MINISTRY OF CORPORATE AFFAIRS

NOTIFICATION

New Delhi, the 18th June, 2021

G.S.R. 419(E).—In exercise of the powers conferred by section 133, read with section 469 of the Companies Act, 2013 (18 of 2013), the Central Government, in consultation with the National Financial Reporting Authority, hereby makes the following rules further to amend the Companies (Indian Accounting Standards) Rules, 2015, namely:-

1. Short title and commencement.-(1) These rules may be called the Companies (Indian Accounting Standards) Amendment Rules, 2021.

(2) They shall come into force on the date of their publication in the Official Gazette.

2. In the Companies (Indian Accounting Standards) Rules, 2015, in the "Annexure", under the heading "B. Indian Accounting Standards (Ind AS)",-

(A) in "Indian Accounting Standard (Ind AS) 101", in "Appendix B",-

(i) in paragraph B1, for item (d), the following shall be substituted, namely:-

"(d) classification and measurement of financial instruments (paragraphs B8-B8C); ";

(ii) for heading before paragraph B8, the following shall be substituted, namely:-

"**Classification and measurement of financial instruments**";

(B) in "Indian Accounting Standard (Ind AS) 102", -

(i) after paragraph 63D, the following shall be inserted, namely:-

"63E *Amendments to References to the Conceptual Framework in Ind AS* issued in 2021 amended the footnote to the definition of an equity instrument in Appendix A. An entity shall apply that amendment for annual periods beginning on or after 1 April, 2021. An entity shall apply the amendment to Ind AS 102 retrospectively, in accordance with Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. However, if an entity determines that retrospective application would be impracticable or would involve undue cost or effort, it shall apply the amendment to Ind AS 102 by reference to paragraphs 23–28, 50–53 and 54F of Ind AS 8.";

(ii) in Appendix A, for the footnote relating to "equity instrument", the following shall be substituted, namely:-

"* *The Conceptual Framework for Financial Reporting under Indian Accounting Standards* (Conceptual Framework) issued by the Institute of Chartered Accountants of India, defines a liability as a present obligation of the entity to transfer an economic resource as a result of past events.";

(C) in "Indian Accounting Standard (Ind AS) 103", for paragraph 11, the following shall be substituted, namely:-

"11 To qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must meet the definitions of assets and liabilities in the *Framework for the Preparation and Presentation of Financial Statements in accordance with Indian Accounting Standards*[*] issued by the Institute of Chartered Accountants of India at the acquisition date. For example, costs the acquirer expects but is not obliged to incur in the future to effect its plan to exit an activity of an acquiree or to terminate the employment of or relocate an acquiree's employees are not liabilities at the acquisition date. Therefore, the acquirer does not recognise those costs as part of applying the acquisition method. Instead, the acquirer recognises those costs in its post-combination financial statements in accordance with other Ind AS.";

(D) in "Indian Accounting Standard (Ind AS) 104", -

(i) after paragraph 20, the following shall be inserted, namely:-

"20A-20Q [Refer Appendix 1]

20R-20S [Refer Appendix 1]";

(ii) after paragraph 35, the following shall be inserted, namely:-

"35A [Refer Appendix 1]

35B-35N [Refer Appendix 1]";

(iii) after paragraph 39A, the following shall be inserted, namely:-

"39B-39M [Refer Appendix 1]";

(iv) for heading before paragraph 40, the following shall be substituted, namely:-

"**Effective date and transition**";

(v) after paragraph 41I, the following shall be inserted, namely:-

"42-51 [Refer Appendix 1]";

(vi) in Appendix 1,

[*]For this Standard, acquirers are required to apply the definitions of an asset and a liability given in *Framework for Preparation and Presentation of Financial Statements in accordance with Indian Accounting Standards* rather than the *Conceptual Framework for Financial Reporting under Indian Accounting Standards issued in 2021.*

(a) paragraph 3 and 4 shall be renumbered as 4 and 5 respectively;

(b) after paragraph 2, the following shall be inserted, namely:-

“3. IFRS 4 contains provisions that address concerns arising from the different effective dates of IFRS 9 and the forthcoming Insurance Contracts Standard, IFRS 17. IFRS 4 provides two optional approaches: a temporary exemption from applying IFRS 9; and an overlay approach. It provides the following two options for entities that issue insurance contracts within the scope of IFRS 4:

- the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts Standard is issued; and
- give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2023.

The above optional temporary exemptions have not been provided under Ind AS 104.

In the context of optional temporary exemptions from applying IFRS 9, paragraphs 3 and 5 have been amended and paragraphs 20A-20Q, 35A-35N, 39B-39M, 46-49 have been added in IFRS 4. Since temporary optional exemptions have not been provided under Ind AS 104, these paragraphs have not been included in Ind AS 104. However, paragraph numbers have been retained in Ind AS 104 to maintain consistency with IFRS 4.

