



Accounting and Auditing Update

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Editorial





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This month's Accounting and Auditing Update (AAU) focusses on some of the new and emerging concepts in the field of accounting and auditing.

Data and Analytics (D&A) has ushered in a virtual revolution in many organisations which are investing significant time, resources and capital to achieve desired business and controlling results. D&A is also acting as a significant disrupter in the way auditors are likely to perform audits in future. From this edition of the AAU onwards, we begin a series of articles that will discuss how D&A is expected to affect audit, insights that could be provided to companies and how D&A tools are expected to change the conventional audit process. Our first article on this topic provides an introduction to D&A.

Companies in India enter into foreign currency transactions to purchase or sell machinery, inventory, etc. that could be affected by the guidance of Ind AS 109, *Financial Instruments* with respect to the specific guidance on foreign currency embedded derivatives. Additionally, companies that invest in financial assets are also impacted by Ind AS 109 which sets out three

categories for the classification of financial assets: at amortised cost, at fair value through profit or loss and at fair value through other comprehensive income. We cover in this issue of the AAU articles on these two topics which explain these concepts and how they would apply in real life with the help of illustrative examples and detailed flowcharts.

Share-based payments are being used by companies to incentivise employees and non-employees. Though under current Indian GAAP there is a guidance note that provides accounting treatment for share-based payment transactions with employees, Ind AS provides more elaborate guidance on transactions both with employees and non-employees. Our article on this area summarises the new concepts that companies should focus while accounting for share-based payments under Ind AS.

While companies falling in the phase I of the Ind AS road map for corporates have started the process of preparing consolidated financial statements, there could be certain unconsolidated structured entities related to the group. The requirements of Ind AS also cover disclosure requirements of such

unconsolidated structured entities and sponsored entities. Our article on this subject captures the key factors to identify such structured entities, explains the disclosure requirements and identifies practical challenges that companies could face while implementing Ind AS requirements on such entities.

The usefulness of presentation of financial statements with non-GAAP measures has been debated for some time internationally. Recently, the International Organisation of Securities Commission (IOSCO) has issued a final set of guidelines on presentation of non-GAAP measures. We carry an article which casts its lens on the 12 elements contained in these guidelines.

As is the case each month, we also cover a round-up of the recent regulatory updates in India. As always, we should be delighted to receive any kind of feedback/ suggestions from you on this edition of the AAU and also any topics that you believe we should cover in future editions.

Table of contents



Data analytics and technology 01

Foreign currency embedded derivatives 03

Share-based payment accounting-
new concepts 07

Unconsolidated structured entities 15

Classification of investments in preference shares 19

Non-GAAP financial measures-
IOSCO's final statement 23

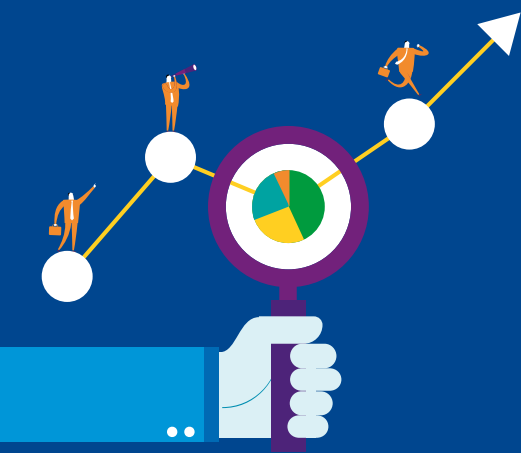
Regulatory updates 27

Data analytics and technology

In the last few years ‘big data’ has become the buzz phrase that confused many and overwhelmed many more. Two years ago, many executives and IT departments were still struggling to understand what the data revolution meant for them and their business; many were just fighting to keep their heads above water as the data deluge surrounded them.

Today, Data and Analytics (D&A) has clearly entered the mainstream; a survey conducted by KPMG¹ shows that adoption is high and many are now coming to terms with their initial data challenges. But much continues to change. The Internet of Things (IoT), for example, is becoming a reality for many industries and, as such, more data is being generated than ever before, creating new opportunities for businesses. At the same time, a business itself is becoming increasingly demanding as D&A discussions become a part of the increasingly digitally savvy boardroom. As a result, competition around D&A is rising, with many organisations now investing time, resources and capital into improving their D&A capabilities.

Indeed, as D&A becomes mainstream, executives and their boards are increasingly starting to question whether their organisations are truly realising the full value of the insights they are getting from their data. Some are concerned that they may not be sophisticated enough in their approach to D&A to drive actionable insights. Others are struggling to align their D&A initiatives to address critical business issues and needs. Therefore, many may be missing out on new areas of opportunity and competitive advantage.



This article aims to:

- Provide a brief description of evolution of Data and Analytics (D&A) used by organisations
- Describe the effect of D&A on conducting an audit

1. Survey conducted as part of KPMG publication Going Beyond the Data Turning Data from Insights to Value. The survey was conducted on behalf of KPMG International by an independent research partner between August 2014 and January 2015, and was augmented by one-on-one interviews with sector leaders and KPMG subject matter experts conducted in May 2015.

Actionable insights from the survey

As organisations improve the sophistication of their D&A capabilities and activities, many are starting to find that their greatest challenge lies not in uncovering insights from their data, but rather in creating actionable, business-driven insights that ultimately lead to tangible and sustainable value for the business.

A key to determining success is to define what value the organisation/individual is looking for e.g. is it reduced cost? Better management of risk? Improved customer experience?

Insights to value

Capturing value from D&A initiatives requires three ingredients: actionable insights, strong change management processes and executive support. But more than anything, it requires organisations to take a fundamentally different approach to D&A that starts with understanding what the business wants to achieve and then aligning the D&A tools, capabilities and data to support that.

Companies are getting really good at collecting data, but they are having big problems connecting it. Analysing a single source of data will never drive real value; it takes multiple streams of data to get real insight.

Largely because of this gap between insights and value, many organisations said the greatest benefits from D&A stem from achieving faster, more accurate or better-informed decision-making rather than the discovery and application of new growth opportunities or risks. As a result, many seem to be missing out on some areas of enormous potential, such as individualised marketing, the identification of new revenue streams and the prediction of future market trends.

D&A – what is next?

Today's leading D&A organisations are now focussing on key themes such as how to bring analytics closer to the business, how to break down silos and encourage cross-functional approaches, how to refocus their activity around strategic imperatives, and how to prioritise what should (and could) be done by leveraging D&A.

These organisations are likely to show that they increasingly understand the inherent value that insights can deliver across the organisation. They are breaking down the internal silos and bringing the best of their data, people and technologies together across the enterprise. They are experimenting, innovating and being fast to fail. They are prioritising their efforts to make the most of their limited resources, but, most importantly, they are acting on the insights they find.

Better audits with technology

Technology is a significant disruptor in the way we will perform audits in the future. Leveraging D&A and technology is key to the future of audit. Data quality and integrity have always been important to performing a robust audit. Recent efforts by organisations around the world to improve their own D&A capabilities, combined with audit firms developing more advanced D&A capabilities, have been instrumental in improving audit quality. More sophisticated organisations are now starting to look for deeper insights from their audit in order to better understand their performance and risk profiles across departments, business units and peer groups.

During the course of audits, we frequently see issues around controls – often inconsistent applications across business units – that, in the first instance, provide us with evidence to form an audit opinion, but that will also, most certainly, be of interest to an Audit Committee.

We feel safe in saying that Audit Committees are likely to find any innovation that contributes to higher quality audits and deeper insights into risk highly valuable. But these findings could also provide the management with information that informs decisions they may make, such as improving the quality of their controls, which, in turn, can benefit their investors and stakeholders.

For example, using D&A, auditors may uncover insights about an organisation's purchasing processes that would allow the management to assess opportunities to drive efficiency or better leverage their Enterprise Resource Planning (ERP) investments by relying more on automated controls. In doing so, organisations can better address specific challenge areas and achieve

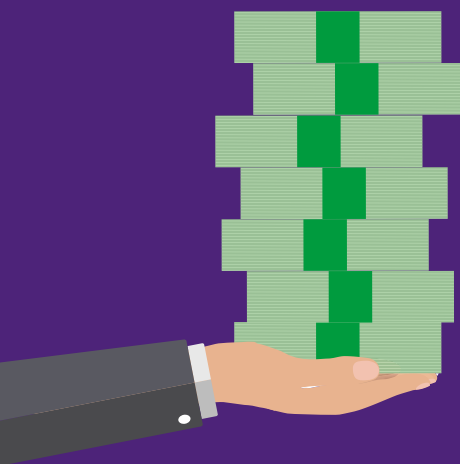
more streamlined production. We believe that enhanced audit quality combined with new insights equals value – value to the users of the audited financial statements that organisations issue, value to Audit Committees and key stakeholders in terms of the quality and effectiveness of the audit report, and value to the boards and management teams in terms of the decisions they make.

Wider use of D&A in audit will mean that audit professionals will also need to update themselves with the skills and knowledge to audit in an D&A environment. Key skills include understanding of D&A tools, software and database management. Through D&A in audit tools, audit professionals would be able to look at the entire population of transactions. Interpretation of the insights and exceptions would be key to deriving advantages from D&A in audit and turning these insights into value for the client.

Thus, the nature of audit is changing with the increased use of D&A and other technologies in audit. Highly repetitive tasks are being automated and coverage of large populations of transactions is now possible. These aspects are leading to a shift in the expectations and value proposition from auditors by organisations and Audit Committees.

Source: *Certain parts of this article have been sourced from 'Going Beyond the Data Turning Data from Insights to Value' a publication by KPMG International Cooperative in 2015.*

Foreign currency embedded derivatives



Indian Accounting Standard (Ind AS) 109, *Financial Instruments* provides guidance on accounting for derivatives and embedded derivatives. A derivative is defined as 'a financial instrument or other contract within the scope of this standard with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract,
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors, and
- It is settled at a future date.

An embedded derivative is a component of a hybrid (non-derivative, financial or non-financial) contract and results in some or all of the cash flows varying in a manner similar to a stand-alone derivative. Embedded derivatives in financial assets are not separately recognised, however those in financial liabilities or in non-

financial contracts are separated and accounted for as a derivative if they meet the following conditions:

- Their economic characteristics and risks are not closely related to the economic characteristics of the host contract,
- A separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and
- The hybrid contract is not classified and measured at Fair Value Through Profit or Loss (FVTPL).

In this article we describe the guidance in Ind AS 109 relating to identifying and separating foreign currency embedded derivatives present in non-financial host contracts with the help of an illustrative example.

This article aims to:

- Describe the guidance in Ind AS 109 relating to identifying and separating foreign currency embedded derivatives present in non-financial host contracts.

