

**BHUBANESWAR BRANCH OF  
EASTERN INDIA REGIONAL COUNCIL OF**

**THE**

**INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA**

**e-newsletter/12/2021-22**

# NEWSLETTER



**DECEMBER 2021**

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## From Chairman's Desk

Dear Professional Colleagues,  
Greetings of the day!

Specialisation marks a new era in our profession. For decades we've established ourselves to be entities fixated on offering our clients a range of essential services, tending to their fundamental requirements as a business or as a corporate. However, with increasing competition within the market, the need to distinguish oneself has become more relevant now than ever. Specialisation will help you achieve that ability to stand out. General practice full-service firms, while pertinent to the market will only continue to face still competition, forcing them to compete on overall fee demandable, which results in such firms attracting lower-quality clients who will view such firms to be as nothing more than replaceable vendors.

Specialization will assist you and your firm in creating and providing tailor-made solutions, making your expertise worth paying for. Discerning clients will appreciate knowing that their Chartered Accountant possesses an intricate understanding of their particular business and the market. It is pertinent that professional such as ourselves move beyond the realm of offering our clients mere compliance-driven solutions. Rather, it is time for us to be more proactive and offer them knowledge-driven solutions that will assist them in taking their business to the next level.

Thank you, stay safe and stay healthy.

CA. Bisworanjan Sutar  
Chairman

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## Editorial Board

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## Members Area of Interest

Recent development in IND AS by :

CA. Rammohan Bhawe, FCA

Recent development in IND AS:

IND AS 109:

As pandemics go, Covid 19 deserves a league of its own. With the economy coming to a stand-still with a raging pandemic and the resultant lockdown, hundreds of prestigious brands, including family-owned veteran businesses in the U.S and across the globe have declared bankruptcy. In an industry like Banking, Financial Services and Insurance (BFSI) that is already weighed down by performance issues involving NPAs and bad debts, the complications fuelled by Coronavirus are taking on a dangerous form.

ECL:

In this context, the Expected Credit Loss (ECL) provisioning approach becomes more important than the actual incurred loss. The deterioration in credit quality of loan portfolios, such as that of trade receivables, as a result of the outbreak will have significant impact on the ECL measurement. In order to comply with Ind AS 109 requirements, the entity is required to consider how current and forward looking information, including impacts of the coronavirus outbreak, might affect their customer's historical default rates. They also need to assess how the information would affect their customer's expectations and estimates of ECLs. Probability of default, Exposure at default and Loss given default are the impacted elements on computation of ECL.

An entity, to accelerate the reflection of changes in risk indicators in credit quality not yet detected at an individual level, may adjust ratings and the probabilities of default on a collective basis, considering risk characteristics such as the industry or geographical location of the borrowers.

Further, Ind AS 109 does not provide exemption from ECL measurement for intragroup loans repayable on demand. ECL is generally based upon the assumption that the loan is demanded at the reporting date. Due to likely impact of the outbreak on the liquidity position of the group entity, it may not be in a position to repay the loan if demanded on the reporting date. In such a case, ECL assessment should consider the expected manner of recovery and recovery period of the intragroup loan. ECL measurement should take into account the effect of "Time value of money", even if full recovery is expected but delayed.

Cash flow hedge accounting:

Due to the economic turbulence resulting from the pandemic, the entity will need to consider whether the transaction is still a highly probable forecasted transaction. The Covid-19 outbreak is causing reductions in actual and forecasted volume of transactions in many regions and industries. If the pandemic reduces the probability of a hedged forecast transaction occurring or affects its timing, there may be hedge ineffectiveness.

CONCLUSION      ACCOUNTING TREATMENT

If forecasted transaction is no longer highly probable, but still expected to occur. Discontinue hedge accounting prospectively. The accumulated gain or loss on the hedging instrument that has been recognized in other comprehensive income will remain recognised separately in equity until the forecasted transaction occurs.

If forecasted transaction is no longer expected to occur. Discontinue hedge accounting prospectively.



Immediately reclassify any accumulated gain or loss on the hedging instrument that has been recognised in other comprehensive income to profit or loss.

If forecasted transaction is expected to be delayed. Ineffective portion of the hedge will be recognised in profit and loss. Amount recognized in OCI will be reclassified to profit and loss when forecasted transaction occurs.