Amendments to *Interest Rate Benchmark Reform—Phase 2* added paragraphs 20R-20S in IFRS 4 which prescribes that an insurer applying the temporary exemption from IFRS 9 shall read certain paragraph references of IAS 39 in place of paragraph references of IFRS 9. Since temporary optional exemptions have not been provided under Ind AS 104, these paragraphs have not been included in Ind AS 104. However, paragraph numbers have been retained in Ind AS 104 to maintain consistency with IFRS 4.”;

(c) for paragraph 5, as so re-numbered, the following shall be substituted, namely:-

“5. Paragraphs 40-41F, and 41H, and 42-51 related to effective date and transition have not been included in Ind AS 104 as these are not relevant in Indian context. However, in order to maintain consistency with paragraph numbers of IFRS 4, these paragraph numbers are retained in Ind AS 104.”;

(E) in “Indian Accounting Standard (Ind AS) 105”, in “Appendix A”, in the definition of “recoverable amount”, for the words “**fair value** less **costs to sell**”, the words “**fair value** less **costs of disposal**” shall be substituted;

(F) in “Indian Accounting Standard (Ind AS) 106”, -

(i) for paragraph 10, the following shall be substituted, namely:-

“10 Expenditures related to the development of mineral resources shall not be recognised as exploration and evaluation assets. The *Conceptual Framework for Financial Reporting under Indian Accounting Standards* issued by the Institute of Chartered Accountants of India and Ind AS 38, *Intangible Assets*, provide guidance on the recognition of assets arising from development.”;

(ii) after paragraph 25, the following shall be inserted, namely:-

“**Effective date**

26 [Refer Appendix 1]

26A *Amendments to References to the Conceptual Framework in Ind AS* issued in 2021, amended paragraph 10. An entity shall apply that amendment for annual periods beginning on or after 1 April, 2021. An entity shall apply the amendment to Ind AS 106 retrospectively in accordance with Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. However, if an entity determines that retrospective application would be impracticable or would involve undue cost or effort, it shall apply the amendment to Ind AS 106 by reference to paragraphs 23–28, 50–53 and 54F of Ind AS 8.”;

(iii) in Appendix 1,for paragraph 1, the following shall be substituted, namely:-

"1. Paragraph 26 of IFRS 6 related to Effective Date has not been included in Ind AS 106 since it is not relevant in Indian context. The transitional provisions given in IFRS 6 have not been given in Ind AS 106, since all transitional provisions related to Ind ASs, wherever considered appropriate have been included in Ind AS 101, *First-time Adoption of Indian Accounting Standards*, corresponding to IFRS 1, *First-time Adoption of International Financial Reporting Standards*.";

(G) in "Indian Accounting Standard (Ind AS) 107", -

(i) in paragraph 24G, in item (c), for the words, figures, brackets and letter "paragraph 6.7.4(b) of Ind AS 109", the words, figures and letters "paragraph 6.7.4 of Ind AS 109" shall be substituted.;

(ii) after paragraph 24H, the following shall be inserted, namely:-

"**Additional disclosures related to interest rate benchmark reform**

24I To enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy, an entity shall disclose information about:

(a) the nature and extent of risks to which the entity is exposed arising from financial instruments subject to interest rate benchmark reform, and how the entity manages these risks; and

(b) the entity's progress in completing the transition to alternative benchmark rates, and how the entity is managing the transition.

24J To meet the objectives in paragraph 24I, an entity shall disclose:

(a) how the entity is managing the transition to alternative benchmark rates, its progress at the reporting date and the risks to which it is exposed arising from financial instruments because of the transition;

(b) disaggregated by significant interest rate benchmark subject to interest rate benchmark reform, quantitative information about financial instruments that have yet to transition to an alternative benchmark rate as at the end of the reporting period, showing separately:

(i) non-derivative financial assets;

(ii) non-derivative financial liabilities; and

(iii) derivatives; and

(c) if the risks identified in paragraph 24J(a) have resulted in changes to an entity's risk management strategy (see paragraph 22A), a description of these changes.";

(iii) in paragraph 35A, in item (a), for the word, figures and letters "paragraph 35J ", the word, figures, letters and brackets "paragraph 35J(a) " shall be substituted;

(iv) in paragraph 35G, in sub-item (ii) of item (a), for the word "have", the word 'has" shall be substituted;

(v) paragraphs "44DE" and "44DF" shall be renumbered as "44EE" and "44FF", respectively and after paragraph 44FF, as so re-numbered, the following shall be inserted, namely:-

"44GG *Interest Rate Benchmark Reform—Phase 2*, which amended Ind AS 109, Ind AS 107, Ind AS 104 and Ind AS 116, added paragraphs 24I–24J and 44HH. An entity shall apply these amendments when it applies the amendments to Ind AS 109, Ind AS 104 or Ind AS 116.

