



COMPLIANCE



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July – August 2020

Companies Act, 2013

The Ministry of Corporate Affairs (MCA) has recently notified various changes to accounting and finance reporting related standards and guidelines. The notification and circulars for July 2020 are as follows:

- **Extension of time limit for filing Form NFRA-2**

MCA along with Institute of Chartered Accountants of India (ICAI) mandates all auditors of company covered under Rule 3 of National Financial Reporting Authority Rules, 2018 (NFRA Rules) to file annual returns in form NFRA-2 under Rule 5 of NFRA Rules.

Notification – The notification issued by MCA dated July 6, 2020, relaxed the deadline for submission of annual returns for FY 2018-19- they are now to be filed 270 starting from the date of their deployment.

(To view the notification, please [click here](#))

- **Notification for (Indian Accounting Standards) Amendment Rules, 2020**

MCA along with ICAI have construed certain standards to be adhered to by the company while maintaining registers and records of meetings.

Notification – The notification issued by MCA dated July 24, 2020 revises the Companies (Indian Accounting Standards) Rules, 2015 (Ind AS). These amendments are applicable to all entities whose acquisition date is on or after the start of first annual reporting period beginning on April 01, 2020 and are as follows:

- **Amendment to Ind AS 107:** Ind AS 107 relates to disclosures to be made in respect of financial instruments and disclosures of the hedge accounting of the entity which includes disclosing market risk involved and strategies for the same.

Amendment: The new rules inserted a provision '24H' specifying disclosures to be made by entities where there is uncertainty due to interest rate benchmark reform.

(To view Ind AS 107, please [click here](#))

- **Amendment to Ind AS 109:** Ind AS 109 relates to financial reporting of financial assets and liabilities of company. The provisions relate to accounting for credit exposures designated at fair value through profit or loss.

Amendment: New rules inserted details provisions for temporary exceptions from applying specific hedge accounting requirements and transition for hedge accounting. These must be applied by entities for annual periods starting on or after April 01, 2020.

(To view Ind AS 109, please [click here](#))

- **Amendment to Ind AS 116 due to Covid-19:** Ind AS 116 relates to recognition, disclosures etc. to be made in relation to leases.

Amendment: A provision has been inserted to provide rent concession due to Covid-19. It would be given if lessee so elects, not be assessed as a lease modification. This is subject to disclosures to be made by lessee and shall apply to annual reporting periods on or after April 01, 2020 or where lessee has not approved financial statements prior to this amendment, it may be applied for such periods from April 01, 2019.

(To view Ind AS 116, please [click here](#))

- **Amendment to Ind AS 1 and 8:** Ind AS 1 prescribes basis for presentation of general-purpose financial statements to ensure comparability with entity's financial statements of previous periods and with financial statements of other entities. Ind AS 8 prescribes for criteria for selecting and changing accounting policies.

'Material information' under these provisions were judged depending upon its effect on company's financial statement. It had a very low threshold by stating that it 'could influence' and might be applied too broadly.

Amendment: MCA has made changes to the definition of 'material information' with respect to what would be considered 'material'. It now includes any information if omitted or misstated could reasonably be expected to influence decisions made by primary users such as managers and accountants while making economic decisions. Additionally, it now requires an entity to consider the effect on those users while also considering entity's own circumstances.

(To view Ind AS 1, please [click here](#))

(To view Ind AS 8, please [click here](#))

(To view the notification, please [click here](#))

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UnComplycate is an end-to-end compliance and contract management solutions provider that integrates domain experience with IT-enabled implementation, monitoring and management protocols.

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