Illustration - Key terms of the non-financial contract

Company A, an Indian company whose functional currency is INR, enters into a contract to purchase machinery from an unrelated local supplier, company B. The functional currency of company B is also INR. However, the contract is denominated in USD, since the machinery is sourced by company B from a US based supplier. Payment is due to company B on delivery of the machinery. Table 1 specifies the key terms of the contract:

Contractual features	Details
Contract/order date	9 September 2016
Delivery/payment date	31 December 2016
Purchase price	USD 1,000,000
Forward rate on 9 September 2016 for 31 December 2016 maturity	67.8
Spot rate on 9 September 2016	66.4
Forward rates for 31 December, on:	
30 September	67.5
31 December (spot rate)	67

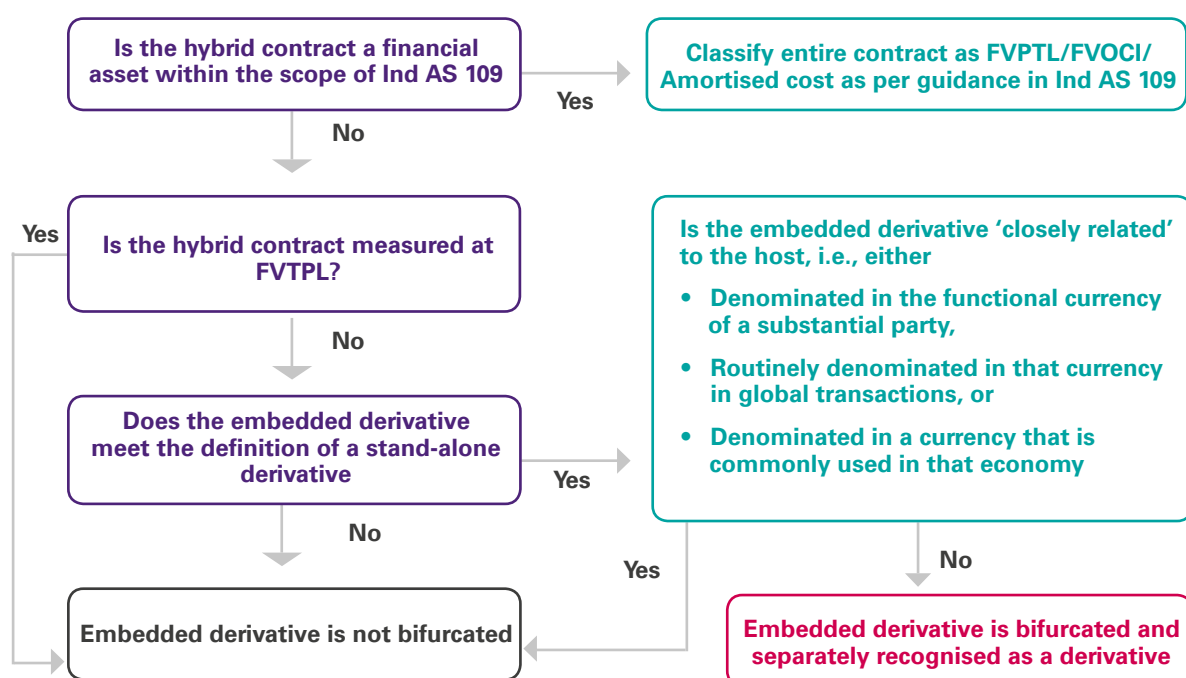
Accounting issue

Company A is required to analyse if the contract for purchase of machinery (a capital asset) from company B contains an embedded derivative and whether this should be separately accounted for on the basis of the guidance in Ind AS 109.

Accounting guidance

Figure 1 illustrates the guidance in Ind AS 109 on determining whether an embedded foreign currency feature should be separated and recognised as a derivative.

Figure 1: Guidance for separation of foreign currency embedded derivative



Source: KPMG in India analysis, 2016 based on Ind AS 109

Analysis

Based on the guidance above, the USD contract for purchase of machinery entered into by company A includes an embedded foreign currency derivative due to the following reasons:

- The host contract is a purchase contract (non-financial in nature) that is not classified as, or measured at FVTPL.
- The embedded foreign currency feature (requirement to settle the contract by payment of USD at a future date) meets the definition of a stand-alone derivative – it is akin to a forward contract to sell USD on 31 December 2016.
- USD is not the functional currency of either of the substantial parties to the contract (i.e., neither company A nor company B).
- Machinery is not routinely denominated in USD in commercial transactions around the world. In this context, an item or a commodity may be considered 'routinely denominated' in a particular currency only if such currency was used in a

large majority of similar commercial transactions around the world. For example, transactions in crude oil are generally considered routinely denominated in USD. A transaction for acquiring machinery in this illustration would generally not qualify for this exemption.

- USD is not a commonly used currency for domestic commercial transactions in the economic environment in which either company A or B operate. This exemption generally applies when the business practice in a particular economic environment is to use a more stable or liquid foreign currency (such as the USD), rather than the local currency, for a majority of internal or cross-border transactions, or both. In the illustration above, companies A and B are companies operating in India and the purchase contract is an internal/domestic transaction. USD is not a commonly used currency for internal trade within this economic environment and therefore the contract would not qualify for this exemption.

Accordingly, company A is required to bifurcate the embedded foreign currency derivative from the host purchase contract and recognise it separately as a derivative.

Accounting treatment

The separated embedded derivative is a forward contract entered into on 9 September 2016, to sell USD 1,000,000 for INR at the forward rate of 67.8 on 31 December 2016. Since the forward exchange rate has been deemed to be the market rate on the date of the contract, the embedded forward contract has a fair value of zero on initial recognition.

Subsequently, company A is required to measure this forward contract at its fair value, with changes in fair value recognised in the statement of profit and loss. The following is the accounting treatment at quarter-end and on settlement, based on the terms specified in Table 1. (These accounting entries are illustrative in nature and exclude the impact of discounting as well as the deferred tax adjustments for simplicity).

Table 2

Date	Accounting entry	Amount in INR
9 Sep 2016	<i>On initial recognition of the forward contract</i> (No accounting entry recognised since initial fair value of the forward contract is considered to be nil)	
30 Sep 2016	<i>Fair value change in forward contract</i> Forward contract asset (company B) Profit or loss	Dr 300,000 Cr 300,000
31 Dec 2016	<i>Fair value change in forward contract</i> Forward contract asset (company B) Profit or loss	Dr 500,000 Cr 500,000
31 Dec 2016	<i>Recognition of machinery acquired</i> Property, plant and equipment (at forward rate) Forward contract asset (company B) Creditor (company B)	Dr 67,800,000 Cr 800,000 Cr 67,000,000
31 Dec 2016	<i>Settlement – payment to company B</i> Creditor (company B) Bank	Dr 67,000,000 Cr 67,000,000

Consider this....

- While the payment made by company A to company B for purchase of the machinery is INR67 million, based on the spot exchange rate on the date of delivery, the amount capitalised to property, plant and equipment is INR67.8 million. Therefore, the cost of purchase of the machinery in INR (being the host contract) is ultimately measured at the forward rate on the date of the contract and the additional INR0.8 million is recognised in the statement of profit and loss as the fair value change in the separated embedded derivative (USD-INR forward exchange contract).
- Although company B sourced the machinery from a US based supplier and hence, the cost of the machinery supplied to company A may be based on its USD price, this does not preclude separation of the embedded derivative from the host contract.
- However, if the US based supplier is a related party of company B and the contract could not have been fulfilled by company B (considering the requisite resources or technology to fulfil the contract) independently, further analysis maybe required to determine if the supplier is also a 'substantial party' to the contract. If so determined, then the embedded foreign currency derivative may not require separation since USD is the functional currency of the supplier, being a substantial party to the contract.
- An extension in the contract term due to delay in delivery of the machinery by company B would also result in an extension in the term of the embedded foreign currency derivative. This would be similar to a roll-over of the derivative at a forward exchange rate that is determined on the basis of the market forward exchange rate for the new date of delivery.



Share-based payment accounting – new concepts

Introduction

Share-based payments are transactions that are generally for the purposes of incentivising employees and non-employees to encourage them to contribute to the progress of a company and to boost its performance. *Share-based payments* could be granted subject to certain conditions. Indian Accounting Standard (Ind AS) 102, *Share-based Payment*, prescribes principles for financial reporting by entities when it undertakes such transactions.

The introduction of Ind AS brings changes to the accounting perspective for share-based payment transactions entered into by the corporates in India. Under the current Indian GAAP, there is no comprehensive standard which deals with share-based payment transactions.

However, the Institute of Chartered Accountants of India issued a Guidance Note on *Accounting for Employee Share-based Payments* (guidance note), which provides principles for share-based payment accounting and it applies to share-based payments made to employees only. Currently, there is no specific guidance for share-based payments made to non-employees. Whereas Ind AS 102 deals with all types of share-based payment transactions including transactions with non-employees.

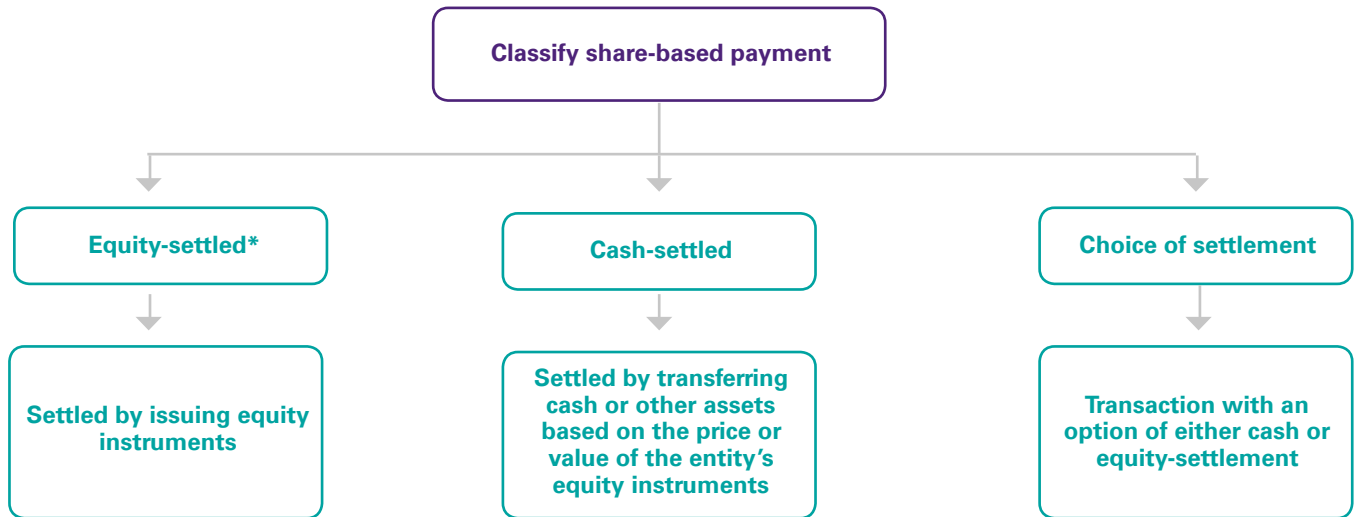


This article aims to:

- Highlight the exemptions available under Ind AS 101, *First-time Adoption of Indian Accounting Standards*
- Provide an overview of the new concepts introduced by Ind AS 102, *Share-based Payment*.

Background

Ind AS 102 requires entities to measure and recognise share-based payment transactions in its financial statements and sets out principles for measurement for three types of share-based transactions. The diagram below illustrates the types of share-based payment and their accounting treatment.



