

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II,
SECTION 3, SUB-SECTION (i)]

GOVERNMENT OF INDIA

MINISTRY OF CORPORATE AFFAIRS

NOTIFICATION

New Delhi, the 23 March, 2022

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

1. Short title and commencement.-(1) These rules may be called the Companies (Indian Accounting Standards) Amendment Rules, 2022.

(2) They shall come into force with effect from 1st day of April, 2022.

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

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

(i) after paragraph 39AF, the following shall be inserted, namely:-

"39AG *Annual Improvements to Ind AS (2021)*, amended paragraph D1(f) and added paragraph D13A. An entity shall apply that amendment for annual reporting periods beginning on or after 1st April, 2022.";

(ii) in Appendix D, in paragraph D1, for sub-item (f), the following shall be substituted, namely:-

"(f) cumulative translation differences (paragraphs D12-D13A);";

(iii) in Appendix D, after paragraph D13, the following shall be inserted, namely:-

"D13A Instead of applying paragraph D12 or paragraph D13, a subsidiary that uses the exemption in paragraph D16(a) may elect, in its financial statements, to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to Ind ASs, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in paragraph D16(a)."

(B) in "Indian Accounting Standard (Ind AS) 103", -

(i) for paragraph 11, the following shall be substituted, namely:-

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

(ii) for paragraph 14, the following shall be substituted, namely:-

"14 Paragraphs B31–B40 provide guidance on recognising intangible assets. Paragraphs 21A–28B specify the types of identifiable assets and liabilities that include items for which this Ind AS provides limited exceptions to the recognition principle and conditions.";

(iii) for paragraph 21, the following shall be substituted, namely:-

"21 This Ind AS provides limited exceptions to its recognition and measurement principles. Paragraphs 21A–31A specify both the particular items for which exceptions are provided and the nature of those exceptions. The acquirer shall account for those items by applying the requirements in paragraphs 21A–31A, which will result in some items being-

- (a) recognised either by applying recognition conditions in addition to those in paragraphs 11 and 12 or by applying the requirements of other Ind ASs, with results that differ from applying the recognition principle and conditions.
- (b) measured at an amount other than their acquisition-date fair values.

Exceptions to the recognition principle.-

Liabilities and contingent liabilities within the scope of Ind AS 37 or Appendix C, Levies, of Ind AS 37

21A Paragraph 21B applies to liabilities and contingent liabilities that would be within the scope of Ind AS 37, *Provisions, Contingent Liabilities and Contingent Assets*, or Appendix C, *Levies*, of Ind AS 37 if they were incurred separately rather than assumed in a business combination.

- 21B The *Conceptual Framework* defines a liability as ‘a present obligation of the entity to transfer an economic resource as a result of past events’. For a provision or contingent liability that would be within the scope of Ind AS 37, the acquirer shall apply paragraphs 15–22 of Ind AS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of Appendix C of Ind AS 37, the acquirer shall apply Appendix C of Ind AS 37 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.
- 21C A present obligation identified in accordance with paragraph 21B might meet the definition of a contingent liability set out in paragraph 22(b). If so, paragraph 23 applies to that contingent liability.”;
- (iv) for the heading relating to paragraph 22, the following shall be substituted, namely:-
- “Contingent liabilities and contingent assets”;**
- (v) in paragraph 22, for the opening paragraph starting with Ind AS 37 and ending with liability as:, the following shall be substituted, namely:-
- “22 Ind AS 37 defines a contingent liability as:”;
- (vi) for paragraph 23, the following shall be substituted, namely:-
- “23 The acquirer shall recognise as of the acquisition date a contingent liability assumed in a business combination if it is a present obligation that arises from past events and its fair value can be measured reliably. Therefore, contrary to paragraphs 14(b), 23, 27, 29 and 30 of Ind AS 37, the acquirer recognises a contingent liability assumed in a business combination at the acquisition date even if it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Paragraph 56 of this Ind AS provides guidance on the subsequent accounting for contingent liabilities.”;
- (vii) after paragraph 23, the following shall be inserted, namely:-
- “23A Ind AS 37 defines a contingent asset as ‘a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity’. The acquirer shall not recognise a contingent asset at the acquisition date.”;

(viii) after paragraph 64P, the following shall be inserted, namely:-

“64Q *Reference to the Conceptual Framework*, amended paragraphs 11, 14, 21, 22 and 23 and added paragraphs 21A, 21B, 21C and 23A. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st April, 2022.”.