44HH In the reporting period in which an entity first applies *Interest Rate Benchmark Reform—Phase 2*, an entity is not required to disclose the information that would otherwise be required by paragraph 28(f) of Ind AS 8.";

(vi) in Appendix A, in the list below closing paragraph,-

- after the item "• effective interest method", the item, "• effective interest rate" shall be inserted;

(a) for the item "• gross carrying amount", the item "• gross carrying amount of a financial asset" shall be substituted;

(b) after the item "• loss allowance", the item "• past due" shall be inserted;

(vii) in Appendix B,-

(a) in paragraph B8B, for the word, figures, letters and brackets "paragraph 35F(f)(i) requires", the words, figures, letters and brackets "paragraph 35F(f)(ii) requires", shall be substituted;

(b) in paragraph B8I, for the word and figures "paragraph 5.5.10", the word and figures "paragraph 5.5.11" shall be substituted;

(H) in "Indian Accounting Standard (Ind AS) 109", -

(i) after paragraph 5.4.4, the following shall be inserted, namely:-

"Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

5.4.5 An entity shall apply paragraphs 5.4.6–5.4.9 to a financial asset or financial liability if, and only if, the basis for determining the contractual cash flows of that financial asset or financial liability changes as a result of interest rate benchmark reform. For this purpose, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark as described in paragraph 6.8.2.

5.4.6 The basis for determining the contractual cash flows of a financial asset or financial liability can change:

(a) by amending the contractual terms specified at the initial recognition of the financial instrument (for example, the contractual terms are amended to replace the referenced interest rate benchmark with an alternative benchmark rate);

(b) in a way that was not considered by—or contemplated in—the contractual terms at the initial recognition of the financial instrument, without amending the contractual terms (for example, the method for calculating the interest rate benchmark is altered without amending the contractual terms); and/or

(c) because of the activation of an existing contractual term (for example, an existing fallback clause is triggered).

5.4.7 As a practical expedient, an entity shall apply paragraph B5.4.5 to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform. This practical expedient applies only to such changes and only to the extent the change is required by interest rate benchmark reform (see also paragraph 5.4.9). For this purpose, a change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if, and only if, both these conditions are met:

(a) the change is necessary as a direct consequence of interest rate benchmark reform; and

(b) the new basis for determining the contractual cash flows is economically equivalent to the previous basis (ie the basis immediately preceding the change).

5.4.8 Examples of changes that give rise to a new basis for determining the contractual cash flows that is economically equivalent to the previous basis (ie the basis immediately preceding the change) are:

(a) the replacement of an existing interest rate benchmark used to determine the contractual cash flows of a financial asset or financial liability with an alternative benchmark rate—or the implementation of such a reform of an interest rate benchmark by altering the method used to calculate the interest rate benchmark—with the addition of a fixed spread necessary to compensate for the basis difference between the existing interest rate benchmark and the alternative benchmark rate;

(b) changes to the reset period, reset dates or the number of days between coupon payment dates in order to implement the reform of an interest rate benchmark; and

(c) the addition of a fallback provision to the contractual terms of a financial asset or financial liability to enable any change described in (a) and (b) above to be implemented.

5.4.9 If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, an entity shall first apply the practical expedient in paragraph 5.4.7 to the changes required by interest rate benchmark reform. The entity shall then apply the applicable requirements in this Standard to any additional changes to which the practical expedient does not apply. If the additional change does not result in the derecognition of the financial asset or financial liability, the entity shall apply paragraph 5.4.3 or paragraph B5.4.6, as applicable, to account for that additional change. If the additional change results in the derecognition of the financial asset or financial liability, the entity shall apply the derecognition requirements.";

(ii) in paragraph 5.5.8, the words "impairment gain or loss", shall be in italics;

(iii) in paragraph 6.5.10, the words "effective interest rate", shall be in italics;

(iv) after paragraph 6.8.12, the following shall be inserted, namely:-

"6.8.13 An entity shall prospectively cease applying paragraphs 6.8.7 and 6.8.8 at the earlier of:

(a) when changes required by interest rate benchmark reform are made to the non-contractually specified risk component applying paragraph 6.9.1; or

(b) when the hedging relationship in which the non-contractually specified risk component is designated is discontinued.

6.9 Additional temporary exceptions arising from interest rate benchmark reform

6.9.1 As and when the requirements in paragraphs 6.8.4–6.8.8 cease to apply to a hedging relationship (see paragraphs 6.8.9–6.8.13), an entity shall amend the formal designation of that hedging relationship as previously documented to reflect the changes required by interest rate benchmark reform, ie the changes are consistent with the requirements in paragraphs 5.4.6–5.4.8. In this context, the hedge designation shall be amended only to make one or more of these changes:

(a) designating an alternative benchmark rate (contractually or non-contractually specified) as a hedged risk;

(b) amending the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or

(c) amending the description of the hedging instrument.

6.9.2 An entity also shall apply the requirement in paragraph 6.9.1(c) if these three conditions are met:

(a) the entity makes a change required by interest rate benchmark reform using an approach other than changing the basis for determining the contractual cash flows of the hedging instrument (as described in paragraph 5.4.6);

(b) the original hedging instrument is not derecognised; and

(c) the chosen approach is economically equivalent to changing the basis for determining the contractual cash flows of the original hedging instrument (as described in paragraphs 5.4.7 and 5.4.8).