Source: Insights into IFRS, KPMG IFRG Limited's publication, 13th edition September 2016

* In case of equity-settled transactions, the entity shall measure the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the entity cannot estimate reliably the fair value of the goods or services received, the entity shall measure their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

Transition to Ind AS

The corporates in India covered in phase I of the Ind AS road map are transitioning to Ind AS for the period beginning 1 April 2016 with the transition date being 1 April 2015. This conversion from the current Indian GAAP could be a stressful job due to difference in accounting principles under both the GAAPs. Therefore Ind AS 101, *First-time Adoption of Indian Accounting Standards*, provides a suitable starting point for accounting in accordance with Ind AS and set out the procedures to be followed by entities for adoption of Ind AS. Ind AS 101 provides certain exemptions and exceptions to facilitate smooth transition from IGAAP to Ind AS. These exceptions/exemptions are classified under mandatory exceptions and optional exemptions for business combination, share-based payment transactions, property, plant and equipment, consolidation etc.

In the following section, we will highlight the option provided for share-based payment transactions and key new concepts in share-based payment transactions accounting under Ind AS.

Exemption from share-based payment accounting

For equity instruments that were vested before the date of transition to Ind AS (i.e. 1 April 2015 for the phase I companies), a first-time adopter is not required to apply Ind AS 102. However, if a first-time adopter elects to apply Ind AS 102 to such equity instruments, it may do so only if the entity has disclosed publicly the fair value of those equity instruments, determined at the measurement date, as defined in Ind AS 102.

Similarly to liabilities arising from share-based payment transactions that were settled before the date of transition to Ind AS, a first-time adopter is not required to apply Ind AS 102.

The following chart explains the exemptions and options available for share-based payment accounting for the company that is transitioning to Ind AS from financial year beginning 1 April 2016 with date of transition being 1 April 2015.

Grant date	Vesting condition	Treatment in the opening balance sheet i.e. on 1 April 2015
Granted before 1 April 2015	Vested before 1 April 2015	An entity may not apply Ind AS 102. If an entity opts to apply Ind AS 102 then it may do so only if the entity has disclosed publicly the fair value of those equity instruments, determined at the measurement date, as defined in Ind AS 102.
Granted before 1 April 2015	Vested before 1 April 2015 but not settled before 1 April 2015	An entity may not apply Ind AS 102 but is required to make certain disclosures covered in Ind AS 102.
Granted before 1 April 2015	Vested after 1 April 2015	An entity is required to apply Ind AS 102
Granted before 1 April 2015	Modified the terms and conditions of grant before 1 April 2015	An entity may not apply modification accounting of Ind AS 102
Granted before 1 April 2015	Modified the terms and conditions of grant after 1 April 2015	An entity is required to apply Ind AS 102
Granted after 1 April 2015	Vested and exercised after 1 April 2015	

Source: KPMG in India's analysis, 2016 based on Ind AS 101.

New concepts under Ind AS 102

Determination of the type of share-based payment transaction

With respect to all types of share-based payment transactions, Ind AS generally requires such transactions to be measured on a fair value basis. The table below summarises the accounting treatment of various types of share-based payment transactions.

Transactions with employees	
Equity-settled share-based payment with employees	These are generally measured at the grant date fair value of the equity instruments granted.
Cash-settled share-based payment with employees	These are generally measured based on the fair value of the underlying instrument at each reporting date, and it is remeasured until settlement date.
Share-based transactions with choice of settlement	
Share-based transaction in which an employee has a choice of settlement	The share-based payment is accounted for as a compound instrument that includes a liability component (accounted for as cash-settled) and an equity component (accounted for as equity-settled).
Share-based transaction in which an entity has a choice of settlement	The share-based payment is classified and accounted for as either equity-settled or cash-settled, depending on whether the entity has a present obligation to settle in cash.
Transactions with non-employees	
Equity-settled share-based payment with non-employees	These are generally measured based on the fair values of the goods or services obtained at the time when the goods or services are received.
Cash-settled share-based payment with employees	These are generally measured based on the fair value of the underlying instrument at each reporting date, and it is remeasured until settlement date.

Source: KPMG in India's analysis 2016 based on Ind AS 102

In contrast to equity-settled share-based payments with employees, which are measured at grant date, in the case of share-based payment transaction with a non-employee, goods are measured when they are obtained and services are measured when they are rendered by the counterparty. Therefore, a single agreement with a non-employee can have multiple measurement dates, one for each delivery of goods or services. We refer to the 'measurement date' as the date on which the goods or services are received.

There is a rebuttable presumption that the goods or services from non-employees can be measured reliably, in which case the goods or services are measured at their fair value (direct measurement), with the share-based payment exchanged for the goods or services measured at an equal amount.

If in rare cases the presumption is rebutted, then the goods or services are measured indirectly - i.e. with reference to the fair value of the equity instruments granted (indirect measurement) - as for equity-settled share-based payments with employees. Therefore, what should be measured depends on whether the goods or services can be measured reliably.

Under the current Indian GAAP i.e. the guidance note permits alternative measures - intrinsic value method with extensive fair value disclosures. The intrinsic valuation method under the current Indian GAAP is a widely used method among the corporates in India, therefore while transitioning to Ind AS the corporates would be required to measure their share-based payment transactions using the fair value method.

Identify conditions for grant of employee share-based payment transactions: Vesting conditions and non-vesting conditions

In employee share-based payment arrangements there could be conditions that determine whether the counterparty receives the share-based payment. Ind AS 102 includes new definitions of conditions in comparison to the guidance note - vesting conditions and non-vesting conditions.

Vesting conditions are those conditions that determine whether the entity receives services that entitle the counterparty to the share-based payment and a vesting condition is either a service condition or a performance condition.

All other conditions are considered as non-vesting conditions. Examples of non-vesting condition are described in the table below:

Examples of non-vesting conditions

Non-vesting conditions that neither the entity nor the counterparty can choose to meet

The Consumer Price Index (CPI) in a specified year must not increase by more than a specified target.
The price for a specific raw material, which is the entity's main commodity, must not increase by more than a specified target (e.g. oil price or gold price).

Non-vesting conditions that the counterparty can choose to meet

The employee is required to hold shares after the vesting date for a specified period (post-vesting transfer restrictions).

The employee is required not to be employed by a competitor within two years after the vesting date (non-compete restrictions).

The employee participates in an Employee Share Purchase Plan (ESPP) and is required to pay monthly contributions into a savings plan.

Non-vesting conditions that the entity can choose to meet

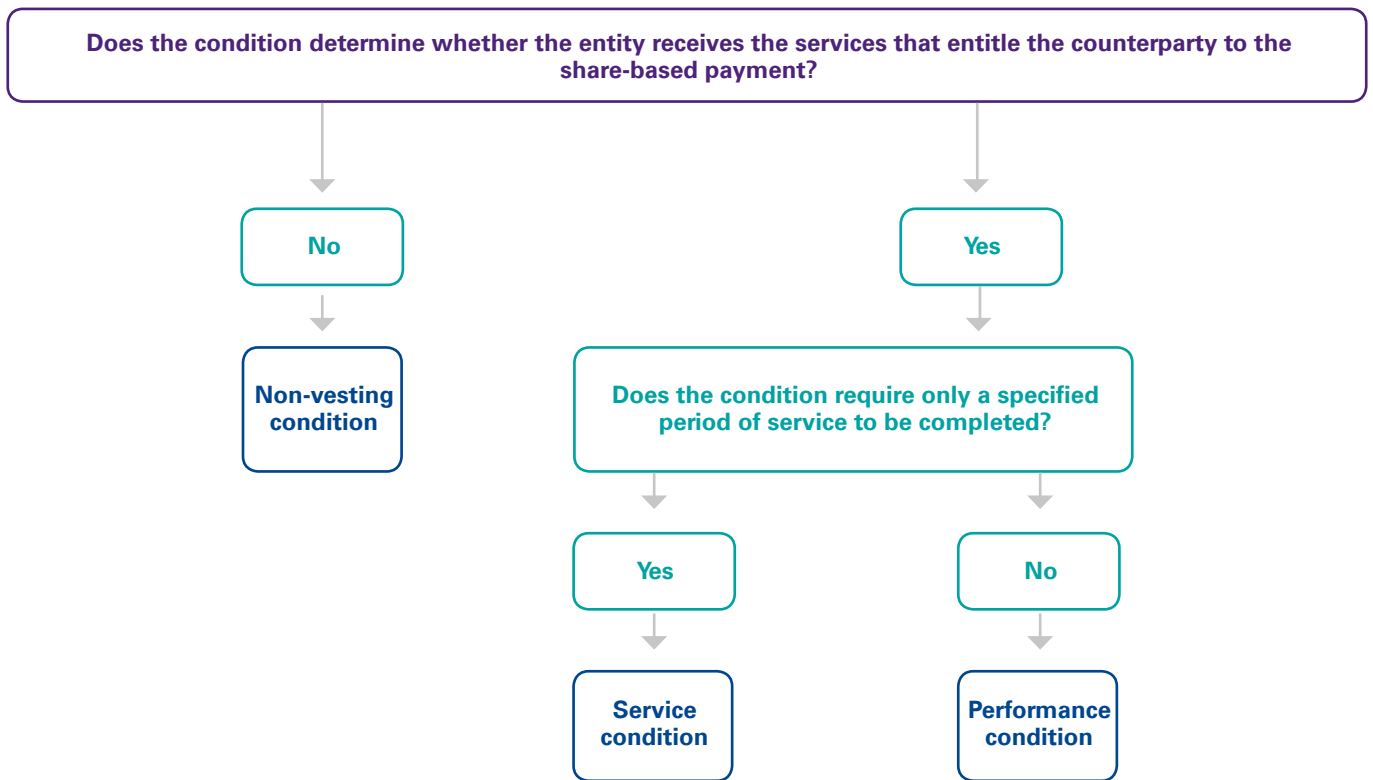
The entity is required to continue the plan under which the share-based payment was granted.

Source: IFRS Handbook: Share-based payments, KPMG IFRG Limited's publication, May 2013

Ind AS 102 clarifies that a performance condition is a non-vesting condition if the performance assessment period extends beyond the service period. In practice determining whether a condition is a vesting condition can be complex. The basic meaning of vesting is that an employee has paid for the share-based payment by having provided the required services to the entity. Once the share-based payment is vested, the

employee can leave the entity without losing the entitlement to receive the share-based payment. However, the fact that the share-based payment vests does not necessarily mean that the employee received the share-based payment. There may be other conditions 'non-vesting' that also need to be met for an employee to receive the share-based payment.

The flow chart below explains the decision-making chart for vesting and non-vesting conditions:



Source: International Accounting Standards Board's IFRS 2, Implementation Guide (IG) 4A

The guidance under Ind AS 102 explains that like market conditions, non-vesting conditions would be reflected in measuring the grant-date fair value of the share-based payment and there is no true-up for differences between the expected and actual outcome of non-vesting conditions. Therefore, if all service and non-market performance conditions are met, then the entity will recognise the share-based payment cost even if the employee does not receive the share-based payment because of a failure to meet a non-vesting condition.

If either the entity or the employee chooses to meet a non-vesting condition and one chooses not to do so during the vesting period, then such a failure to meet the condition would be treated as a cancellation. Under cancellation accounting, the amount of the cost that would otherwise have been recognised over the remainder of the vesting period is recognised immediately, generally in the statement of profit and loss.

