KPMG

cutting through complexity

September 2015

Voices on Reporting - Quarterly updates

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KPMG in India conducts Voices on Reporting - a monthly series of knowledge sharing calls to discuss current and emerging challenges relating to financial reporting.

In our call on 23 September 2015, we covered key accounting, financial reporting and regulatory developments that are expected to be relevant for the quarter ending 30 September 2015.

In this newsletter, we have summarised key updates and matters discussed on the call from the Ministry of Corporate Affairs (MCA), the Securities and Exchange Board of India (SEBI), the Reserve Bank of India (RBI) and the Institute of Chartered Accountants of India (ICAI).

We will continue to provide such a summary of relevant quarterly updates in future quarters. We hope you find this summary to be of use and relevance.

Updates related to accounting matters

1

Foreign exchange volatility and its accounting implications

Recent foreign exchange fluctuations/volatility have become one of the areas of focus for companies and their board of directors. Many stakeholders are re-assessing their existing accounting policy choices in the context of the level of volatility witnessed in the past few months and its accounting implications.

Under Indian GAAP, following are broadly the available options for accounting for derivatives:

- **Accounting for contracts covered under AS 11:** In case of forward contracts to which AS 11, *The Effects of Changes in Foreign Exchange Rates (revised 2003)* applies, entities need to fully comply with the requirements of AS 11 (including application of paragraph 46A of AS 11). AS 11 prescribes, for hedging contracts, a method that is similar to accrual accounting. However, AS 11 does not specifically address contracts used to hedge highly probable forecast transactions and firm commitments.
- **Accounting for contracts not covered under AS 11:** For contracts not covered under AS 11 following three choices are available:
  - Accounting under AS 1: In March 2008, the ICAI issued an announcement (applicable to financial statements for the period ending 31 March 2008, or thereafter). The announcement mentions that in case of derivatives, if an entity does not follow AS 30, *Financial Instruments: Recognition and Measurement,* then as per the principle of prudence as enunciated in AS 1, *Disclosure of Accounting Policies,* the entity is required to provide for all losses in respect of all outstanding derivative contracts at the balance sheet date by marking them to market.
  - Accounting under AS 30: In 2007, the ICAI issued AS 30 and AS 31, *Financial Instruments: Presentation.* Both of these accounting standards were to come into effect in respect of accounting periods commencing on or after 1 April 2009 and were to be recommendatory in nature for an initial period of two years. These were to become mandatory in respect of accounting periods commencing on or after 1 April 2011. However, till date these standards are not mandatory in nature. Companies which intend to follow AS 30 could apply:
    a. Full mark-to-market (MTM) accounting with recognition of both unrealised gains and losses on derivatives
    b. Hedge accounting.
- **Accounting of contracts under Ind AS 109, *Financial Instruments:*** Companies which voluntarily early adopt Ind AS in the current year will follow accounting for derivatives/ hedge accounting under Ind AS 109.

In practice, many companies follow AS 1 accounting i.e. recognise foreign currency losses in the statement of profit and loss. In a relatively benign foreign currency environment, companies were able to make required provisions without affecting reported performance significantly

New development in 2015: On 12 May 2015, the ICAI issued a guidance note of accounting for derivative contracts (guidance note) that can be adopted early for the financial statements of 2015-16. This allows entities an option to follow hedge accounting types principles that are similar to Ind AS 109.

The guidance note covers all derivative contracts that are not covered by an existing notified accounting standard. It also provides guidance on accounting of assets covered by AS 2, *Valuation of Inventories,* AS 10, Accounting of *Fixed Assets*, AS 13, *Accounting for Investments,* etc. which are designated as hedged items, since such notified accounting standards are silent on hedge accounting using derivative instruments for items covered by these standards. Accordingly, guidance for accounting for derivatives and hedging relationships which pertain to hedged items covered under such notified accounting standards, e.g. a commodities stock, fixed assets, investments, etc. is provided in this guidance note. AS 11 continues to provide guidance specific to foreign currency forward contracts.

The guidance note does not deal with macro-hedging and accounting for non-derivative financial assets/liabilities which are designated as hedging instruments since its objective is to provide guidance on accounting for derivative contracts

only and not hedge accounting in its entirety.

The guidance note is an interim measure (till Ind AS 109, is applicable) to provide recommendatory guidance on accounting for derivative contracts and hedging activities considering the lack of mandatory guidance in this regard with a view to bring about uniformity of practice in accounting for derivative contracts by various entities. For certain entities that do not require to move to Ind AS, this guidance note may have an enduring impact. The guidance note may be early adopted by entities seeking to apply hedge accounting whilst not moving to Ind AS.

(Source: Accounting and Auditing Update June 2015, KPMG's First Notes: The ICAI issues a guidance note on accounting for derivatives dated 18 May 2015)

The MCA amends norms relating to the preparation of financial statements

After the issuance of the Companies Act 2013 (2013 Act), there seemed to be certain areas where the definitions within the 2013 Act and those within Ind AS and current Indian GAAP seem to be quite disparate. For example, definition of susbsidiary, associate, related party, etc.