6.9.3 The requirements in paragraphs 6.8.4–6.8.8 may cease to apply at different times. Therefore, in applying paragraph 6.9.1, an entity may be required to amend the formal designation of its hedging relationships at different times, or may be required to amend the formal designation of a hedging relationship more than once. When, and only when, such a change is made to the hedge designation, an entity shall apply paragraphs 6.9.7–6.9.12 as applicable. An entity also shall apply paragraph 6.5.8 (for a fair value hedge) or paragraph 6.5.11 (for a cash flow hedge) to account for any changes in the fair value of the hedged item or the hedging instrument.

6.9.4 An entity shall amend a hedging relationship as required in paragraph 6.9.1 by the end of the reporting period during which a change required by interest rate benchmark reform is made to the hedged risk, hedged item or hedging instrument. For the avoidance of doubt, such an amendment to the formal designation of a hedging relationship constitutes neither the discontinuation of the hedging relationship nor the designation of a new hedging relationship.

6.9.5 If changes are made in addition to those changes required by interest rate benchmark reform to the financial asset or financial liability designated in a hedging relationship (as described in paragraphs 5.4.6–5.4.8) or to the designation of the hedging relationship (as required by paragraph 6.9.1), an entity shall first apply the applicable requirements in this Standard to determine if those additional changes result in the discontinuation of hedge accounting. If the additional changes do not result in the discontinuation of hedge accounting, an entity shall amend the formal designation of the hedging relationship as specified in paragraph 6.9.1.

6.9.6 Paragraphs 6.9.7–6.9.13 provide exceptions to the requirements specified in those paragraphs only. An entity shall apply all other hedge accounting requirements in this Standard, including the qualifying criteria in paragraph 6.4.1, to hedging relationships that were directly affected by interest rate benchmark reform.

Accounting for qualifying hedging relationships

Cash flow hedges

6.9.7 For the purpose of applying paragraph 6.5.11, at the point when an entity amends the description of a hedged item as required in paragraph 6.9.1(b), the amount accumulated in the cash flow hedge reserve shall be deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

6.9.8 For a discontinued hedging relationship, when the interest rate benchmark on which the hedged future cash flows had been based is changed as required by interest rate benchmark reform, for the purpose of applying paragraph 6.5.12 in order to determine whether the hedged future cash flows are expected to occur, the amount accumulated in the cash flow hedge reserve for that hedging relationship shall be deemed to be based on the alternative benchmark rate on which the hedged future cash flows will be based.

Groups of items

6.9.9 When an entity applies paragraph 6.9.1 to groups of items designated as hedged items in a fair value or cash flow hedge, the entity shall allocate the hedged items to subgroups based on the benchmark rate being hedged and designate the benchmark rate as the hedged risk for each subgroup. For example, in a hedging relationship in which a group of items is hedged for changes in an interest rate benchmark subject to interest rate benchmark reform, the hedged cash flows or fair value of some items in the group could be changed to reference an alternative benchmark rate before other items in the group are changed. In this example, in applying paragraph 6.9.1, the entity would designate the alternative benchmark rate as the hedged risk for that relevant subgroup of hedged items. The entity would continue to designate the existing interest rate benchmark as the hedged risk for the other subgroup of hedged items until the hedged cash flows or fair value of those items are changed to reference the alternative benchmark rate or the items expire and are replaced with hedged items that reference the alternative benchmark rate.

6.9.10 An entity shall assess separately whether each subgroup meets the requirements in paragraph 6.6.1 to be an eligible hedged item. If any subgroup fails to meet the requirements in paragraph 6.6.1, the entity shall discontinue hedge accounting prospectively for the hedging relationship in its entirety. An entity also shall apply the requirements in paragraphs 6.5.8 and 6.5.11 to account for ineffectiveness related to the hedging relationship in its entirety.

Designation of risk components

6.9.11 An alternative benchmark rate designated as a non-contractually specified risk component that is not separately identifiable (see paragraphs 6.3.7(a) and B6.3.8) at the date it is designated shall be deemed to have met that requirement at that date, if, and only if, the entity reasonably expects the alternative benchmark rate will be separately identifiable within 24 months. The 24-month period applies to each alternative benchmark rate separately and starts from the date the entity designates the alternative benchmark rate as a non-contractually specified risk component for the first time (ie the 24-month period applies on a rate-by-rate basis).

6.9.12 If subsequently an entity reasonably expects that the alternative benchmark rate will not be separately identifiable within 24 months from the date the entity designated it as a non-contractually specified risk component for the first time, the entity shall cease applying the requirement in paragraph 6.9.11 to that alternative benchmark rate and discontinue hedge accounting prospectively from the date of that reassessment for all hedging relationships in which the alternative benchmark rate was designated as a non-contractually specified risk component.