#### IND AS 115: Revenue from contract with customers

The core principle of the new standard, which replaces existing Ind AS 11 (Construction contract) and Ind AS 18 (Revenue recognition), effective from 1st April 2018, is that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. The new five step model as given below is expected to bring out significant changes in way companies recognise, present and disclose their revenue. There is a paradigm shift from the present 'transfer of risk and rewards model' to a 'five-step model' which mainly focuses on transfer of control of goods and services by an entity under a contract with customers.

The difference arising from the comparison of revenue recognised as per Ind AS 18 and Ind AS 11 in respect of the open contracts as on 31st March 2018, with amount that would have been recognised as per Ind AS 115, would be accounted as a cumulative catch-up adjustment and would be recognised on 1st April, 2018 in the open retained earnings.

#### Five-step model

Transition options available with entities transitioning to Ind AS 115:

#### APPROACH APPLICATION COMPARATIVES

**Full retrospective** The financial statements are presented as if Ind AS 115 had always been applied in accordance with Ind AS 8, Accounting policies, changes in accounting estimates and errors. **Comparatives** (including the opening balance sheet) are restated.

**Modified retrospective** Entities will recognise the cumulative effect of initially applying Ind AS 115 as an adjustment to the opening balance of equity at the date of initial application. **Comparatives** are not restated and are presented using existing revenue standards.

Entities may need to use significant judgement to determine the effect of uncertainties related to the coronavirus outbreak on its revenue accounting, e.g., estimates of variable consideration (including the constraint) and providing appropriate disclosures. Decisions made in response to the outbreak (such as modifying contracts, transacting with customers during collectability concerns, revising pricing) may also have an effect on the accounting and disclosures for ongoing and future contracts.

#### IND AS 116: LEASES

Ind AS 116 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and finance leases and requires recognition of an asset and a financial liability to pay rentals for all lease contracts. The statement of profit and loss will also be affected because the total expense is greater in the earlier years of lease and vice versa. Operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change.



The modification of the lease requires re-measurement of the lease liability using a revised discount rate. Given that the interest rate implicit in the lease is generally not readily determinable by the lessee, it is necessary for the lessee to determine a revised incremental borrowing rate. The coronavirus outbreak has exacerbated market volatility and central banks in many jurisdictions are cutting interest rates.

## AMENDMENTS

### IND AS 103: Business Combination

#### Definition of business

Previous      Amended

Focused on providing return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants. Focused on providing goods or services to customers, generating investment income (such as dividends or interest) or generate other income from ordinary activities.

The amendment also provides that an entity can apply a 'Optimal concentration test' that, if met, eliminates the need for further assessment.

- Optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.
- Concentration test may be applied on a transaction-by-transaction basis
- The test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.
- If the test is not met, or if an entity elects not to apply the test, a detailed assessment must be performed applying the normal requirements of business combinations accounting

### IND AS 107: Financial Instruments Disclosures

Following disclosures to be made by an entity in respect of hedging relationships to which it applies the exceptions provided under Ind AS 109 (Interest Rate Benchmark Reform):

- a. Significant interest rate benchmarks to which the entity's hedging relationships are exposed.
- b. Extent of the risk exposure the entity manages that is directly affected by the interest rate benchmark reform.
- c. How the entity is managing the process to transition to alternative benchmark rates.
- d. A description of significant assumptions or judgements the entity made and,
- e. The nominal amount of the hedging instruments in those hedging relationships.



#### IND AS 10: Events after the reporting period

- Any non-adjusting events that could reasonably be expected to influence decisions that the primary users of general purpose FS make on the basis of those FS which provide financial information about a specific reporting needs to be disclosed as follows –
- the nature of the event
- an estimate of its financial effect, or a statement that such an estimate cannot be made.
- The previous version required disclosures of material non-adjusting events & non disclosure could influence economic decisions that users make on the basis of the FS

Many existing & potential investors, lenders & other creditors cannot require reporting entities to provide information directly to them & must rely on general purpose financial reports for much of the financial information they need. Consequently, they are the primary users to whom general purpose financial reports are directed.

#### IND AS 37: Provisions, Contingent Liabilities and Contingent Assets

A management or board decision to restructure taken before the end of the reporting period does not give rise to a constructive obligation at the end of the reporting period unless the entity has, before the end of the reporting period-

- a) started to implement the restructuring plan; or
- b) announced the main features of the restructuring plan to those affected by it in a sufficiently specific manner to raise a valid expectation in them that the entity will carry out the restructuring.

#### IND AS 116: Leases

A lessor and lessee might renegotiate the terms of the lease or any concessions in lease payments may be received by a lessee because of the coronavirus outbreak. When any concessions in lease payments are received by a lessee, it is necessary to evaluate whether Ind AS 116 applies to such lease concessions.

