

## Knowledge Round-up – 6<sup>th</sup> Aug 2016

### Framework for computation of book profit for the purposes of levy of MAT for Ind AS compliant companies

The Committee on MAT-Ind AS ('Committee'), constituted by CBDT, had submitted its report on framework for computation of book profit for the purpose of levy of MAT under Section 115JB of the Income-tax Act, 1961 for Ind AS compliant companies in the year of adoption and thereafter (refer Assurance Professional Practice Update 2016: 08). The committee has now submitted its interim report with recommendations/ suggestions on certain issues raised by stakeholders.

This report, inter alia, includes following recommendations:

1. Fixed assets - Adjustment to retained earnings
  - o Adjustments in retained earnings on first time adoption with respect to items of Property, Plant and Equipment should be ignored for the purposes of computation of profits;
  - o Depreciation, gain/loss on realisation/ disposal/ retirement of such assets should be computed ignoring the amount of aforesaid retained earnings adjustments;
  - o Other adjustments to fixed assets on the date of transition should also be ignored;

The above principles will also apply to Intangible assets.

2. Lease - Straight lining of lease rentals
  - o Retained earnings adjustment on account of existing lease equalisation liability/ asset (recognised under AS 19, Leases) should be included in the book profit over a period of three years starting from the year of first time adoption of Ind AS.
3. Investments - Fair value adjustments through profit and loss account
  - o Retained earnings adjustment on account of recognition of financial asset/ financial liability at fair value should be included in the book profit over a period of three years starting from the year of first time adoption of Ind AS.

In order to address the concern of one time significant impact in the year of adoption, the report further suggests that other adjustments to retained earnings (relating to unrealised gains/losses) should be included in the book profit over a period of three years starting from the year of first time adoption of Ind AS.

This report has been issued for public comments. The last date for submission of comments is 20 August 2016.

Click [here](#) for press release.

Click [here](#) for report.

## Implementation of Ind AS by select All-India Term Lending and Refinancing Institutions

MCA had issued press release on 18 January 2016 outlining the roadmap for implementation of Ind AS for banks, NBFCs, select All India Term Lending and Refinancing Institutions (AIFI) and insurance entities. RBI has now issued a notification stating that AIFIs (Exim Bank, NABARD, NHB and SIDBI) will follow the Ind AS as notified under the Companies (Indian Accounting Standards) Rules, 2015 subject to any guidelines/direction issued by the RBI in this regard.

The notification, inter alia, provides the following:

### Date of Applicability

- AIFIs should comply with the Ind AS for accounting periods beginning from 01 April 2018 onwards;
- Comparatives will be for the periods ending 31 March 2018 or thereafter;
- Ind AS will be applicable to both standalone financial statements and consolidated financial statements;
- Early application of Ind AS is not permitted.

### Proforma Ind AS financial statements- Due date and Formats

- AIFIs would be required to submit proforma Ind AS financial statements as per the formats given in annexes to the notification, to the RBI from the half-year ended 30 September 2016 onwards;
- The Proforma Ind AS Financial Statements should include the following:
  - (a) Balance Sheet including Statement of Changes in Equity (Annex I & II);
  - (b) Profit and Loss Account (Annex III);
  - (c) Notes (Annex IV).
- The formats as per the Annexes are solely for the preparation and submission of proforma Ind AS financial statements to the Reserve Bank;
- The formats for the Ind AS financial statements for the accounting periods beginning 01 April 2018 will be notified separately.

### Disclosures in Financial statements

- AIFIs are required to disclose in their Annual Report, the strategy for Ind AS implementation, including the progress made in this regard, from the financial year 2016-17 until full implementation.

Click [here](#) for notification.

## GST Bill passed in Rajya Sabha

Rajya Sabha has passed the Goods and Service tax (GST) Bill. GST will replace a number of indirect taxes being levied by the Union and the State Governments and intends to remove cascading effects of taxes. (For key amendments refer 'Grant Thornton Technical Update: Rajya Sabha passes the Constitution (122nd) Amendment Bill (GST Bill)' dated 4 August 2016). Further, Ministry of finance has also released a presentation and FAQs on Goods and Service Tax.

Click [here](#) for presentation.

Click [here](#) for FAQs.

The ICAI has also issued a comprehensive background material on Model GST Law which contains a clause by clause analysis of the model GST law along with comparisons to related provisions of existing law, FAQ's, MCQ's, Flowcharts and Illustrations etc.

Click [here](#) for background material.