6.9.13 In addition to those hedging relationships specified in paragraph 6.9.1, an entity shall apply the requirements in paragraphs 6.9.11 and 6.9.12 to new hedging relationships in which an alternative benchmark rate is designated as a non-contractually specified risk component (see paragraphs 6.3.7(a) and B6.3.8) when, because of interest rate benchmark reform, that risk component is not separately identifiable at the date it is designated.";

(v) after paragraph 7.1.8, the following shall be inserted, namely:-

"7.1.9 [Refer Appendix 1]

7.1.10 *Interest Rate Benchmark Reform—Phase 2*, which amended Ind AS 109, Ind AS 107, Ind AS 104 and Ind AS 116, added paragraphs 5.4.5–5.4.9, 6.8.13, Section 6.9 and paragraphs 7.2.43–7.2.46. An entity shall apply these amendments for annual periods beginning on or after 1st April 2021.";

(vi) after paragraph 7.2.34, the following shall be inserted, namely:-

"7.2.35-7.2.42 [Refer Appendix 1]

Transition for *Interest Rate Benchmark Reform—Phase 2*

7.2.43 An entity shall apply *Interest Rate Benchmark Reform—Phase 2* retrospectively in accordance with Ind AS 8, except as specified in paragraphs 7.2.44–7.2.46.

7.2.44 An entity shall designate a new hedging relationship (for example, as described in paragraph 6.9.13) only prospectively (i.e, an entity is prohibited from designating a new hedge accounting relationship in prior periods). However, an entity shall reinstate a discontinued hedging relationship if, and only if, these conditions are met:

(a) the entity had discontinued that hedging relationship solely due to changes required by interest rate benchmark reform and the entity would not have been required to discontinue that hedging relationship if these amendments had been applied at that time; and

(b) at the beginning of the reporting period in which an entity first applies these amendments (date of initial application of these amendments), that discontinued hedging relationship meets the qualifying criteria for hedge accounting (after taking into account these amendments).

7.2.45 If, in applying paragraph 7.2.44, an entity reinstates a discontinued hedging relationship, the entity shall read references in paragraphs 6.9.11 and 6.9.12 to the date the alternative benchmark rate is designated as a non-contractually specified risk component for the first time as referring to the date of initial application of these amendments (ie the 24-month period for that alternative benchmark rate designated as a non-contractually specified risk component begins from the date of initial application of these amendments).

7.2.46 An entity is not required to restate prior periods to reflect the application of these amendments. The entity may restate prior periods if, and only if, it is possible without the use of hindsight. If an entity does not restate prior periods, the entity shall recognise any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application of these amendments in the opening retained earnings (or other component of equity, as appropriate) of the annual reporting period that includes the date of initial application of these amendments.";

(vii) in Appendix A,-

(a) for the heading **"effective interest method",** the heading **"effective interest rate "**shall be substituted.;

(b) before the heading **"effective interest rate",** as so substituted and the entries thereto, the following shall be inserted, namely:-

"**effective interest method**	The method that is used in the calculation of the **amortised cost of a financial asset or a financial liability** and in the allocation and recognition of the interest revenue or interest expense in profit or loss over the relevant period.";

(viii) in Appendix B, in paragraph B6.5.33, indentation of the closing paragraph to be aligned with sub paragraph (b)

(ix) in Appendix 1,-

(a) for paragraph 3, the following shall be substituted, namely:-

"3. Paragraphs 7.1.1 to 7.1.3 of IFRS 9 related to effective date have not been included in Ind AS 109 as these paragraphs are not relevant in Indian context. Paragraph 7.1.6 has not been included as it refers to amendments due to issuance of IFRS 17, *Insurance Contracts*, for which corresponding Ind AS is under formulation. Paragraph 7.1.9 has not been included as it refers to amendments to paragraph B3.3.6 of IFRS 9, for which corresponding amendments to Ind AS 109 are under formulation. However, in order to maintain consistency with paragraph numbers of IFRS 9, these paragraph numbers are retained in Ind AS 109. ";

(b) after paragraph 4, the following shall be inserted, namely:-

"5. Paragraphs 7.2.35 to 7.2.42 of IFRS 9 relate to amendments/standard not yet effective in India, hence not included in Ind AS 109. However, in order to maintain consistency with paragraph numbers of IFRS 9, these paragraph numbers are retained in Ind AS 109.";

(I) in "Indian Accounting Standard (Ind AS) 111", in paragraph 21A, for the words, letters and figures "as defined in Ind AS 103," the words, letters and figures "as defined in Ind AS 103,*Business Combinations*," shall be substituted;

(J) in "Indian Accounting Standard (Ind AS) 114", -

(i) for paragraph 13, the following shall be substituted, namely:-

"**13 An entity shall not change its accounting policies in order to start to recognise regulatory deferral account balances. An entity may only change its accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral account balances if the change makes the financial statements more relevant to the economic decision-making needs of users and no less reliable[*], or more reliable and no less relevant to those needs. An entity shall judge relevance and reliability using the criteria in paragraph 10 of Ind AS 8.**"

[*] The term "faithful representation", which is used in the *Conceptual Framework for Financial Reporting under Ind AS* issued by the Institute of Chartered Accountants of India, encompasses the main characteristics that the *Framework for the Preparation and Presentation of Financial Statements in accordance with Indian Accounting Standards* called "reliability". The requirement in paragraph 13 of this Standard is based on the requirements of Ind AS 8, which retains the term "reliable".

(K) in “Indian Accounting Standard (Ind AS) 115”,-

(i) in Appendix D, after paragraph 27, the following shall be inserted, namely;-

“**Effective date**

28 [Refer Appendix 1]

28A-28C [Refer Appendix 1]

28D Ind AS 115 amended paragraphs 13–15, 18–20 and 27 of Appendix D (which was earlier notified as Appendix A of erstwhile Ind AS 11). An entity shall apply those amendments when it applies Ind AS 115.

