
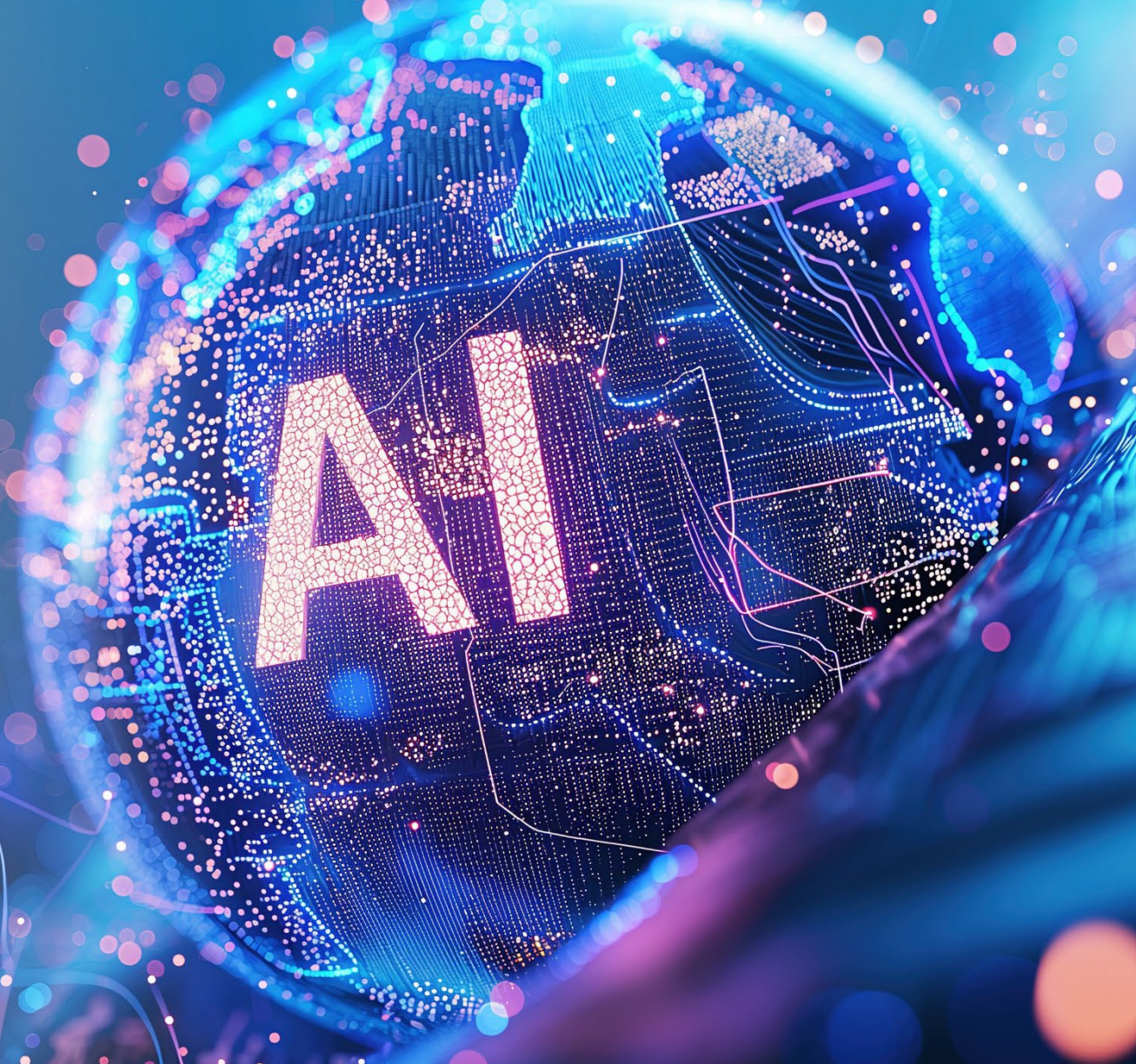


B S R & Co. LLP
Chartered Accountants

Corporate reporting insights

January 2025

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Exposure draft of Ind AS 118 issued for public comments

In April 2024, the International Accounting Standards Board (IASB) issued IFRS 18, *Presentation and Disclosure in Financial Statements*. This standard aims to improve how companies communicate information in general purpose financial statements (financial statements), with a focus on information about financial performance in the profit or loss. Considering that, recently, the Institute of Chartered Accountants of India (ICAI) issued an Exposure Draft (ED) of Ind AS 118, *Presentation and Disclosure in Financial Statements* which will replace Ind AS 1 *Presentation of Financial Statements*. The new standard is in line with the IFRS 18.

ED of Ind AS 118 introduces subtotals in the statement of profit and loss where a company will classify income and expenses i.e., operating, investing, financing, income taxes and discontinued operations. It aims to improve financial reporting by requiring

- Presentation of new defined subtotals in the profit or loss section i.e., operating profit or loss and profit or loss before financing and income taxes.
- Disclosures about management-defined performance measures and
- Enhanced principles for grouping (aggregation and disaggregation) of information.