If neither the entity nor the employee can choose whether to meet a non-vesting condition, then there would be no change to the recognition if the non-

vesting condition is not satisfied during the vesting period. The entity would continue to recognise the cost over the vesting period.

Graded vesting

In some situations the equity instruments granted vest in instalments over the specified vesting period. In the current Indian GAAP, the guidance note provides two alternative accounting treatments for situations where options/shares granted under an employee stock option plan do not vest on one date but have a graded vesting schedule. The current guidance provides following two options:

- It provides that total plan should be segregated into different groups, depending upon the vesting dates. Each of such groups would be having different vesting period and expected life and, therefore, each vesting date should be considered as a separate option grant and evaluated and accounted for accordingly.
- In case the options/shares are granted under a graded vesting plan with only service conditions, an

entity has an option to recognise the share-based compensation cost on a straight-line basis over the requisite service period for the entire award (i.e. over the requisite service period of the last separately vesting portion of the award). However, the amount of compensation cost recognised at any date must at least equal the portion of the grant-date value of the award that is vested at that date.

Ind AS 102, does not provide similar alternative accounting treatment as given in the guidance note, it only allows option (a) given above. Since Ind AS 102 is converged from IFRS 2, *Share-based Payments*, we can take guidance from IG11. IFRS 2 IG11 provides guidance for the situations where share options or other equity instruments granted might vest in instalments over the vesting period.

IG11 explains graded vesting with the help of an example – Suppose an employee is granted 100 share options which will vest in instalment of 25 share options at the end of each year over the next four years. To apply the requirements of IFRS, the entity should

treat each instalment as a separate share option grant, because each instalment has a different vesting period, and hence the fair value of each instalment will differ (because the length of the vesting period affects, for example, the likely timing of cash flows arising from the exercise of the options).

The entities transitioning to Ind AS from 1 April 2016 should assess if any of the share-based payment transactions have been entered into with their employees according to a graded vesting plan, then they should apply the requirements of Ind AS 102.

Accounting of unidentifiable goods or services

In certain share-based payment transactions, it may not be possible to identify any goods or services received or to be received in consideration for the equity instruments granted. For example, a company may grant shares to a charitable organisation for nil consideration. This transfer of shares may enhance the image of the company as a good corporate citizen. As a result, economic benefits are expected to be derived by the company. Such a share-based transaction is in the scope of Ind AS 102. In this case, the equity-settled share-based transaction is with a non-employees and there are no identifiable goods or services received in exchange for the shares issued.

In such cases, the unidentifiable goods or services are measured indirectly – i.e. by reference to the fair value of the equity instruments granted. The entity would measure the unidentifiable goods or services received (or to be received) as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received (or to be received). The entity shall measure the unidentifiable goods or services received at the grant date. However, for cash-settled transactions, the liability shall be remeasured at the end of each reporting period until it is settled.

Determine the fair value of equity instruments granted

Share-based payment transactions with employees are generally measured with reference to the fair value of the equity instruments granted.

The fair value of the equity instruments granted is determined as follows:

- If market prices are available for the equity instruments granted, then the estimate of fair value is based on these market prices.
- If market prices are not available for the equity instruments granted, then the fair value of equity instruments granted is estimated using a valuation technique.

In many situations, a market price for equity instruments (e.g. share options) will not exist because equity instruments issued to employees often have terms and conditions (e.g. vesting conditions) different from those of instruments traded in the market; therefore, a valuation technique would be used. A valuation technique requires the estimation of a number of variables, including the expected future volatility of the entity. If no equity instruments of the entity are traded, then an implied volatility should be calculated - e.g. based on actual experience of similar entities that have traded equity instruments. We believe that an entity, even one without a historical track record - e.g. a newly listed entity - should not estimate its expected volatility at zero. In rare cases, an entity may be unable to estimate, at grant date, expected volatility and therefore the fair value of the equity instruments cannot be measured.

In rare circumstances, if the fair value of the equity instruments cannot be measured reliably, then an intrinsic value method is applied. The intrinsic value is remeasured at each reporting date and changes are recognised in statement of profit and loss (to the extent that the cost is not eligible for capitalisation) until the instrument is settled - e.g. until the options are exercised.

Ind AS 102 contains guidance on how to value share-based payments using fair value measurement accounting. The accounting under Ind AS 102 is different from accounting under Ind AS 113, *Fair Value Measurement*. Ind AS 113 applies to most fair value measurements or disclosures (including measurements based on fair value) that are required or permitted by other Ind ASs. However, Ind AS 113 specifically excludes share-based payment transactions under Ind AS 102 from its measurement and disclosure requirements. A key reason for this exclusion is that the requirements of Ind AS 102 with regard to certain items - e.g. vesting conditions and reload features, differ from how those matters might be treated by market participants.

Other aspects

An entity should also take into account impact of following aspects:

- Adoption of fair value method and market conditions on the grant date or measurement date under Ind AS could lead to increase in compensation cost to be recorded in the books.
- Non-vesting conditions when measuring the fair value of a cash-settled liability.
- Award that require an Initial Public Offer or other exit event as vesting condition or for exercisability of the share-based payment arrangement.
- Arrangements denominated in currency other than the issuing entity's functional currency.
- Income taxes accounting on share-based payment under Ind AS as it may differ from the current Indian GAAP.

Conclusion

This article highlights some of the new concepts in share-based payment accounting under Ind AS 102. Therefore, companies affected by the Ind AS road map should consider the facts and circumstances of share-based transactions they have been entered into or propose to enter, to understand the impact of this standard on their financial statements.

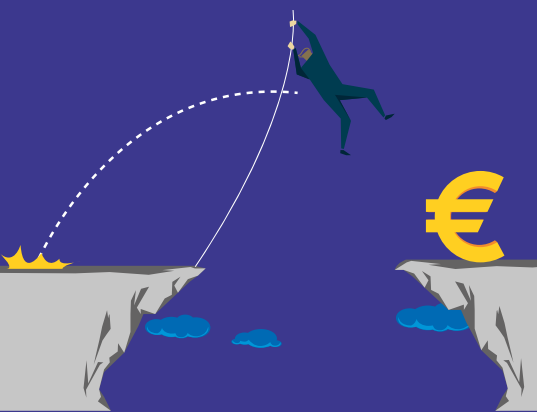
Consider this....

- Accounting of group share based payment transactions in the separate financial statements of the parent and subsidiary. Currently, practice varies for accounting for the cost of any share based payments granted by a parent to employees of a subsidiary or vice versa. For grants by the parent to employees of a subsidiary, Ind AS requires the subsidiary to recognise the cost of the share based payment with a corresponding credit to equity, as a contribution from the parent, unless there is a recharge arrangement. Similarly, for grants made by the subsidiary to employees of the parent, the parent (in its stand-alone financial statements) recognises a cost with a corresponding credit for deemed dividend received from the subsidiary.
- Accounting of grants of equity instruments that include redemption features e.g. buy-back arrangement, sell back arrangement, put-options or call-options. These features could be part of an entity's articles of association or separate agreement. These features are generally observed in share-based payments transactions as equity-settled or cash-settled depending on the terms of the arrangement.





Unconsolidated structured entities



This article aims to:

- Provide an overview of the disclosure requirements of unconsolidated structured entities.

The global crisis in 2007 highlighted a lack of transparency about the risks that a reporting entity could be exposed to due to its involvement with structured entities including those that it has sponsored. G20 leaders, the Financial Stability Board and various users urged the International Accounting Standards Board (IASB) to write improved disclosure requirements of a reporting entity's interest in other entities when the reporting entity has a special relationship with those entities including for those entities that are often described as 'off balance sheet' activities. Therefore, IFRS 12, *Disclosure of Interest in Other Entities* is a comprehensive standard that covers disclosure requirements of interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. Under Ind AS, there is a similar standard Ind AS 112, *Disclosure of Interest in Other Entities* which has converged with IFRS.

In this article, we will discuss the disclosure requirements pertaining to unconsolidated structured entities under Ind AS 112.

If an entity has an interest in an unconsolidated structured entity at the reporting date e.g. a contract to provide management services, then it is required to provide specific disclosures to help the users of the financial statements

- Understand the nature and extent of its interest
- To evaluate the nature of, and changes in, the risks in respect of its interests in unconsolidated structured entities.

The Ind AS 112 provides a wide definition of 'interest in' (i.e. an entity's involvement with another entity). Therefore, 'interests

in other entities' could be contractual and non-contractual involvement that expose an entity to variability of returns from the performance of the other entity.

These interests may, for example, take the form of equity or debt instruments, but the definition is broad and interests can also comprise other forms of involvement, such as the provision of funding, liquidity support, credit enhancement and/or guarantees. However, an interest in another entity does not exist solely as a result of a typical customer-supplier relationship.

Key factors

The standard lays down certain key factors to assess the disclosure requirements of the unconsolidated structured entities. These factors are as follows:

Judgement: The standard requires an entity to consider the level of detail necessary to meet the disclosure objectives to provide meaningful information to users of the entity's financial statements.

Quantitative and qualitative disclosures: The standard requires both qualitative and quantitative information about an entity's interest in unconsolidated structured entities, including, but not limited to, the nature, purpose, size and activities of the structured entity and how the structured entity is financed.

Sponsored unconsolidated structured entity: The standard does not define the term 'sponsorship' but mentions that sponsorship is a type of involvement in an unconsolidated structured entity. It puts the onus on the entity to describe the

methods for determining which structured entities it has sponsored. If an entity determines that it has no interest in an unconsolidated structured entity at the reporting date, then disclosures relating to 'nature of risks' are not required. However, an entity is still required to disclose income and asset information from such structured entities in the reporting period.

Disclosures relating to nature of risks

The standard requires an entity to disclose information to help users of financial statements evaluate the nature and extent of the entity's risks from its interests in unconsolidated structured entities. Therefore, the standard lays down a number of requirements. These have been summarised in the table below:

Topics	Description
Assets and liabilities	<p>The carrying amounts of the assets and liabilities recognised in its financial statements relating to its interests in unconsolidated structured entities.</p> <p>The standard does not clarify what those assets and liabilities are. Therefore, judgement is required to determine which amounts best enable users to the financial statements to understand the nature and extent of the entity's interests and to evaluate the associated risks.</p>
Balance sheet	The line items in the balance sheet in which those assets and liabilities are recognised.
Exposure to loss and its calculation	<p>The amount representing the entity's maximum exposure to loss from its interests in unconsolidated structured entities and how is it calculated.</p> <p>The standard does not define what represents a loss but leaves it to an entity to identify what constitutes a loss in the particular context of that reporting entity. Therefore, judgement would need to be applied to determine an appropriate measurement approach based on the specific facts and circumstances.</p>
Comparison of assets and liabilities to exposure	A comparison of the carrying amount of the entity's assets and liabilities related to its interests in unconsolidated structured entities and the entity's maximum exposure to loss from those entities.
Financial support without having an obligation to do so	<p>If an entity previously had an interest or currently has an interest, then it would disclose:</p> <ol style="list-style-type: none"> The type and amount of support provided, including situations in which the entity assisted the structured entity in obtaining financial support; and The reasons for providing the support. <p>The standard setter has deliberately decided to not define the term 'support' because a definition of support would either be so broad that it would be an ineffective definition or invite structuring so as to avoid the disclosure. The standard provides examples of support such as purchasing assets or instruments issued by the structured entity.</p>
Current intentions to provide financial or other support	An entity would also disclose if it has any current intentions to provide financial or other support to an unconsolidated structured entity, including intentions to assist the structured entity in obtaining financial support.