28E [Refer Appendix 1]

28F Ind AS 116, amended paragraph AG8. An entity shall apply that amendment when it applies Ind AS 116.”;

(ii) in Appendix 1,-

(a) in paragraph 6,

(i) for the opening paragraph, the following shall be substituted, namely:-

“6. Paragraphs C1B, C8A and C9 of Appendix C and paragraphs 28 and 28E of Appendix D related to effective date and transition have been deleted due to following reasons:”;

(ii) after item (b), the following shall be inserted, namely:-

“(c) Paragraphs 28 and 28E of Appendix D are not relevant in Indian context as the same relate to effective date of IFRIC 12.”;

(b) for paragraph 7, the following shall be substituted, namely:-

“7. Paragraph B57 of Appendix B of IFRS 15 and paragraphs 28A-28C of IFRIC 12 appear as ‘Deleted’. However, in order to maintain consistency with paragraph numbers of IFRS 15 and IFRIC 12, the paragraph numbers are retained in Ind AS 115.”;

(L) in “Indian Accounting Standard (Ind AS) 116”, -

(i) in paragraph 46B, for item (b), the following shall be substituted, namely:-

“(b) any reduction in lease payments affects only payments originally due on or before the 30^{th} June, 2022 (for example, a rent concession would meet this condition if it results in reduced lease payments on or before the 30^{th} June, 2022 and increased lease payments that extend beyond the 30^{th} June, 2022); and”;

(ii) after paragraph 103, the following shall be inserted, namely:-

“**Temporary exception arising from interest rate benchmark reform**

104 A lessee shall apply paragraphs 105–106 to all lease modifications that change the basis for determining future lease payments as a result of interest rate benchmark reform (see paragraphs 5.4.6 and 5.4.8 of Ind AS 109). These paragraphs apply only to such lease modifications. For this purpose, the term ‘interest rate benchmark reform’ refers to the market-wide reform of an interest rate benchmark as described in paragraph 6.8.2 of Ind AS 109.

105 As a practical expedient, a lessee shall apply paragraph 42 to account for a lease modification required by interest rate benchmark reform. This practical expedient applies only to such modifications. For this purpose, a lease modification is required by interest rate benchmark reform if, and only if, both of these conditions are met:

(a) the modification is necessary as a direct consequence of interest rate benchmark reform; and

(b) the new basis for determining the lease payments is economically equivalent to the previous basis (ie the basis immediately preceding the modification).

106 However, if lease modifications are made in addition to those lease modifications required by interest rate benchmark reform, a lessee shall apply the applicable requirements in this Standard to account for all lease modifications made at the same time, including those required by interest rate benchmark reform.”;

(iii) in Appendix C,

(a) after paragraph C1A, the following shall be inserted, namely:-

“C1B *Interest Rate Benchmark Reform—Phase 2*, which amended Ind AS 109, Ind AS 107, Ind AS 104 and Ind AS 116, added paragraphs 104–106 and C20C–C20D. An entity shall apply these amendments for annual reporting periods beginning on or after the 1st April 2021.

C1C *Covid-19-Related Rent Concessions beyond 30 June 2021*, amended paragraph 46B and added paragraphs C20BA–C20BC. A lessee shall apply that amendment for annual reporting periods beginning on or after the 1st April 2021. In case a lessee has not yet approved the financial statements for issue before the issuance of this amendment, then the same may be applied for annual reporting periods beginning on or after April 1, 2020.”;

(b) after paragraph C20B, the following shall be inserted, namely:-

“C20BA A lessee shall apply *Covid-19-Related Rent Concessions beyond 30 June 2021* (see paragraph C1C) retrospectively, recognising the cumulative effect of initially applying that amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment.

C20BB In the reporting period in which a lessee first applies *Covid-19-Related Rent Concessions beyond 30 June 2021*, a lessee is not required to disclose the information required by paragraph 28(f) of Ind AS 8.

C20BC Applying paragraph 2 of this Standard, a lessee shall apply the practical expedient in paragraph 46A consistently to eligible contracts with similar characteristics and in similar circumstances, irrespective of whether the contract became eligible for the practical expedient as a result of the lessee applying *Covid-19-Related Rent Concessions* (see paragraph C1A) or *Covid-19-Related Rent Concessions beyond 30 June 2021* (see paragraph C1C).

Interest Rate Benchmark Reform—Phase 2

C20C An entity shall apply these amendments retrospectively in accordance with Ind AS 8, except as specified in paragraph C20D.