### **Relaxation of additional fees and extension of last date of filing AOC-4, AOC-4 (XBRL), AOC-4 (CFS) and MGT-7 under the 2013 Act**

MCA had revised Form AOC-4 'Form for filing financial statement and other documents with the Registrar' with effect from 27 July 2016 (Refer NPSG's Weekly Knowledge Round-up Issue 2016 -22). Further, MCA is also in the process of revision of Form AOC-4 (XBRL) 'Form for filing XBRL document in respect of financial statement and other documents with the Registrar' and Form AOC-4 (CFS) 'Form for filing consolidated financial statements and other documents with the Registrar'. MCA has issued circular allowing companies to file financial statement and annual return on or before 29 October 2016, where due date for holding of the Annual General Meeting is on or after 01 April 2016, without payment of additional filing fee.

Click [here](#) for circular.

### **Issuance of rupee bonds to overseas investors by Indian companies - Clarification regarding applicability of provisions of Chapter III of the 2013 Act**

MCA has issued a circular regarding issuance of rupee bonds to overseas investors by Indian Companies (being regulated by RBI as part of ECB policy framework). The circular clarifies that unless otherwise provided by RBI, the provisions of Chapter III of the Companies Act, 2013 ('2013 Act'), which deals with, Prospectus and allotment of securities, and Rule 18 of the Companies (Share Capital and Debentures) Rules, 2014 would not apply to issue of rupee denominated bonds made exclusively to persons resident outside India in accordance with applicable sectoral regulatory provisions. As per the circular necessary changes in Companies (Share Capital and Debenture) Rules, 2014 in this regard are being made.

Click [here](#) for circular.

## **FAQs on Non-Banking Finance Companies (NBFCs) (updated as on 29 July 2016)**

RBI had issued updated FAQs on NBFCs (Refer Monthly GAAP Bulletin – Edition March 2016 – Issue no. 2016-03). RBI has updated these FAQs further to clarify that loans against units of mutual funds (except units of exclusively debt oriented mutual funds) would attract Loan to Value (LTV) requirements as are applicable to loans against shares. Further, the LTV requirement for loans/ advances against units of exclusively debt-oriented mutual funds will be decided by individual NBFCs in accordance with their loan policy.

Click [here](#) for FAQs.

## **EAC opinion on treatment of expenditure incurred by the company on roads for transportation of coal**

The Expert Advisory Committee (EAC) of the ICAI has issued opinion on "Treatment of expenditure incurred by the company on roads for transportation of coal". This opinion has been published in the ICAI Journal - August 2016.

Click [here](#) for opinion.

## **Exposure Draft on Guidance note on accounting for oil and gas producing activities (Ind AS)**

The ICAI has issued Exposure Draft on the Guidance Note on accounting for oil and gas activities producing activities (Ind AS) ('draft GN'). It provides guidance on the accounting principles contained in Ind AS to accounting for costs incurred on activities relating to acquisition of interests in properties, exploration, development and production of oil and gas. The draft GN applies to costs incurred on acquisition of mineral interests in properties, exploration, development and production of oil and gas activities, i.e., upstream operations. It also deals with other accounting aspects such as accounting for abandonment costs and impairment of assets that are peculiar to the entities carrying on oil and gas producing activities.

The draft GN also provides the list of disclosures that an Oil and gas producing entity should disclose in its financial statements in addition to the disclosures required by applicable Ind ASs and statutes.

The draft GN is proposed to be applicable to the specified companies to whom Ind ASs are applicable as per rule 4 of the Companies (Indian Accounting Standard) Rules, 2015 from the date from which Ind ASs are applicable to such companies.

The last date for submission of comments is 31 August 2016.

Click [here](#) for exposure draft.

### **Exposure Draft on Guidance note on Combined Financial Statements**

The ICAI has issued Exposure Draft on Guidance note on Combined Financial Statements (draft GN). As per the draft GN 'Combined financial statements' are the financial statements that present the combined historical financial information of combining businesses that do not comprise a group for which consolidated financial statements can be prepared. This draft GN also provides indicative situations in which combined financial statements will be required to be prepared and procedure for preparation of financial statements, carve-out financial statements and required disclosures.

This draft GN will apply to every entity which prepares combined financial statements. This will also be applicable in the preparation of condensed combined financial statements prepared in accordance with the requirements of the applicable Accounting Standards.

The last date for submission of comments is 05 September 2016.

Click [here](#) for exposure draft.

### **Exposure Draft on amendments to Ind AS 102, Share Based Payments**

ICAI has issued exposure draft on amendments to AS 102, 'Share Based Payments'. The changes, inter alia, have been proposed in respect of:

- Treatment of vesting and non-vesting conditions
- Share-based payment transactions with a net settlement feature for withholding tax obligations;
- Accounting for a modification of a share-based payments transaction that changes its classification from cash-settled to equity-settled;
- Disclosures and transitional provisions.

The last date for submission of comments is 05 September 2016.

Click [here](#) for exposure draft.