

## **Knowledge Round-up – 3<sup>rd</sup> Oct 2016**

### **Guidance note on combined and carve-out financial statements - 28 September 2016**

The ICAI had issued exposure draft of guidance note on combined financial statements (exposure draft). The ICAI has now issued 'Guidance note on combined and carve-out financial statements' ('GN'). It provides the definition of combined/carve-out financial statements, indicative situations in which these may be required to be prepared, procedure for preparation and required disclosures.

This GN should not be construed to be applicable to the general purpose financial statements as the combined/carve-out financial statements are prepared for specific purposes and, therefore, are 'special purpose financial statements'.

It specifies circumstances in which combined financial statements can be prepared:

- two or more entities are combined in their entirety; or
- two or more carve-out businesses of the same or different entities are combined; or
- one or more entities are combined with one or more carve-out businesses.

It also provides certain minimum disclosures to be given in such financial statements.

Click [here](#) for GN.

### **Amendment to Accounting Standards issued by the ICAI pursuant to amendments to Accounting Standards notified by MCA - 28 September 2016**

MCA had issued Companies (Accounting Standards) Amendment Rules, 2016 on 30 March 2016 to amend Companies (Accounting Standards) Rules, 2006. In order to harmonise accounting standards issued by the ICAI for non-corporate entities and the amendments to the accounting standards notified by the MCA, the council of the ICAI has amended the accounting standards after making appropriate changes.

Following changes are made in accounting standards (AS) issued by the ICAI:

The following AS is withdrawn:

- AS 6, Depreciation Accounting

The following AS have been amended:

- AS 2, Valuation of Inventories;
- AS 4, Contingencies and Events Occurring after the Balance Sheet Date;
- AS 10, Property, Plant and Equipment;
- AS 13, Accounting for Investments;
- AS 14, Accounting for Amalgamations;
- AS 21, Consolidated Financial Statements;
- AS 29, Provision, Contingent Liabilities and Contingent Assets.

These amendments will come into effect from accounting periods commencing on or after 01 April 2017.

Click [here](#) for amendments.

## **Indian Accounting Standards: An Overview (Revised 2016) - 26 September 2016**



The Accounting Standards Board and Ind AS (IFRS) Implementation Committee of the ICAI has issued a publication on 'Indian Accounting Standards: An Overview (Revised 2016)' which contains an overview of various aspects related to IFRS-converged Ind AS such as:

- Roadmap for the applicability of Ind AS;
- Carve-outs from IFRS/IAS;
- Changes in financial reporting under Ind AS compared to financial reporting under existing AS;
- Summary of all the Ind AS etc.

It also captures all the recent amendments to Ind AS notified by the MCA in March 2016.

Click [here](#) for announcement.

Click [here](#) for publication.

### **Clarification on the difference in requirements relating to auditor's rotation under SQC 1 vis-à-vis Companies Act, 2013 - 30 September 2016**

Paragraph 27 of SQC 1 "Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements" issued by the ICAI requires rotation of the engagement partner after a pre-defined period, normally not more than seven years in case of audit of listed entities. Since SQC 1 is applicable from 01 April 2009, the provisions regarding the rotation of engagement partner would be due from 01 April 2016 as per SQC 1 during the transition phase. Since the Companies Act, 2013 ('2013 Act') is applicable from 01 April 2014 and the existing companies have been given relaxation of 3 years to comply with requirement of auditor's rotation, the provisions regarding auditor's rotation would be due from 01 April 2017 as per the 2013 Act during the transition phase. Hence, there is a difference of 1 year in the requirement of auditor's rotation between SQC 1 vis-à-vis the 2013 Act during the transition phase of implementation of the 2013 Act.

The council of the ICAI has issued a clarification regarding the difference in requirements relating to the auditor's rotation under the SQC 1 vis-à-vis the 2013 Act. It has provided relaxation in the requirement of rotation of engagement partner given in paragraph 27 of SQC 1 for the transition phase (i.e. one time only for the financial year 2016-17).

Click [here](#) for clarification.