C20D An entity is not required to restate prior periods to reflect the application of these amendments. The entity may restate prior periods if, and only if, it is possible without the use of hindsight. If an entity does not restate prior periods, the entity shall recognise any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application of these amendments in the opening retained earnings (or other component of equity, as appropriate) of the annual reporting period that includes the date of initial application of these amendments.”;

(M) in “Indian Accounting Standard (Ind AS) 1”, -

(i) in paragraph 15, for the word “***Framework***”, the words “***Conceptual Framework for Financial Reporting under Indian Accounting Standards (Conceptual Framework)* issued by the Institute of Chartered Accountants of India (ICAI)”** shall be substituted;

(ii) in paragraph 19, for the words “ **in the *Framework***”, the words “ **in the *Conceptual Framework***” shall be substituted;

(iii) in paragraph 20, in item (c), for the word “***Framework***”, the words “ ***Conceptual Framework***” shall be substituted;

(iv) in paragraph 23, for the words **" in the *Framework***" at both the places where they occur, the words " **in the *Conceptual Framework***" shall be substituted;

(v) in paragraph 24, for the words **"** in the *Framework*" at both the places where they occur, the words " in the *Conceptual Framework*" shall be substituted;

(vi) in paragraph 28, for the word "*Framework*", the words " *Conceptual Framework*" shall be substituted;

(vii) in paragraph 89, for the word "*Framework's*", the words " *Conceptual Framework's*" shall be substituted;

(viii) in paragraph 95, for the words "hedged forecast cash flow affect", the words "hedged forecast cash flows affect" shall be substituted;

(ix) for paragraph 139S, the following shall be substituted, namely:-

"139S *Amendments to References to the Conceptual Framework in Ind AS* issued in 2021, amended paragraphs 15, 19–20, 23–24, 28 and 89. An entity shall apply those amendments for annual periods beginning on or after the 1st April, 2021. An entity shall apply the amendments to Ind AS 1 retrospectively in accordance with Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. However, if an entity determines that retrospective application would be impracticable or would involve undue cost or effort, it shall apply the amendments to Ind AS 1 by reference to paragraphs 23–28, 50–53 and 54F of Ind AS 8.";

(x) in Appendix 1,for paragraph 10, the following shall be substituted, namely:-

"10 Paragraphs 139 to 139M and 139O-139P related to Transition and Effective Date have not been included in Ind AS 1 as these are not relevant in Indian context. Paragraph 139R relates to IFRS 17, *Insurance Contracts*, for which corresponding Ind AS is under formulation. However, in order to maintain consistency with paragraph numbers of IAS 1, these paragraph numbers are retained in Ind AS 1.";

(N) in "Indian Accounting Standard (Ind AS) 8", -

(i) in paragraph 11, in item (b), for the word "***Framework***", the words **"*Conceptual Framework for Financial Reporting under Indian Accounting Standards (Conceptual Framework)*[*]issued by the Institute of Chartered Accountants of India**" shall be substituted;

(ii) for paragraphs 54F and 54G, the following shall be substituted, namely:-

"54F *Amendments to References to the Conceptual Framework in Ind AS* issued in 2021 amended paragraph 11(b). An entity shall apply those amendments for annual periods beginning on or after 1 April, 2021. An entity shall apply the amendments to paragraph 11(b) retrospectively in accordance with this Standard. However, if an entity determines that retrospective application would be impracticable or would involve undue cost or effort, it shall apply the amendments to paragraph 11(b) by reference to paragraphs 23–28 of this Standard. If retrospective application of any amendment in *Amendments to References to the Conceptual Framework in Ind AS* would involve undue cost or effort, an entity shall, in applying paragraphs 23–28 of this Standard, read any reference except in the last sentence of paragraph 27 to 'is impracticable' as 'involves undue cost or effort' and any reference to 'practicable' as 'possible without undue cost or effort'.

54G If an entity does not apply Ind AS 114, *Regulatory Deferral Accounts*, the entity shall, in applying paragraph 11(b) to regulatory account balances, continue to refer to, and consider the applicability of, the definitions, recognition criteria, and measurement concepts in the *Framework for the Preparation and Presentation of Financial Statements in accordance with Indian Accounting Standards* issued by the Institute of Chartered Accountants of India instead of those in the *Conceptual Framework* issued in 2020. A 'regulatory account balance' and 'rate regulator' have the same meaning as defined in Ind AS 114.";

[*]Paragraph 54G explains how this requirement is amended for regulatory account balances.

(iii) in Appendix 1,for paragraph 5, the following shall be substituted, namely:-

"5. Paragraphs 54-54E of IAS 8 related to Effective date and transition have not been included in Ind AS 8 as these are not relevant in Indian context. However, in order to maintain consistency with paragraph numbers of IAS 8, these paragraph numbers are retained in Ind AS 8.";

(O) in "Indian Accounting Standard (Ind AS) 12", in paragraph 29, in sub-item (i) of item (a), for the word and symbol "differences." appearing at the end of second sentence, the words and symbol and "differences; and " shall be substituted;

(P) in "Indian Accounting Standard (Ind AS) 16", in paragraph 6, for the words "***Recoverable amount* is the higher of an asset's fair value less costs to sell and its value in use."**, the words "***Recoverable amount* is the higher of an asset's fair value less costs of disposal and its value in use."** shall be substituted;

(Q) in "Indian Accounting Standard (Ind AS) 27", in paragraph 15, for the words and figures "paragraphs 16 and 17", the word and figures "paragraphs 16-17" shall be substituted;