Ind AS 118 is proposed to be effective for annual reporting periods beginning on or after 1 April 2027. Further the exposure draft of Ind AS 118 is open for comments till 6 April 2025.

(Source: Exposure draft of Ind AS 118, *Presentation and Disclosure in Financial Statements*, ASB, ICAI, 6 January 2025)





ICAI updates



RBI updates



SEBI updates



Other updates

ICAI issues volume 3 of the 'Guidance on non compliances observed by Quality Review Board'

The Quality Review Board (QRB) conducts quality reviews of audit services of audit firms and issues a report to highlight instances of various non-compliances of Standards on Quality Control (SQC), Standards on Auditing (SAs), audit reports, Companies (Auditor's Report) Order (CARO), AS, Ind AS, Schedule III of the Companies Act, 2013 etc.

Recently, ICAI published the 'Guidance on non compliances observed by Quality Review Board (QRB) during quality reviews - volume 3' (the publication) to summarise necessary guidance based on common non-compliances observed by QRB. This publication is a compilation of forty-six common non-compliances observed by QRB while conducting quality reviews and includes guidance suggested by AASB for the members on these common non-compliances.

(Source: ICAI Announcement, Auditing and Assurance Standards Board, dated 24 January 2025)





Revised provisions for settlement of dues by Asset Reconstruction Companies (ARCs)

Asset reconstruction companies (ARCs) play a crucial role in the financial system by taking over Non-Performing Assets (NPAs) from banks, allowing lenders to focus on core banking activities. However, ARCs often face challenges in recovering dues from borrowers, making settlements a common solution.

The revised guidelines issued by the Reserve Bank of India (RBI) introduce a structured and detailed framework for the settlement of dues by ARCs with effect from 20 January 2025. Key changes include:

1. **Board approved settlement policy:** The requirement for a board-approved policy covering specific aspects of settlement, such as cut-off date for one-time settlement eligibility, methodology for arriving at the realisable value of the security, etc.
2. **Settlement procedure:** The criteria for settlement of dues is now divided into three categories:
 - a. **Principal amounts exceeding INR1 crore:** This criterion requires forming an Independent Advisory Committee (IAC) consisting of professionals having technical/finance/legal background. Borrowers with outstanding dues exceeding INR1 crore, settlement proposal is to be reviewed by IAC and recommendations of IAC to be considered by the Board of the ARC with at least two independent directors. The Board must contemplate every avenue of recovery before it allows and orders settlement.
 - b. **Principal amounts are less than equal to INR1 crore:** Settlement of accounts to be done as per the criteria prescribed by the authority in the Board-approved policy, subject to specified conditions.
 - c. **Dues from borrowers classified as frauds or wilful defaulters:** Settlement of accounts to be done under same procedures as settlement of accounts where principal amount exceeds INR1 crore, irrespective of value. An ARC may settle without prejudice to any criminal action that might be pending against such borrowers.
3. **Other legal provisions:** All settlements must comply with existing laws and regulations. If recovery proceedings are ongoing in a judicial forum, any settlement must obtain a consent decree from the relevant judicial authority.

(Source: RBI Circular RBI/2024-25/106 DoR.SIG.FIN.REC.56/26.03.001/2024-25, dated 20 January 2025)





ICAI updates



RBI updates



SEBI updates



Other updates

RBI aligns regulations for HFCs and NBFCs

The RBI through its circular dated 29 January 2025 (the circular) prescribed that the Guidelines on Private Placement of Non-Convertible Debentures (NCDs) (with maturity more than one year) by Non-Banking Financial Companies (NBFCs)¹ would be applicable, mutatis-mutandis, to Housing Finance Companies (HFCs). Accordingly, the existing guidelines under Chapter XI of Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 stands repealed. The revised guidelines would be applicable to all fresh private placements of NCDs (with maturity more than one year) by HFCs from the date of this circular.

(Source: RBI Notification RBI/2024-25/107 DOR.FIN.REC.No.58/03.10.136/2024-25, dated 29 January 2025)



1. As contained in para 58 of the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 (as amended from time to time).



ICAI updates



RBI updates



SEBI updates



Other updates

SEBI eases ESG rating review process with extended timeline

The master circular for ESG rating providers (ERPs) dated 16 May 2024 mandates ERPs to track material developments/events that change the ESG profile of a rated company, such as the publication of Business Responsibility and Sustainability Report (BRSR) or controversies/penalties in ESG areas. Additionally, ERPs are required to review ESG ratings immediately, but not later than 10 days after such events.

However, stakeholders have highlighted challenges in reviewing ESG ratings for many listed companies within the 10-day timeline after BRSR publication. To promote ease of doing business, the Securities and Exchange Board of India through its circular dated 17 January 2025 extended the review timeline for ESG ratings following BRSR publication to 45 days.