(C) in “Indian Accounting Standard (Ind AS) 109”, -

(i) for paragraph 7.1.9, the following shall be substituted, namely:-

“7.1.9 *Annual Improvements to Ind AS (2021)*, added paragraphs 7.2.35 and B3.3.6A and amended paragraph B3.3.6. An entity shall apply that amendment for annual reporting periods beginning on or after 1st April, 2022.”;

(ii) for the figures, brackets and words, “7.2.35-7.2.42 [Refer Appendix 1]”, the following shall be substituted, namely:-

“Transition for Annual Improvements to Ind AS (2021)”

7.2.35 An entity shall apply *Annual Improvements to Ind AS (2021)* to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

7.2.36-7.2.42 [Refer Appendix 1]”;

(iii) in Appendix B,

(a) for paragraph B3.3.6, the following shall be substituted, namely:-

“B3.3.6 For the purpose of paragraph 3.3.2, the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. In determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.”;

(b) after paragraph B3.3.6, the following shall be inserted, namely:-

“B3.3.6A If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part

of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.”.

(D) in “Indian Accounting Standard (Ind AS) 16”, -

(i) in paragraph 17, for sub-item (e), the following shall be substituted, namely:-

“(e) costs of testing whether the asset is functioning properly, after deducting the net proceeds from selling any items produced while bringing the asset to that location and condition (such as samples produced when testing equipment). Excess of net sale proceeds of items produced over the cost of testing, if any, shall not be recognised in the profit or loss but deducted from the directly attributable costs considered as part of cost of an item of property, plant, and equipment; and”;

(ii) in Appendix 1, after paragraph 7, the following shall be inserted, namely:-

“8. In May, 2020, IASB had issued amendments in IAS 16 on proceeds before intended use to prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. These amendments added paragraphs 20A, 74A, 80D and 81N and amended paragraphs 17(e) and 74 of IAS 16. The said amendments have not been made under Ind AS 16, however, paragraph 17(e) has been amended to clarify that excess of net sale proceeds of items produced over the cost of testing, if any, shall not be recognised in the profit or loss but deducted from the directly attributable costs considered as part of cost of an item of property, plant, and equipment.”.

(E) in “Indian Accounting Standard (Ind AS) 37”, -

(i) after paragraph 68, the following shall be inserted, namely:-

“68A The cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both-

- (a) the incremental costs of fulfilling that contract—for example, direct labour and materials; and
- (b) an allocation of other costs that relate directly to fulfilling contracts—for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract among others.”;

(ii) for paragraph 69, the following shall be substituted, namely:-

“69 Before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract (see Ind AS 36).”;

(iii) after paragraph 94, the following shall be inserted, namely:-

“94A *Onerous Contracts—Cost of Fulfilling a Contract*, added paragraph 68A and

amended paragraph 69. An entity shall apply those amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). The entity shall not restate comparative information. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.”;

(iv) after paragraph 104, the following shall be inserted, namely:-

“105 *Onerous Contracts—Cost of Fulfilling a Contract*, added paragraphs 68A and 94A and amended paragraph 69. An entity shall apply those amendments for annual reporting periods beginning on or after 1st April, 2022.”

(F) in “Indian Accounting Standard (Ind AS) 41”, -

(i) for paragraph 22, the following shall be substituted, namely:-

“22 An entity does not include any cash flows for financing the assets or re-establishing biological assets after harvest (for example, the cost of replanting trees in a plantation forest after harvest).”;

(ii) after paragraph 64, the following shall be inserted, namely:-

“65 *Annual Improvements to Ind AS (2021)*, amended paragraph 22. An entity shall apply that amendment to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1st April, 2022.”

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


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

Note : The principal rules were published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), *vide* number G.S.R. 111(E), dated the 16th February, 2015 and were subsequently amended *vide* notifications number G.S.R. 365 (E), dated the 30th March, 2016, number G.S.R. 258(E), dated the 17th March, 2017, number G.S.R. 310(E), dated the 28th March, 2018, number G.S.R. 903(E), dated the 20th September, 2018, number G.S.R. 273(E), dated the 30th March, 2019, number G.S.R. 274 (E), dated the 30th March, 2019, number G.S.R. 463 (E), dated the 24th July, 2020 and number G.S.R. 419(E), dated the 18th June, 2021.