Source: KPMG in India analysis, 2016 based on Ind AS 112.

Disclosures when an entity has sponsorship in an unconsolidated structure entity

If an entity has sponsored an unconsolidated structured entity for which it does not provide information required by disclosures relating to nature of risks (e.g. because it does not have an interest in the entity at the reporting date), the entity should disclose:

- a. How it has determined which structured entities it has sponsored
- b. Income from those structured entities during the reporting period, including a description of the types of income presented
- c. The carrying amount (at the time of transfer) of all assets transferred to those structured entities during the reporting period.

The entities could face practical challenges in applying the concept of sponsorship as it is not limited to periods in which the entity itself transacted or had a contractual involvement with the unconsolidated structured entity. It could be that once a relationship is established it would have to be endured into future reporting periods.

Conclusion

Disclosures relating to unconsolidated structured entities is a significant new requirement for Indian entities. These disclosure requirements require entities to exercise a greater level of judgement to provide meaningful disclosures. Additionally, entities would need to describe 'sponsorship' and 'support' in the context of unconsolidated structured entities. Therefore, entities should accelerate their efforts to establish processes to collect information about their involvement with such structured entities.

Consider this....

- An entity may need to assess the risks to which it is exposed when it has an interest in an unconsolidated structured entity. Few examples are as following:
 - Provide financial support to an unconsolidated structured entity e.g. liquidity arrangements or credit rating triggers associated with obligations to purchase assets of the structured entity
 - Provide any guarantees or has other commitments with third parties that may affect the fair value or risk of the entity's interests in unconsolidated structured entities
 - Absorb losses of unconsolidated structured entities before other parties and maximum limit of such losses.
- An entity may consider certain factors that would help identify sponsorship relationships. These factors should describe the closeness or extent of relationship between an entity and the unconsolidated structured entity. Examples of some of such factors are as following:
 - Passage of time: Would closeness of entities diminish with the passage of time
 - Purpose and design of the structured entity: Whether the reporting entity was involved with its set up, provides some form of protection to the reporting entity, etc.
 - Brand/reputation association: Would failure of the structured entity damage the reporting entity's reputation
 - Legal association risk: Is the reporting entity exposed to current or future litigation arising from the activities of unconsolidated structured entity
 - Tax risk: Is the reporting entity exposed to current or future tax risk arising from the activities of the unconsolidated structured entity?





Classification of investments in preference shares

Indian Accounting Standard (Ind AS) 109, *Financial Instruments* establishes principles for the classification of financial assets into various categories and their subsequent measurement on this basis.

Ind AS 109 broadly requires all financial assets to be categorised based on the business model in which they are held and their contractual characteristics into those measured at:

- Amortised cost
- Fair Value through Profit or Loss (FVTPL), or
- Fair Value through Other Comprehensive Income (FVOCI)

In this article, we analyse three types of preference shares to determine the appropriate measurement category for classification by their holder under Ind AS 109.

Key terms of the preference shares

Company A holds certain investments in preference shares (as described in table below). The objective of the business model within which these instruments are held is to hold these preference shares until maturity in order to collect their contractual cash flows.

Contractual features	Cumulative Redeemable Preference Share (CPS)	Non-cumulative Redeemable Preference Share (NCPS)	Optionally Convertible Preference Share (OCPS)
Term	5 years	5 years	5 years
Face value	INR1,000 each	INR1,000 each	INR1,000 each
Redemption	Redeemable at the end of its term	Redeemable at the end of its term	Redeemable at the end of its term
Dividend	Mandatory dividend of 10 per cent per annum, cumulative in nature	Non-cumulative dividend of 11 per cent per annum, payable if dividends are to be paid on ordinary shares	Mandatory dividend of 5 per cent per annum, cumulative in nature
Conversion	Non-convertible	Non-convertible	Each OCPS is convertible at the option of the holder into 5 ordinary shares of the issuer at any time prior to maturity

Source: KPMG in India analysis, 2016 based on Ind AS 112.

This article aims to:

- Describe three types of preference shares to determine the appropriate measurement category for classification by their holder under Ind AS 109.

Company A is required to classify each of these investments on initial recognition in accordance with the guidance in Ind AS 109.

Accounting issue

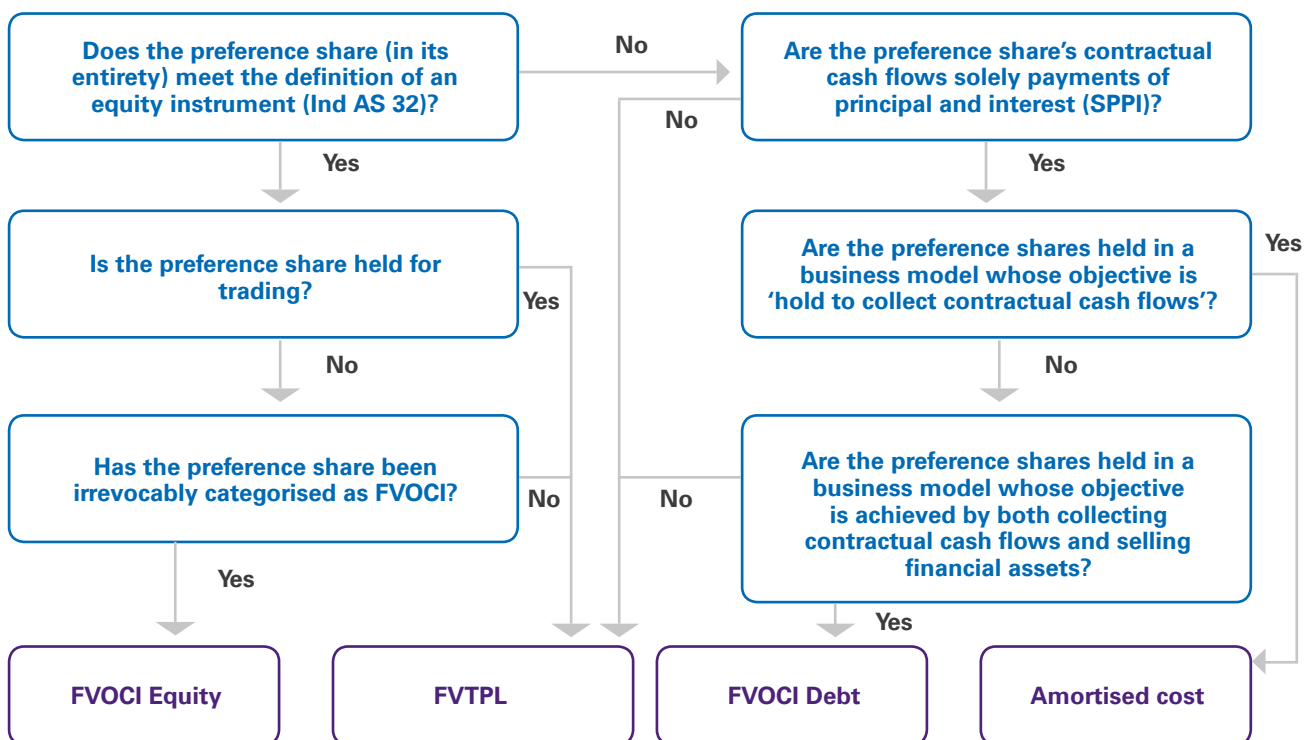
Ind AS 109 requires company A to classify its financial assets as subsequently measured at amortised cost, FVOCI or FVTPL on the basis of both:

- Its business model for managing the financial assets, and
- The contractual cash flow characteristics of the financial asset.

Accounting guidance

The following is an illustration of the relevant guidance in Ind AS 109 for classification of the preference shares.

Figure 1: Classification of financial assets in accordance with Ind AS 109



Source: Insight into IFRS, KPMG IFRD Ltd's publication, 13th edition September 2016

Our analysis

The preference shares held by company are analysed on the basis of the guidance above for classification under Ind AS 109 in Table 1 below.

Table 1

Criteria	CPS	NCPS	OCPS
Does the instrument meet the definition of an 'equity' instrument under Ind AS 32?	No (Redeemable with mandatory distributions)	No (Redeemable principal amount)	No (Redeemable if holder does not opt to convert)
Are the contractual cash flows SPPI?	Yes (Principal repayment and cumulative distributions representative of interest cash flows)	No (Non-cumulative, discretionary nature of distributions is inconsistent with SPPI)	No (Option to convert into equity shares is inconsistent with SPPI)
Are the preference shares 'held to collect'?	Yes	NA (Since SPPI is not met)	NA (Since SPPI is not met)
Classification under Ind AS 109	Amortised cost	FVTPL	FVTPL

CPS

The CPS are debt instruments and are analysed on the basis of the SPPI and 'business model' criteria in order to determine their classification under Ind AS 109.

- The contractual cash flows of the CPS are the repayment of principal and mandatory dividends which are cumulative in nature. The dividends represent an 'interest' element as they are consideration for the time value of money payable by the issuer of the CPS. The CPS is also redeemable on maturity, which represents a payment of principal. There are no other contractual cash flows or features that require consideration for classification of this instrument. This indicates that the CPS meets the SPPI criteria.
- As stated in the illustration above, company A holds the CPS within a business model whose objective is to collect contractual cash flows arising from investments over their term. Therefore, the 'business model test' is also met.

In accordance with the guidance in Ind AS 109, the CPS qualify for classification into the amortised cost category as the conditions specified for such classification are met.

NCPS

The NCPS does not meet the definition of an equity instrument since the principal amount is mandatorily redeemable on maturity. Therefore, it can be classified as measured at amortised cost only if it meets the SPPI and business model criteria, or else is classified as measured at FVTPL.

- The NCPS is mandatorily redeemable at maturity, indicating that one of its contractual cash flows is payment of principal. However, the dividend payments are discretionary as well non-cumulative in nature. This indicates that they do not represent consideration for time value of money for the holder. Hence, the SPPI criterion is not met.
- The NCPS are held within a business model whose objective is to hold the investments to collect their contractual cash flows.

Since the NCPS do not meet the SPPI criterion, they do not qualify for being subsequently measured at amortised cost. Hence, the NCPS should be classified as and subsequently measured at FVTPL.

OCPS

The OCPS does not meet the definition of an equity instrument since the principal amount is redeemable in the event that company A does not exercise the option to convert the OCPS into a fixed number of shares.

The mandatory redemption at maturity is a contractual cash flow that represents a payment of principal. However, the conversion feature is in the nature of an equity return that may flow to company A, and does not represent either a payment of principal or interest. This indicates that the SPPI criterion is not met.

While the OCPS may be held within a business model that has a 'hold to collect' objective, they do not qualify for classification into the amortised cost category as they do not meet the SPPI criterion. Therefore, the OCPS should be classified as and subsequently measured at FVTPL.