The MCA amendment

The MCA through its notification dated 4 September 2015 has inserted a new Rule 4A requiring financial statements to be in the form specified in Schedule III to the 2013 Act and to comply with the AS or Ind AS as applicable, has been inserted. It is further provided that the financial statements should be prepared in accordance with the definitions and other requirements as specified in the AS or the Ind AS.

Such an amendment resolves the ongoing conflict in the use of definitions as per AS/Ind AS or the 2013 Act.

(Source: KPMG's First Notes dated 9 September 2015)

Updates related to financial reporting matters

2

Guidance note on audit of internal financial controls over financial reporting (guidance note)

Section 134(5)(e) of the 2013 Act (which deals with the directors' responsibility statement) requires directors of listed companies to state whether they had laid down Internal Financial Controls (IFC) to be followed by the company and that such IFC are adequate and were operating effectively. According to the 2013 Act, IFC includes policies and procedures adopted by a company for ensuring orderly and efficient conduct of its business, accuracy and completeness of the accounting records, and timely preparation of reliable financial information.

Rule 8(5)(viii) of the Companies (Accounts) Rules, 2014 (Rules), requires board's report of every company to state the details in respect of adequacy of IFC with reference to the financial statements.

Though not specifically mentioned, the guidance note appears to suggest that:

For listed companies:

i. The director's responsibility statement to state that IFC are adequate and operating effectively.

ii. The board's report to state the adequacy of IFC with respect to financial statements.

For other companies:

The board's report to state the adequacy of IFC with respect to financial statements.

Under Section 143(3)(i) of the 2013 Act, an auditor is required to state in their audit report whether the company has an adequate IFC system in place and the operating effectiveness of such controls.

The guidance note mentions that the auditors would comment on IFC on financial reporting (IFC-FR) for companies.

Criteria to be considered for developing, establishing and reporting on IFC

The 2013 Act did not provide a framework that could be used for developing and establishing controls. The ICAI had issued a guidance note in October 2014 but was subsequently withdrawn. This guidance note referred to the Committee of Sponsoring Organisations of the Treadway Commission (COSO) 2013 framework. The ICAI has issued a revised Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (guidance note) on 14 September 2015.

The revised guidance note does not refer to COSO framework. Similar to the 2013 Act, the guidance note does not prescribe a particular framework on IFC. Instead the guidance note states that a benchmark system of internal control, based on suitable criteria, is essential to enable the management and auditors to assess and state the adequacy and compliance of the system of internal controls. Appendix I of the guidance note refers to SA 315, *Identifying and Assessing the Risk of Material Misstatement Through Understanding the Entity and Its Environment.* This appendix provides the necessary criteria for IFC-FR for companies.

The components of internal controls under SA 315 take into account control environment, entity's risk assessment process, control activities, information system and communication and monitoring of controls.

Reporting by auditors – is the scope same as that of the management?

The guidance note states that consistent to the requirements of the 2013 Act/Rules/practice prevalent globally, the term IFC in the context of responsibility of the auditor for reporting on controls under Section 143(3)(i) of the 2013 Act, implies and relates to IFC over financial reporting (IFC-FR).

The guidance note defines IFC-FR to mean, a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel, with a view to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the GAAP.

IFC reporting on Consolidated Financial Statements (CFS)

Section 129(4) of the 2013 Act states that provisions of the 2013 Act applicable to the preparation, adoption and audit of the financial statements of a holding company shall, mutatis mutandis, apply to the CFS. A strict reading of this Section might indicate that the auditor will be required to report under Section 143(3)(i) of the 2013 Act on the adequacy and operating effectiveness of the IFC-FR, even in the case of CFS.

The guidance note has clarified this by stating that reporting on the adequacy and operating effectiveness of IFC-FR would apply even in the case of CFS, for the respective components included in the CFS only if it is a company under the 2013 Act.

Specified date for reporting

Section 143(3)(i) of the 2013 Act does not specify whether the auditor's report should state if IFC existed and operated effectively during the period under reporting of the financial statements or at the balance sheet date up to which the financial statements are prepared. Paragraph 57(k) of the Statement on the Companies (Auditor's Report) Order, 2003 issued by the ICAI, *inter alia,* states that an auditor is required to assess whether major weakness, if any, noted by him/her have been corrected by the management as at the balance sheet date.

Accordingly, the auditor should report if the company has adequate internal control systems in place and whether they were operating effectively at the balance sheet date.

IFC reporting on interim financial statements

It may also be noted that an auditor's reporting on IFC is a requirement specified in the 2013 Act, and therefore, would apply only in case of reporting on financial statements prepared under the 2013 Act and reported under Section 143 of the 2013 Act.

Accordingly, reporting on IFC would not be applicable with respect to interim financial statements, such as quarterly or half-yearly financial statements, unless such reporting is required under any other law or regulation.