(R) in "Indian Accounting Standard (Ind AS) 28, in paragraph 42, for the words " costs to sell", the words "costs of disposal" shall be substituted;

(S) in "Indian Accounting Standard (Ind AS) 34", -

(i) for paragraph 31, the following shall be substituted, namely:-

"31 Under the *Conceptual Framework for Financial Reporting under Indian Accounting Standards (Conceptual Framework)* issued by the Institute of Chartered Accountants of India, recognition is the process of capturing, for inclusion in the Balance Sheet or Statement of Profit and Loss, an item that meets the definition of one of the elements of the financial statements. The definitions of assets, liabilities, income, and expenses are fundamental to recognition, at the end of both annual and interim financial reporting periods.";

(ii) for paragraph 33, the following shall be substituted, namely:-

"33 An essential characteristic of income (revenue) and expenses is that the related inflows and outflows of assets and liabilities have already taken place. If those inflows or outflows have taken place, the related revenue and expense are recognised; otherwise they are not recognised. The *Conceptual Framework* does not allow the recognition of items in the balance sheet which do not meet the definition of assets or liabilities.";

(iii) for paragraph 58, the following shall be substituted, namely:-

"58 *Amendments to References to the Conceptual Framework in Ind AS* issued in 2021 amended paragraphs 31 and 33. An entity shall apply those amendments for annual periods beginning on or after 1 April 2021. An entity shall apply the amendments to Ind AS 34 retrospectively in accordance with Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. However, if an entity determines that retrospective application would be impracticable or would involve undue cost or effort, it shall apply the amendments to Ind AS 34 by reference to paragraphs 43–45 of this Standard and paragraphs 23–28, 50–53 and 54F of Ind AS 8.";

(iv) in Appendix 1,for paragraph 7, the following shall be substituted, namely:-

"7 Paragraphs 46-54 and 56-57 related to effective date have not been included in Ind AS 34 as these are not relevant in Indian context. However, in order to maintain consistency with paragraph numbers of IAS 34, these paragraph numbers are retained in Ind AS 34.";

(T) in "Indian Accounting Standard (Ind AS) 37", in paragraph 10, in the definition of the term "liability", after the word "liability", the symbol "*"with corresponding following footnote shall be inserted, namely:-

"* The definition of a liability in this Standard is not revised following the revision of the definition of a liability in the *Conceptual Framework for Financial Reporting under Indian Accounting Standards* issued in 2021 by the Institute of Chartered Accountants of India.";

(U) in "Indian Accounting Standard (Ind AS) 38", -

(i) in paragraph 8, in the definition of the term "*Asset"*, after the word "*Asset*", the symbol "*"with corresponding following footnote shall be inserted, namely:-

"* The definition of an asset in this Standard is not revised following the revision of the definition of an asset in the *Conceptual Framework for Financial Reporting under Indian Accounting Standards* issued in 2021 by the Institute of Chartered Accountants of India.";

(ii) in paragraph 114, for the words, letters and figure "Ind AS 115, *Revenue from Contracts with Customers*", the word, letters and figure "Ind AS 115" shall be substituted;

(iii) in Appendix A,-

(a) for paragraph 5, the following shall be substituted, namely:-

"5 This Appendix does not apply to expenditure on purchasing, developing, and operating hardware (eg web servers, staging servers, production servers and Internet connections) of a web site. Such expenditure is accounted for under Ind AS 16. Additionally, when an entity incurs expenditure on an Internet service provider hosting the entity's web site, the expenditure is recognised as an expense under paragraph 88 of Ind AS 1 and the *Conceptual Framework for Financial Reporting under Indian Accounting Standards* issued by The Institute of Chartered Accountants of India when the services are received.";

(b) after paragraph 10, the following shall be inserted, namely:-

"**Effective date**

Amendments to References to the Conceptual Framework in Ind AS issued in 2021, amended paragraph 5. An entity shall apply that amendment for annual periods beginning on or after 1 April 2021. An entity shall apply the amendment to Appendix A retrospectively in accordance with Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. However, if an entity determines that retrospective application would be impracticable or would involve undue cost or effort, it shall apply the amendment to Appendix A by reference to paragraphs 23–28, 50–53 and 54F of Ind AS 8.";

(V) in "Indian Accounting Standard (Ind AS) 40", in paragraph 7, for the word, letters and figure "Ind AS 116 ", the words, letters and figure "Ind AS 116, *Leases"* shall be substituted.

[F. No. 01/01/2009-CL-V (Part. IX)]

K.V.R. MURTY, Jt. Secy.

Note : The principal rules were published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R. 111(E), dated the 16th February, 2015 and were subsequently amended vide notifications number G.S.R. 365 (E), dated the 30th March, 2016, number G.S.R. 258(E), dated the 17th March, 2017, number G.S.R. 310(E), dated the 28th March, 2018, number G.S.R. 903(E), dated the 20th September, 2018, number G.S.R. 273(E), dated the 30th March, 2019, number G.S.R. 274 (E), dated the 30th March, 2019 and number G.S.R. 463 (E), dated the 24th July, 2020.

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