Consider this....

- An instrument that is mandatorily redeemable in cash and that does not meet the definition of an equity instrument may still be classified and measured at fair value through profit or loss if it does not meet either of the criteria for amortised cost measurement.
- Any feature that results in an interest cash flow that is inconsistent with a basic lending arrangement (representing payment for time value of money) may result in an investment in a debt instrument being ineligible for classification into the amortised cost category. For example, leveraged interest payments, interest payments linked to an inflation index of a currency other than that in which the instrument is issued, or interest payments linked to an equity index.
- Financial assets that are hybrid or compound in nature are assessed for classification in their entirety and are not split into their components. Accordingly, such instruments generally may not qualify for classification into the amortised cost category.





Non-GAAP financial measures - IOSCO's final statement



This article aims to:

- IOSCO's definition of non-GAAP financial measures
- The understanding of the presentation of non-GAAP financial measures by issuers.

Financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP) provide investors, analysts, and other users with a defined basis for conducting financial analysis and comparison among different entities. However, a GAAP may not tell the whole story of a company's performance. Reporting on a company's performance using non-GAAP measures is likely to help illustrate the overall picture if they are supported by information told by GAAP-based financial statements.

In practice, companies and investors communicate through non-GAAP measures such as Key Performance Indicators (KPIs), alongside the GAAP numbers. Such KPIs are referred to, interchangeably, as 'non-GAAP information' and Alternative Performance Measures (APMs).

This topic has prompted much debate. In the U.S., the Securities and Exchange Commission (SEC) staff observed a significant increase over the past few years in the use of, and nature of adjustment within, non-GAAP measures by companies.

Therefore, a question arises when do KPIs enhance GAAP by aiding communication with users, and when do they present a confusing or overly optimistic picture? To date, regulators around the world have taken different approaches to non-GAAP information.

The International Organisation of Securities Commissions (IOSCO) has in June 2016 issued a final statement

on non-GAAP financial measures (the statement) which is in line with the guidelines issued by European Securities and Markets Authority (ESMA), the European regulator, a year ago. This recent development could help to drive consistency in this area.

Background

The IOSCO is the worldwide association of national securities regulatory commissions, such as the SEC in the U.S., the Financial Services Authority in the United Kingdom, and about 100 other similar bodies. In 2002, IOSCO issued 'Cautionary Statement Regarding Non-GAAP Results Measures' to alert issuers, investors and other users of financial information about disclosures of earnings measurements other than those prescribed by GAAP. In that release, IOSCO urged issuers, investors and other users of financial information to tread cautiously when presenting and interpreting non-GAAP results measures.

Since 2002, IOSCO has continued to take note of how issuers present non-GAAP financial measures. Some of its observations are as follows:

- Issuers sometimes present non-GAAP financial measures inconsistently over time or explain them inadequately
- Lack of standardised meanings for non-GAAP financial measures may lead to a lack of comparability across issuers.

As a result of above considerations, and informed by further analysis and discussions with stakeholders, IOSCO has developed this statement, which replaces the 2002 release. This statement is intended to assist issuers in providing clear and useful disclosure for investors and other users of non-GAAP financial measures, and to help reduce the risk that such measures are presented in a way that can be misleading.

Scope

Non-GAAP financial measures are commonly presented in press releases, periodic reports including Management's Discussion and Analysis (MD&A) or Operating and Financial Review (OFR), disclosure documents filed with securities regulators and stock exchanges, and other communications to shareholders and market participants.

This statement is intended for both an issuer that prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) and an issuer that prepares financial statements using a financial reporting framework other than IFRS. It applies to any non-GAAP financial measure that an issuer discloses outside of the financial statements.

IOSCO's definition of a non-GAAP financial measure

A non-GAAP financial measure is a numerical measure of an issuer's current, historical or future financial performance, financial position or cash flow that is not a GAAP measure. For example, a non-GAAP financial measure may exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable GAAP measure calculated and presented in the issuer's financial statements. An operating or statistical measure that is not a financial measure (such as numbers of stores or number of units) is not within the scope for purposes of this statement. However, if a non-GAAP financial measure is used to calculate an operating or statistical measure (such as an 'adjusted earnings' financial measure used to calculate an 'adjusted earnings per unit' measure), then the statement would apply to that non-GAAP financial measure.

Common terms used to identify non-GAAP financial measures include, among others, 'underlying earnings', 'normalised profit', 'pro forma earnings', 'cash earnings', 'adjusted earnings', and

'earnings before non-recurring items'. Different issuers may use the same term to refer to different calculations.

Framework for disclosure of non-GAAP financial measures

IOSCO has identified 12 elements that compose a frame of reference for the disclosure of non-GAAP financial measures, based on the collective experience of its members with issuer reporting of non-GAAP financial measures. These elements, if present, would contribute to the reliability and comparability over time of non-GAAP financial measures and reduce the potential for misleading disclosure.

This frame of reference does not affect the ability that a jurisdiction has to develop and implement its own requirements for the presentation of non-GAAP financial measures in meeting its disclosure objectives. Issuers should comply with any domestic regulatory requirements and laws to which they are subject. Presentation of non-GAAP financial measures in accordance with this statement is not a substitute for that compliance.

The 12 elements that compose a frame of reference for the disclosure of non-GAAP financial measures are as follows:

Defining the Non-GAAP financial measure

1. Define each non-GAAP financial measure presented and provide a clear explanation of the basis of calculation.
2. Non-GAAP financial measures should be clearly labelled in a way such that they are distinguished from GAAP measures. Labels should be meaningful and should reflect the composition of the measure.
3. Explain the reason for presenting the non-GAAP financial measure including an explanation of why the information is useful to investors, and for what additional purposes, if any, the management uses the measure.
4. Explicitly state that the non-GAAP financial measure does not have a standardised meaning prescribed by the issuer's GAAP and therefore, may not be comparable to similar measures presented by other issuers.

Unbiased purpose

5. Non-GAAP financial measures should not be used to avoid presenting adverse information to the market.

Prominence of presentation of GAAP measures versus Non-GAAP financial measures

6. When an issuer presents non-GAAP financial measures, those measures should not be presented with more prominence than the most directly comparable measure calculated and presented in accordance with GAAP. Presentation of non-GAAP financial measures, including information provided by reference, should not in any way confuse or obscure the presentation of GAAP measures.

Reconciliation to comparable GAAP measures

7. Provide a clear and concise quantitative reconciliation from the non-GAAP financial measure to the most directly comparable GAAP measure presented in the financial statements. The adjustments should be explained.
8. If the reconciling items are derived from items reported in the GAAP financial information, they should be reconcilable to the financial statements. When a reconciling item cannot be extracted directly from the financial statements, the reconciliation should show how this figure is calculated.

Presentation of non-GAAP financial measures consistently over time

9. If an issuer chooses to present non-GAAP financial measures, it should provide the measure for comparative periods.
10. The non-GAAP financial measures presented by an issuer should generally be presented consistently from period to period. Further:
 - If an issuer chooses to change the composition of the non-GAAP financial measure, the issuer should explain any changes and the reason for making them, and provide comparative figures for the prior period with such figures adjusted to reflect the change in composition.
 - If an issuer determines it will no longer present a particular non-GAAP financial measure, the reason for this determination should be explained.

Recurring items

11. When presenting non-GAAP financial measures, issuers sometimes seek to adjust for items that are reasonably likely to recur in the foreseeable future, or are activities that affected the entity in the recent past. In IOSCO's experience there are rarely circumstances where a sufficient explanation could be provided that results in restructuring costs or impairment losses being described as non-recurring. Such items should not be described as non-recurring, infrequent or unusual without sufficient explanation.

Access to associated information

12. The information that issuers provide regarding non-GAAP financial measures should be readily and easily accessible to investors and other users of financial information. Information is readily and easily accessible if it accompanies the non-GAAP financial measure or a reference is provided to where the information is available.

Next steps

Further action is needed from all stakeholders:

- *Investors* might consider whether the level of consistency, transparency and reliability is sufficient and, if not, what more is needed.
- *Standard-setters* could consider how GAAP itself could change to deliver information that addresses investor demands, and provide information that is reliable and relevant. To this end, IASB is working on a research project – 'Primary Financial Statements' focussing on the structure and content of the statement of profit and loss and Other Comprehensive Income, including the possible requirement for a defined subtotal for operating profits and the use of APMs.
- *Preparers* could focus on more effective communications with users by providing APMs that are clearly defined and presented in an unbiased and transparent way. A company's corporate accounting team should ensure that the company's data is managed and reported in a reliable manner. They should also help their colleagues in investor relations to identify the non-GAAP measures that best tell the company's story, and advise which non-GAAP metrics should be removed because they confuse more than clarify.
- *National regulators* such as the Securities and Exchange Board of India (SEBI) might consider how their own guidance is impacted by the global guidelines.
- *Executives and audit committees* might ask whether APMs are subject to sufficiently robust systems and processes.

- *Industry bodies* could step up and deliver sector-specific definitions of key metrics to enhance consistency and comparability.

Conclusion

In terms of the scope and presentation of non-GAAP financial measures, IOSCO's statement brings its approach closer to ESMA's. The general alignment of approach by these two bodies can be seen as a positive step towards global harmonisation. Furthermore, IOSCO's statement and ESMA's guidelines are broadly similar to the requirements on the presentation of subtotals introduced by the recent International Accounting Standards Board (IASB) 'Disclosure Initiative – Amendments to IAS 1'. As such, consistent disclosure principles will apply to APMs whether they are presented within or outside of financial statements.

A global consensus on regulation of non-GAAP information is expected to benefit all stakeholders in the financial reporting process. If done right, non-GAAP financial measures can act as a powerful tool in telling the company's story using different dimensions to various stakeholders. The IOSCO's statement is a step forward in the right direction.

Reference taken from:

- Statement On NON-GAAP Financial Measures Report of International Organisation of Securities Commissions published in June 2016
- Non-GAAP measures – Moving towards global transparency publication of KPMG IFRG Limited published in June 2016

Q1 2004 – Q2 2011, Million USD



Regulatory updates

The IASB issues amendments to IFRS 4, *Insurance Contracts*

Background

The International Accounting Standards Board (IASB) is in the process of replacing the existing International Financial Reporting Standard (IFRS) 4, *Insurance Contracts* with a new standard which is intended to eliminate inconsistencies and weaknesses in existing practices by providing a single principle-based framework to account for all types of insurance contracts, including reinsurance contracts that an insurer holds.

The final standard on insurance contracts is expected to be issued around the end of 2016 with the probable effective date not being earlier than 2020.

New development

The IASB issued amendments to IFRS 4 on 12 September 2016 in order to address the concerns arising from implementing IFRS 9, *Financial Instruments* (effective from 1 January 2018 onwards) before implementing the forthcoming insurance contracts standard. These include temporary volatility in the statement of profit and loss and accounting mismatches for most insurers.

Overview of the amendments

The amendments introduce the following two approaches:

Overlay approach: It permits insurers to remove from profit or loss and recognise in Other Comprehensive Income (OCI), the difference between the amounts that would be recognised in the statement of profit and loss under IFRS 9 and under IAS 39, *Financial Instruments: Recognition and Measurement*, for specified assets relating to insurance activities.

