry/pdf/GeneralCircularNo.26_06072020.pdf

NOTIFICATIONS

1. Notification of Special Courts in state of Assam under section 435(2)(b) (July 28,2020)

Designation of Court of Chief Judicial Magistrate, Kamrup (M) at Guwahati as Special Court for the purposes of providing speedy trial of offences under clause (b) of sub-section (2) of section 435 of the Companies Act,2013.

For more information: https://www.mca.gov.in/Ministry/pdf/NotificationCompAct_28072020.pdf

Regulations

1. INSOLVENCY AND BANKRUPTCY BOARD OF INDIA (INSOLVENCY PROFESSIONALS) REGULATIONS, 2016 (July 01, 2020)

INSOLVENCY AND BANKRUPTCY BOARD OF INDIA (INSOLVENCY PROFESSIONALS) REGULATIONS, 2016 amended up to 01/07/2020

For More information:

<https://ibbi.gov.in/uploads/legalframework/f3f8276285c27f2386cd2a4f19cad213.pdf>

Hope the information will assist you in your Professional endeavours. In case of any query / information, please do not hesitate to write back to us at E: pcschinki@gmail.com and M: +91 9050320565.

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Best Regards '



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