In some jurisdictions, local authorities have implemented policies to provide subsidies to lessees and others in order to support the local economy and these payments are accounted for under Ind AS 20 Accounting for Government Grants and Disclosures of Government Assistance.



## Programme to be held during January, 2022

### a. Members

1. Coordinating Central Council Meeting at Hotel Mayfair, Bhubaneswar
2. Felicitation Programme for President and Central Council Members.
3. Indore Game Competition (Carrom, Badminton, Chess)
4. Friendly Cricket Tournament.

### b. Students

1. ICITSS- Information Technology Class
2. ICITSS- Orientation course.
3. AICITSS- Advanced Information Technology
4. AICITSS- MCS Course
5. Branch Participation at Central level PPT & Debate Competition Grand Finale at Hyderabad.
6. Career Council Programme
7. CA Foundatin Coaching Class



MEDIA COVERAGE

### ଅଲ୍ ଓଡ଼ିଶା ପ୍ରଫେସନାଲ ଡ୍ୟୁଜ୍ ବଲ୍ କ୍ରିକେଟ୍ ସିଏ ଭୁବନେଶ୍ୱର ବିଜେତା

ଭୁବନେଶ୍ୱର, ୨୮.୧୨ (ବୁଧବାର): ସେଣ୍ଟୁରିୟନ ଯୁନିଭରସିଟି ଟେକ୍ନୋଲୋଜି ଏବଂ ମ୍ୟାନେଜମେଣ୍ଟ ପଢ଼ିଆରେ ଚତୁର୍ଥ ଅଲ୍ ଓଡ଼ିଶା ପ୍ରଫେସନାଲ ଡ୍ୟୁଜ୍ ବଲ୍ କ୍ରିକେଟ୍ ଟୁର୍ଣ୍ଣାମେଣ୍ଟ ଅନୁଷ୍ଠିତ ହୋଇଯାଇଛି । ତିନିଦିନ ଧରି ଅନୁଷ୍ଠିତ ଏହି ଟୁର୍ଣ୍ଣାମେଣ୍ଟରେ ସିଏ ଭୁବନେଶ୍ୱର, ସିଏ କଟକ, ସିଏ ବ୍ରହ୍ମପୁର, ସିଏମ୍ଏ ଭୁବନେଶ୍ୱର ଦଳ ଭାଗ ନେଇଥିଲେ । ଫାଇନାଲ୍ ମ୍ୟାଚ୍ ସିଏ ଭୁବନେଶ୍ୱର ଓ ସିଏମ୍ଏ ଭୁବନେଶ୍ୱର ମଧ୍ୟରେ ଖେଳାଯାଇଥିଲା । ଏଥିରେ ସିଏ ଭୁବନେଶ୍ୱର ବିଜୟ ହାସଲ କରିଥିଲା ।

### ନିଖିଳ ଓଡ଼ିଶା ପ୍ରଫେସନାଲ ଡ୍ୟୁଜ୍ ବଲ୍ କ୍ରିକେଟ୍ ଜିତିଲା ସିଏ ଭୁବନେଶ୍ୱର



ଭୁବନେଶ୍ୱର, ୩୦.୧୨ (ଉତ୍ତମ): ସ୍ଥାନୀୟ ସେଣ୍ଟୁରିଆନ୍ ଯୁନିଭରସିଟି ଟେକ୍ନୋଲୋଜି ଏବଂ ମ୍ୟାନେଜମେଣ୍ଟ ପଢ଼ିଆରେ ଆୟୋଜିତ ଚତୁର୍ଥ ନିଖିଳ ଓଡ଼ିଶା ପ୍ରଫେସନାଲ ଡ୍ୟୁଜ୍ ବଲ୍ କ୍ରିକେଟ୍ ପ୍ରତିଯୋଗିତାରେ ସିଏ ଭୁବନେଶ୍ୱର ବିଜେତା ହୋଇଛି । ଫାଇନାଲ୍ରେ ଏହି ଦଳ ସିଏମ୍ଏ ଭୁବନେଶ୍ୱରକୁ ପରାସ୍ତ କରିଥିଲା । ଏହି ୩ ଦିନିଆ ପ୍ରତିଯୋଗିତାରେ ସିଏ ଭୁବନେଶ୍ୱର, ସିଏ କଟକ, ସିଏ ବ୍ରହ୍ମପୁର, ସିଏମ୍ଏ ଭୁବନେଶ୍ୱର ଭାଗ ନେଇଥିଲେ ।