This approach could be applied by an entity that issues contracts that are accounted for under IFRS 4 and which applies IFRS 9 in conjunction with IFRS 4.

Financial assets eligible for the overlay adjustment would have to be:

- Designated as relating to contracts that are in the scope of IFRS 4 (i.e. these would not include financial assets held in funds relating to investment contracts that are outside the scope of IFRS 4),
- Classified as at Fair Value Through Profit or Loss (FVTPL) under IFRS 9, and
- Not classified as at FVTPL in their entirety under IAS 39.

An entity would be able to change the designation of financial assets as relating to contracts in the scope of IFRS 4 only if there is a change in the relationship between those financial assets and contracts. Further, an entity is also permitted to apply the overlay approach prospectively to financial assets when the eligibility criteria are met.

Temporary exemption from IFRS 9: It provides an optional temporary exemption from applying IFRS 9 for companies whose activities are predominantly connected with insurance. Entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard i.e. IAS 39.

An entity should assess whether its insurance activities are predominant on the date of its initial application of IFRS 9. Such assessment would be based on the carrying amount of its liabilities arising from the contracts that are in the scope of IFRS 4 relative to the total carrying amount of its liabilities at the date on which it would otherwise be required to apply IFRS 9.

A subsequent reassessment of an entity's predominant activity would be required only if there is a demonstrable change in the corporate structure of the entity.

Presentation and disclosure requirements

The IASB has also prescribed additional presentation and disclosure requirements with respect to the given approaches. These include disclosure

of the approach applied, separate presentation of amounts reclassified to OCI under the overlay approach and disclosures relating to the nature of activities and liabilities of an insurer that enable application of the temporary exemption from IFRS 9.

Effective date

The effective date for applying the amendments related to the temporary exemption from IFRS 9 is 1 January

2018. The amendments related to the overlay approach are effective when an insurer first applies IFRS 9 (including on early application of IFRS 9).

(Source: IASB press release dated 12 September 2016 and KPMG in India's IFRS Notes dated 16 September 2016)

The central government notified more sections of the 2013 Act relating to NCLT/NCLAT

Background

The Ministry of Corporate Affairs, on 1 June 2016, constituted the National Company Law Tribunal (NCLT) and National Company Law Appellate Tribunal (NCLAT) to exercise and discharge the powers and functions as conferred on it under the Companies Act, 2013 (2013 Act). The constitution of NCLT/NCLAT resulted in the dissolution of the Company Law Board (CLB) constituted under erstwhile Companies Act, 1956 and all matters or proceedings pending before the CLB have been transferred to NCLT from 1 June 2016. Additionally, on 1 June 2016, the MCA

notified certain related sections of the 2013 Act to enable the NCLT/NCLAT exercise their powers.

Further, MCA on 21 July 2016, notified the rules corresponding to the sections relating to NCLT/NCLAT. They are as follows:

1. National Company Law Tribunal Rules, 2016 (NCLT Rules) and
2. National Company Law Appellate Tribunal Rules, 2016 (NCLAT Rules).

New development

The MCA on 9 September 2016 notified certain more sections of the 2013 Act

relating to functioning of NCLT and NCLAT. The recently notified sections enable the NCLT and NCLAT to exercise their powers in the specified cases.

There are certain sections that still need to be notified e.g. those relating to compromise, amalgamation and capital reduction, and winding up have not been notified.

Overview of the recently notified sections

The following table provides a brief description of the newly notified sections.

Sections notified	Overview of the sections
Section 227	Legal advisers and bankers not to disclose certain information: This section provides that the legal adviser or bankers of the body corporate or person, not to disclose to the NCLT/ central government/ registrar/inspector any information as to the affairs of any of their customers, other than such company or body corporate.
Section 242(1)(b) and 242(2)(c) and (g)]	Powers of tribunal*: This section provides powers to NCLT to pass specified orders for prevention of oppression and mismanagement by a company in prescribed cases. <small>*Other clauses of the section were notified earlier on 1 June 2016, so now with this notification the entire section is notified.</small>
Section 246	Application of certain provisions to proceedings under Section 241 or 245: This section provides that the provisions of Sections 337 to 341 (both inclusive) shall apply mutatis mutandis, in relation to an application made to the NCLT under section 241* or section 245**. <small>*Section 241, Application to Tribunal for relief in cases of oppression, etc. Any member of the company can file complaint to the tribunal for matters prejudicial to the interests of the company and the central government has the power to issue order to the tribunal if it is of the same opinion. **Section 245, Class action: Members or depositors can file an application before NCLT and seek order on matters specified in Section 245.</small>
Section 337	Penalty for frauds by officers: This section prescribes the situations where any person who has given false pretences or by means of any other fraud, induced any person to give credit to the company to defraud creditors concealed or removed any part of the property of the company to be wound up may be punishable with imprisonment for a term of at least one year which may extend to three years or charged with fine ranging from INR1 lakh to INR3 lakh.
Section 338	Liability where proper accounts not kept: This section provides that the company which is being wound up should keep proper books of account throughout the period of two years immediately preceding the commencement of the winding up. Additionally, it identifies the situations where it will be deemed that proper books of account have not been kept by the company.

Sections notified	Overview of the sections
Section 339	<p>Liability for fraudulent conduct of business: The section imposes penalty for the fraudulent conduct of the company's business for the cases where it has been assessed that the business of the company has been carried on with the intent to defrauding the creditors of the company or any other person or for any fraudulent purpose. The application under the section can be made by the official liquidator, the company liquidator, any creditor or any contributory of the company. The NCLT on the basis of such application can hold persons responsible for all the debts and liabilities of the company. Additionally, it provides powers to tribunal to fix the responsibility of directors, managers or officer of the company for fraudulent conduct of business and that shall be liable for action under Section 447*.</p> <p>*Section 447, Punishment for fraud, provides penalty for the person who is found to be guilty of fraud and also provides definitions for fraud, wrongful gain and wrongful loss.</p>
Section 340	<p>Power of Tribunal to assess damages against delinquent directors, etc.: This section provides powers to NCLT to assess the damages against delinquent director, manager, liquidator or officer of the company for misapplication, retainer, misfeasance or breach of trust.</p>
Section 341	<p>Liability under sections 339 and 340 to extend to partners or directors in firms or companies: The section provides powers to the NCLT to extend the liability of partners or directors of the company under Section 339 relating to fraudulent conduct of business or under Section 340 relating to misfeasance or breach of trust.</p>

(Source: MCA notification dated 9 September 2016 and KPMG in India's First Notes dated 16 September 2016)

The central government amends limits of managerial remuneration

Background

Section 197 of the 2013 Act prescribes the conditions for overall maximum managerial remuneration and managerial remuneration in case of absence or inadequacy of profits. The Schedule V to the 2013 Act provides certain conditions to be fulfilled by a company to pay managerial remuneration. Schedule V consists of following four parts:

- Part I – Conditions to be fulfilled for the appointment of a manager or whole-time director or a manager without the approval of the central government.
- Part II – Remuneration
- Part III – Provisions applicable to Parts I and II

- Part IV – The central government may, by notification, exempt any class or classes of companies from any of the requirements contain in Schedule V.

On 30 June 2016, MCA amended certain provisions relating to the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. These amendments are based on the recommendations in Companies Law Committee (CLC) report.

New development

On 12 September 2016, the central government notified amendments to Section II of Part II of the Schedule V of the 2013 Act. The notification is effective from the date of its publication in the Gazette i.e. 12 September 2016.

This issue of First Notes aims to provide an overview of the key amendments in Schedule V relating to remuneration payable by companies having no profit or inadequate profit without central government approval.

Overview of the amendments in limits on remuneration payable by companies having inadequate/no profit without central government approval

Currently Section II of Part II of the Schedule V of the 2013 Act prescribes that the remuneration to managerial personnel should not be paid in excess of specified limits when a company that has no profits or inadequate profits, may without central government approval. These limits have been revised and following sections explain the new requirements.

A. Limits in Section II of Part II

The amended limits for the companies (having inadequate/no profit to pay remuneration to the managerial personnel (without central government approval)) are as follows:

S. No.	Where the effective capital is	Limit of yearly remuneration payable shall not exceed*
i.	Negative or less than INR5 crore	INR60 lakh (earlier INR30 lakh)
ii.	INR5 crore and above but less than INR100 crore	INR84 lakh (earlier INR42 lakh)
iii.	INR100 crore and above but less than INR250 crore	INR120 lakh (earlier INR60 lakh)
iv.	INR250 crore and above	INR120 lakh plus 0.01 per cent of the effective capital in excess of INR250 crore (earlier INR60 lakh).

* Limits specified can be doubled if a special resolution is passed.

B. New provision for the managerial personnel functioning in a professional capacity

If the managerial personnel is functioning in a professional capacity and possesses graduate level qualification with an expertise and specialised knowledge in the field in which the company operates then approval of the central government is not required if such managerial person, at any time during the last two years before or on after the date of appointment, does not have

- any interest in the capital of the company/its holding company/any of its subsidiaries directly or indirectly or through any other statutory structures and
- any direct/indirect interest or related to the directors/promoters of the company or its holding company/any of its subsidiaries.

The notification specifies that any employee of a company holding shares of the company not exceeding 0.5 per cent of its paid up share capital under any scheme formulated for the allotment of shares to such employees including Employees Stock Option Plan (ESOP) or by way of qualification shall be deemed to be a person not having any interest in the capital of the company.

C. Other conditions to be fulfilled to apply the above limits

Following are the conditions which a company needs to satisfy to apply the above mentioned limits (in (A) and (B) section above)

Resolution to be passed – Payment of remuneration should be approved by a resolution passed by the board and in the case of a company covered under Section 178(1) of the 2013 Act also by the Nomination and Remuneration Committee.

Default in payment of any debt - A company has not committed any default in repayment of any of its debts (including public deposits) or debentures/interest payable thereon for a continuous period of 30 days in the preceding financial year before the date of appointment of such managerial person. In case of default, the company obtains prior approval from secured creditors for the proposed remuneration and the fact of such prior approval has been obtained and is mentioned in the explanatory statement to the notice convening the general meeting.

Type of resolution: An ordinary resolution would be required to be passed for payment of remuneration

as per limits mentioned above in (A) and a special resolution is required to be passed, if the limits specified above in (A) are to be doubled, at the general meeting of the company for a period not exceeding three years

A special resolution is required to be passed for payment of remuneration as specified in (B) above, at the general meeting of the company for a period not exceeding three years.

Notice: A statement along with a notice calling the general meeting should be given to the shareholders containing the information prescribed in the notification.