(Source: SEBI Circular SEBI/HO/DDHS/DDHS-PoD-3/P/CIR/2025/007, Timeline for review of ESG Rating pursuant to occurrence of 'Material events', dated 17 January 2025)

MoEFCC issues new guidelines for control of air and water pollution

The Ministry of Environment, Forest and Climate Change (MoEFCC) recently issued following guidelines

- The Control of Water Pollution (Grant, Refusal or Cancellation of Consent) Guidelines, 2025 under the Water (Prevention and Control of Pollution) Act, 1974.
- The Control of Air Pollution (Grant, Refusal or Cancellation of Consent) Guidelines, 2025 under the Air (Prevention and Control of Pollution) Act, 1981.

These guidelines aim to streamline the consent process and they outline the procedures and criteria for obtaining, renewing, and potentially losing consent to establish or operate industrial plants that would cause air and water pollution.

(Source: MoEFCC Notification G.S.R. 85(E), dated 30 January 2025)

ISSB issues guide to help companies report only climate related information

In June 2023, the International Sustainability Standards Board (ISSB) issued, IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures* which provides requirements related to disclosure of sustainability-related risks and opportunities, including those related to climate, for capital markets. With an aim to aid companies in implementing these standards, the IFRS Foundation has published a new guide, *Applying IFRS S1 when reporting only climate-related disclosures in accordance with IFRS S2*, which aims to help companies understand how to report only climate-related information when applicable using ISSB Standards.

Further, in response to concerns about data availability and readiness, the ISSB introduced transition reliefs in IFRS S1 and IFRS S2. As per ISSB standards, companies must apply both standards together, but paragraph E5 of IFRS S1 allows them to disclose only climate-related risks and opportunities in the first year, following

the 'climate-first' approach.

This transition relief temporarily narrows the scope of reporting in accordance with IFRS S1 from the provision of information about all sustainability related risks and opportunities that could reasonably be expected to affect a company's prospects to the provision of information about only climate-related risks and opportunities, giving companies time to prepare reports on all sustainability related risks and opportunities. However, this relief is optional and in case companies have the resources to do so, they may report on all sustainability matters as well.

(Source: IFRS Foundation, News>2025, 'IFRS foundation published guide to help companies understand how to report only climate related information when applicable in accordance with ISSB standards', dated 30 January 2025)



ICAI updates



RBI updates



SEBI updates



Other updates

NFRA's new initiative on audit quality

The National Financial Reporting Authority (NFRA), with an aim to enhance communication between statutory auditors and audit committees launched a series of Auditor-Audit Committee interactions to cover significant areas of accounting and auditing, from time to time. This initiative aims to improve overall audit quality and promote awareness of accounting and auditing standards, in line with the Companies Act 2013 and relevant Standards on Auditing.

The first in this series focusses on potential questions audit committees may ask auditors regarding accounting estimates and judgements, including aspects related to the audit of Expected Credit Losses (ECL) for financial assets as required by Ind AS 109, *Financial Instruments*. Through this notification, NFRA has also shared a list of potential questions the auditors may expect from an audit committee in respect of ECL under Ind AS 109.

(Source: NFRA publication, 'Auditor- Audit Committee* Interaction Series 1 Audit of Accounting Estimates and Judgments Part 1 - Expected Credit Losses – Ind AS 109', dated 10 January 2025)

IRDAI updates several regulations to the enhance the insurance sector

On 10 January 2025, the Insurance Regulatory and Development Authority of India (IRDAI) announced a series of regulatory updates aimed at improving governance, data security, and operational efficiency within the insurance sector. Some key points provided in the notification are as follows:

- a. **Regulations on regulatory sandbox:** The IRDAI issued the Regulatory Sandbox framework to enhance innovation, flexibility, and operational efficiency in the insurance sector. The new Regulations are principle-based and operational details would be provided through a master circular. The sandbox's scope has been expanded to include the provisions that allow Inter-Regulatory Sandbox proposals, which span multiple financial sectors.
- b. **Regulations on maintenance and sharing of information:** The IRDAI issued the IRDAI (Maintenance of Information by the Regulated Entities and Sharing of Information by the Authority) Regulations, 2025 to consolidate following regulations to strengthen data governance and confidentiality:
 - IRDA (Sharing of Confidential information concerning domestic or foreign entity) Regulations, 2012
 - IRDAI (Maintenance of Insurance Records) Regulations, 2015
 - IRDAI (Minimum Information required for Investigation and Inspection) Regulations, 2020

It mandates electronic record keeping with robust security measures and provides guidelines for sharing confidential information. Further, it requires

Regulated Entities (REs) to adopt data governance framework and implement Board approved policies for record maintenance.

- c. **Amendment to meeting regulations:** To enhance operational flexibility, governance and efficiency of conducting meetings, amendments to the following three regulations have been notified:
 - IRDAI (Meetings) (Amendment) Regulations, 2025
 - IRDAI (Insurance Advisory Committee) (Amendment) Regulations, 2025
 - IRDAI (Re-Insurance Advisory Committee) (Amendment) Regulations, 2025

The objective of these amendment regulations is to improve operational flexibility and efficiency of the meetings of the Authority.

(Source: IRDAI Press release 'IRDAI further strengthens the Regulatory framework', dated 10 January 2025)



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Feedback/queries can be sent to in-fmcontact-us@bsraffiliates.com

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