### **EAC opinion on accounting treatment of exchange variation arising on loan taken by foreign operations of the company held through a wholly owned foreign subsidiary company for the purpose of consolidated financial statements as per AS 11 - October 2016**

The Expert Advisory Committee (EAC) of the ICAI has issued opinion on 'Accounting treatment of exchange variation arising on loan taken by foreign operations of the company held through a wholly owned foreign subsidiary company for the purpose of consolidated financial statements as per AS 11'. This opinion has been published in the ICAI Journal - October 2016.



This

Click [here](#) for opinion.

### **Companies (Management and Administration) Amendment Rules, 2016 - 23 September 2016**

MCA has issued Companies (Management and Administration) Amendment Rules, 2016 ('amendment rules') to further amend the Companies (Management and Administration) Rules, 2014. These amendments rules inter alia provide:

- Every listed company to file with the Registrar, a return in Form No. MGT 10, with respect to changes in the shareholding position of promoters and top ten shareholders of the company, in each case, representing increase or decrease by two per cent or more of the paid-up share capital of the company, within fifteen days of such change. Earlier, such form was required to be submitted with respect to changes related to either increase or decrease of two per cent or more in the shareholding position of promoters and top ten shareholders of the company in each case;
- Form no. MGT- 6, 'Return to the Registrar in respect of declaration under section 89 received by the company' has been revised.

These amendment rules are effective from 23 September 2016.

Click [here](#) for amendment rules.

### **Master direction - Monitoring of frauds in NBFC (Reserve Bank) Directions, 2016 - 29 September 2016**

RBI has issued 'Master directions - monitoring of frauds in NBFC (Reserve Bank) Directions, 2016' ('directions'). These directions are applicable to all deposit taking Non-Banking Financial Companies (NBFC) and systemically important non-deposit taking NBFC. These directions have been issued in supersession of 'Master circular frauds - Future approach towards monitoring of frauds in NBFC'.

These directions deal with inter alia, following provisions:

- Classification of frauds;
- Reporting of frauds to the RBI;
  - Frauds involving INR 1 lakh and above;
  - Frauds committed by unscrupulous borrowers;
  - Frauds involving INR 1 crore and above;
  - Cases of attempted fraud.
- Quarterly returns;

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- Report on frauds outstanding;
- Progress report on frauds;
- Reports to the Board;
  - Quarterly review of frauds;
  - Annual review of frauds;
- Guidelines for reporting frauds to police.



These directions also provide formats for following reports:

- FMR-1: Report on actual or suspected frauds in NBFC;
- FMR-2: Quarterly report on frauds outstanding;
- FMR-3: Quarterly progress report on frauds of INR one lakh and above.

These directions are effective from 29 September 2016.

Click [here](#) for directions.

### **Master direction - Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2016 - 29 September 2016**

RBI has issued Master directions - NBFCs Auditor's Report (Reserve Bank) Directions, 2016 ('directions'). These directions have been issued in supersession of NBFCs Auditor's Report (Reserve Bank) Directions, 2008. These directions are applicable to every auditor of a NBFC as defined in section 45I(f) of the Reserve Bank of India Act, 1934.

These directions, inter alia, provide:

- Auditors to submit additional report to the Board of Directors (BOD):
  - The auditor should make a separate report to the BOD of the company on the additional matters specified in these directions in addition to the report under the 2013 Act or Companies Act, 1956;
  - The auditor's report should also state the reasons for any unfavourable or qualified statements.
- Auditors to submit exception report to the RBI in certain cases.

These directions are effective from 29 September 2016.

Click [here](#) for directions.

### **Master direction - Non-Banking Financial Company Returns (Reserve Bank) Directions, 2016 - 29 September 2016**

RBI has issued Master directions - Non-Banking Financial Company Returns (Reserve Bank) Directions, 2016 ('directions'). These directions provide that all the NBFC should put in place a reporting system for filing various returns within the prescribed timeframe. The NBFC are required to submit various returns to the RBI w.r.t their deposit acceptance, prudential norms compliance, ALM etc. These directions provide list of returns that needs to be submitted by the NBFC, their periodicity and due dates.

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These directions also provide following formats:



- Statutory auditors' certificate;
- Quarterly return to be submitted by NBFC having overseas investment;
- Half-yearly statement of interest rate futures transactions for the purpose of hedging by NBFC.

These directions are effective from 29 September 2016.

Click [here](#) for directions.