D. The MCA has removed one requirement

The MCA through its notification has removed the following requirement:

'in the case of a managerial person who was not a security holder holding securities of the company of nominal value of INR5 lakh or more or an employee or a director of the company or not related to any director or promoter at any time during the two years prior to his appointment as a managerial person, - 2.5 per cent of the current relevant profit:

Provided that if the resolution passed by the shareholders is a special resolution, this limit shall be doubled:

Provided further that the limits specified under this section shall apply, if

- Payment of remuneration is approved by a resolution passed by the Board and in the case of a company under Section 178(1) also by the Nomination and Remuneration Committee*
- The company has not made any default in repayment of any of its debts (including public deposits) or debentures or interest payable thereon for a continuous period of 30 days in the preceding financial year before the date of appointment of such managerial person*
- A special resolution has been passed at the general meeting of the company for payment of remuneration for a period not exceeding three years*
- A statement along with a notice calling the general meeting referred to in clause (iii) is given to the shareholders, containing the specified information.'*

(Source: MCA notification dated 12 September 2016 and KPMG in India's First Notes dated 20 September 2016)

ICAI issued exposure draft on Guidance Note on Reports in Company Prospectuses (Revised 2016)

The Institute of Chartered Accountants Of India (ICAI) issued exposure draft on Guidance Note on Reports in Company Prospectuses. The guidance note is to provide guidance on compliance with the provisions of the 2013 Act, and the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended (ICDR Regulations²), relating to the reports required to be issued by chartered accountants in prospectus issued by the companies for the offerings made in India.

The relevant provisions of the 2013 Act dealt within this Guidance Note are:

- Section 2(70) – definition of prospectus;
- Section 14 – requirements to be complied with by a private company which becomes a public company by altering its Articles of Association;
- Sections 23 to 42 – relating to prospectus and allotment of securities for public offer and private placement;
- Sections 387 to 393 – relating to prospectus issued by companies incorporated outside India; and
- Companies (Prospectus and Allotment of Securities) Rules, 2014 containing guidelines for information to be stated and reports to be set out in prospectus and other matters and reports to be stated in prospectus.

The Guidance Note also deals with relevant aspects of the ICDR Regulations.

Applicability of the guidance note

This guidance note is applicable for providing guidance to issuers in relation to preparation of financial information to be included in the prospectus in case of Initial Public Offering (IPO) and to auditors in relation to reporting requirements that are required in such scenario. This guidance note is also applicable to other type of filings for the issue of securities such as letter of offer (in case of right issue) and placement document (Qualified Institutional Buyers), etc. to the extent applicable.

The exposure draft is sought comments and the last date to provide comments is 10 October 2016.

(Source: Exposure Draft on Guidance Note on Reports in Company Prospectuses (Revised 2016) issued by ICAI dated 14 September 2016)

MCA notified sections relating to IEPF

The MCA has appointed 7 September 2016 as the effective date for certain sub-sections of Section 124 (Unpaid Dividend Account) and Section 125 (Investor Education and Protection Fund (IEPF)) of the 2013 Act. The sections notified are relating to administration of unpaid dividend funds and manner of administration of the Investor Education and Protection Fund.

Further, MCA, through its notification dated 5 September 2016 has issued Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016. These rules are also effective from 7 September 2016.

(Source: MCA notification G.S.R. 854(E) and S.O. 2866(E) dated 5 September 2016)

Implementation guides issued by ICAI

The ICAI has issued the following implementation guides:

- Implementation Guide on Audit of Internal Financial Controls over Financial Reporting with Specific Reference to Smaller, Less Complex Companies
- Implementation Guide on Auditor's Reports under Indian Accounting Standards for Transition Phase.

(Source: Implementation guides issued by ICAI in August 2016)

Notification for commencement of certain sections of the Insolvency and Bankruptcy Code, 2016

The MCA notified 5 August 2016 and 19 August 2016 as effective date for certain sections of the Insolvency and Bankruptcy Code, 2016. The sections notified are related to setting up and incorporation of board and administration of finance, accounts and audit of the board.

(Source: MCA notification dated 5 August 2016 and 19 August 2016)

Companies (Share Capital and Debentures) Fourth Amendment Rules, 2016

The MCA through its notification dated 12 August 2016 has issued Companies (Share Capital and Debentures) Fourth Amendment Rules, 2016 which prescribes that Rule 18 of Companies (Share Capital and Debenture) Rules, 2014 would not apply to issue of rupee denominated bonds made exclusively to persons resident outside India in accordance with the applicable provisions of the Reserve Bank of India (RBI).

(Source: MCA notification G.S.R. 791(E) dated 12 August 2016)

Restrictions on promoters and whole-time directors of compulsorily delisted companies pending fulfillment of exit offers to the shareholders

The SEBI issued a circular dated 7 September 2016 to prescribe restrictions on promoters and whole-time directors of compulsorily delisted companies pending fulfillment of exit offers to the shareholders.

Regulation 24 of SEBI (Delisting of Equity Shares) Regulations, 2009 (Delisting Regulations) imposes restrictions and prescribes that the company which has been compulsorily delisted, its whole-time directors, its promoters and the companies promoted by any such person, shall not directly or indirectly access the securities markets for a period of ten years from the date of compulsory delisting.

The recent circular prescribes restriction in addition to restrictions imposed by Regulation 24 prescribed measures to strengthen the regulatory mechanism for ensuring effective enforcement of exit option to the public shareholders in case of compulsory delisting. Accordingly, the circular directed that in case of such companies whose fair value is positive:

- such company and the depositories shall not effect transfer, by way of sale, pledge, etc. of any of the equity

shares and corporate benefits like dividend, rights, bonus shares, split, etc. shall be frozen, for all the equity shares, held by the promoters/promoter group till the promoters of such company provide an exit option to the public shareholders in compliance with Regulation 23(3) of the Delisting Regulations, as certified by the concerned recognised stock exchange,

- the promoters and whole-time directors of the compulsorily delisted company should not be eligible to become directors of any listed company till the exit option as stated at (a) above is provided.

(Source: SEBI circular SEBI/HO/CFD/DCR/CIR/P/2016/81 dated 7 September 2016)

Ind AS Transition Facilitation Group (ITFG) issues Clarifications Bulletin 4

The ITFG of ICAI held its fourth meeting on 19 August 2016, and issued a bulletin (Bulletin 4) to provide clarifications on four issues relating to the application of Ind AS, as considered in its meeting. Following segment provides an overview of the issues considered in Bulletin 4.

Inclusion of excise duty or other taxes in revenue

Excise duty: Under the current Indian GAAP as per AS 9, *Revenue Recognition*, excise duty included in the turnover is presented as reduction from the gross turnover on the face of the statement of profit or loss.

Paragraph 8 of Ind AS 18, *Revenue* states that 'Revenue includes only the gross inflows of economic benefits received and receivable by the entity on its own account. Amounts collected on behalf of third parties such as sales taxes, goods and services taxes and value added taxes are not economic benefits which flow to the entity and do not result in increase in equity. Therefore, they are excluded from revenue'.

Further, Division II of Schedule III to the 2013 Act requires a separate disclosure in the notes relating to revenue from operations for 'sale of products (including excise duty)'. The format specified in Division II is in compliance with Ind AS notified under Companies (Indian Accounting Standards) Rules, 2015 (Rules 2015) and is mandatorily applicable to companies implementing Ind AS.

The ITFG considers excise duty to be a liability of the manufacturer, which forms part of the cost of production, irrespective of whether the goods are sold or not. The recovery of excise duty flows to the entity on its own account and should be included in the amount of revenue. Accordingly, the ITFG has recommended a consistent approach and clarified that revenue should be presented as a gross amount including excise duty in the statement of profit and loss prepared under Ind AS. The excise duty payable should be reflected as an expense.

Sales tax: Where an entity receives revenue from a customer inclusive of service tax, the ITFG has clarified that paragraph 8 of Ind AS 18 provides that amount collected on behalf of third parties such as sales taxes, goods and services taxes and value added taxes are not economic benefits which flow to the entity and should be excluded from revenue. Since, service tax represents the amount collected on behalf of a third party i.e. the government, it should not be included in revenue. Accordingly, revenue should be recognised net of service tax collected.

Applicability of the Ind AS road map

The following issues relating to the applicability of the Ind AS road map have been clarified in this bulletin

Negative net worth and Ind AS

implementation date: As per the Ind AS road map, Ind AS is applicable to listed and unlisted companies from FY 2016-17, only if their net worth is INR500 crore or more. If a company (whether listed or unlisted) has negative net worth, then Ind AS is not applicable to such company from the Financial Year (FY) 2016-17.

However, Ind AS would be applicable from FY 2017-18 to all listed companies with net worth less than INR500 crore and to unlisted companies with net worth of INR250 crore or more but less than INR500 crore. Accordingly, Ind AS would be applicable to a listed company from FY 2017-18 irrespective of its negative net worth.

Date of transition: The date of transition to Ind AS should be determined as per the requirements of Ind AS 101, First-time Adoption of Indian Accounting Standards and the Ind AS road map. A company covered in Phase I of the Ind AS road map is mandatorily required to prepare its financial statements as per Ind AS for the year ended 31 March 2017 with comparatives for the period ending 31 March 2016. The date of transition for such a company is 1 April 2015 and it is not permitted to voluntarily select a transition date prior to 1 April 2015. Accordingly, a company, that wishes to present comparative information for two years when presenting its first Ind AS financial statements for the period ending 31 March 2017, would not be allowed to select 1 April 2014 as the date of transition and present two years' comparatives. The date of transition for such a company would mandatorily be 1 April 2015 and it would therefore, only be able to present comparative information for the preceding year in its first Ind AS financial statements.

(Source: ITFG bulletin 4 dated 19 August 2016 and KPMG in India IFRS Notes dated 26 August 2016)



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KPMG in India's IFRS institute

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The website provides information and resources to help board and audit committee members, executives, management, stakeholders and government representatives gain insight and access to thought leadership publications that are based on the evolving global financial reporting framework.

IFRS Notes

The IASB issues amendments to IFRS 4, Insurance Contracts



16 September 2016

Background

The International Accounting Standards Board (IASB) is in the process of replacing the existing International Financial Reporting Standard (IFRS) 4, Insurance Contracts with a new standard which is intended to eliminate

inconsistencies and weaknesses in existing practices by providing a single principle - based framework to account for all types of insurance contracts, including reinsurance contracts that an insurer holds.

The final standard on insurance contracts is expected to be issued around the end of 2016 with the probable effective date not being earlier than 2020.

New developments

The IASB issued amendments to IFRS 4 on 12 September 2016 in order to address the concerns arising from implementing IFRS 9, Financial Instruments (effective from 1 January 2018 onwards) before implementing the forthcoming insurance contracts standard. These include temporary volatility in the statement of profit and loss and accounting mismatches for most insurers.

This issue of IFRS Notes provides an overview of the amendments.

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Missed an issue of Accounting and Auditing Update or First Notes?



The central government notified more sections of the 2013 Act relating to NCLT/NCLAT

20 September 2016

Background

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KPMG in India is pleased to present Voices on Reporting – a monthly series of knowledge sharing calls to discuss current and emerging issues relating to financial reporting.

In our next call, on 28 September 2016, we will cover key financial reporting and regulatory matters that are expected to be relevant for stakeholders as they approach the quarter ending 30 September 2016.

Our call will include updates from the Ministry of Corporate Affairs (MCA), the Securities and Exchange Board of India (SEBI), the Institute of Chartered Accountants of India (ICAI), etc.

Post the call, we will share with you a brief publication that will summarise important topics relating to the quarter ending 30 September 2016.

Our Voices on Reporting conference call will be held on Wednesday, 28 September 2016 between 04:00 – 05:00 PM.

We look forward to your presence and active participation on this call.

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