(Source: KPMG's First Notes: ICAI releases revised guidance on Internal Financial Controls Over Financial Reporting dated 16 September 2015)

One time relaxation from preparation of consolidated financial statements for unlisted companies

As per Section 129(3) of the 2013 Act, companies having one or more subsidiaries/associates/joint ventures have to mandatorily prepare CFS. However, a proviso to Rule 6 of the Companies (Accounts) Rules, 2014 provides a one-time relaxation as per which companies having subsidiary/associate/joint venture incorporated outside India would not be required to prepare CFS. This exemption is only for the first financial year beginning on or after 1 April 2014.

If a company has a subsidiary, associate, or joint venture outside India, it can avail the exemption even though it may also have subsidiaries/associates/joint ventures in India. In our view, the word 'only' used in the circular refers to 'the financial year commencing on or after 1 April 2014'. The Hindi version of the circular also seems to confirm this position.

This exemption would be available only to unlisted companies. For listed companies, the requirements of the Listing Agreement/Listing Regulations or the 2013 Act, whichever is more stringent, would be applicable.

(Source: Notification by the MCA dated 14 October 2014)

The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations)

The SEBI notified Listing Regulations on 2 September 2015 with the time period of 90 days for its implementation. However, two provisions of the regulations which are facilitating in nature are applicable with immediate effect. The following table describes the application dates:

Immediate effect	Passing of ordinary resolution instead of special resolution in case of all material related party subject to related parties abstaining from voting on such resolutions, mostly in line with the provisions of the 2013 Act. Re-classification of promoters as public shareholders under various circumstances.
90 days	Rest all the provisions

The Listing Regulations are based on the broad principles for periodic disclosures by listed entities (in line with the International Organisation of Securities Commission (IOSCO) principles).

It also incorporates the principles for corporate governance (in line with the Organisation for Economic Co-operation and Development (OECD) principles).

These principles underline specific requirements prescribed in different chapters of the Listing Regulations. These general principles would be a guide to listed entities in case no specific requirement is available or where there is any ambiguity.

A shortened version of the listing agreement (2 pages approximately) would be prescribed by SEBI which will be required to be signed by the company getting its securities listed on stock exchanges. Existing listed entities would be required to sign the shortened version within six months of the notification of the regulations.

For ease of reference, SEBI has consolidated in a single document all requirements of the listing agreements relating to different segments of the capital market such as

- Equity (including convertibles) issued by entities listed on the main board of the stock exchanges
- Small and Medium Enterprises (SME) listed on the SME exchange and institutional trading platform
- Non-convertible debt securities
- Non-convertible redeemable preference shares
- Indian Depository Receipts
- Securitised debt instruments
- Units issued by mutual fund schemes.

Some of the significant changes introduced by the Listing Regulations are as follows:

Disclosure of material events/information

a. Events to be disclosed without applying test of materiality: For example acquisition, issuance or forfeiture of securities, revision in rating, etc.

b. Disclosures based on materiality determined by a listed entity: For example, expected default in timely payment of interests/preference dividend, any action which result in redemption, conversion of non-convertible debt securities, etc.

Detailed guidance indicating details to be provided while disclosing above mentioned events have also been provided in the recently added 'Annexure I' and 'Annexure II' of the Listing Regulations.

Conditions for reclassification of promoters as shareholders

Regulatory framework with respect to reclassification of promoters as public shareholders under various circumstances has been provided under Clause 31A of the Listing Regulations.

a. Pursuant to changes in promoter

b. Entity becoming professionally managed

c. Certain other conditions.

Financial results

In case of issuance of modified opinion, an auditor need to disclose the following:

a. Modification or other reservations

b. Cumulative effect of such modification/reservation on profit or loss, net worth, total assets, etc.

Disclosure in the annual report

The requirement to disclose difference between results submitted to stock exchanges and the results after limited review/audit has been removed.

Additional disclosure requirements in case of listed entity having listed non-convertible debt securities or non-convertible redeemable preference shares or both (debt listed companies).

a. Financial results: Additional disclosure is required to be filed with the financial results such as outstanding redeemable preference shares, net worth, earnings per share, etc.

Also disclosures such as free reserves as on the end of the half year, track record of dividend payment, etc. is required in case of non-convertible redeemable preference shares.

b. Annual report: Additional disclosures such as auditor's report, director's report, name of the debenture trustee with full contact details and related party disclosures have been prescribed in the annual report.

(Source: Press Release PR No. 226/2015 dated 3 September 2015 and circular CIR/CFD/CMD/4/2015 dated 9 September 2015 by SEBI)

The Share Based Employee Benefits Regulations, 2014

The Share Based Employee Benefit (SBEB) Regulations notified on 28 October 2014 provide for certain processes/ disclosure requirements to be specified by SEBI. Accordingly, SEBI issued necessary guidelines for the processes/ disclosure requirements effective from 16 June 2015. Some of the significant disclosures are as follows:

- Disclosures required in the board's report
  - Detailed disclosures relating to Employee Stock Option Scheme (ESOS), Employee Stock Purchase Scheme (ESPS), stock appreciation rights, general employee benefits scheme, retirement benefit scheme and transactions made by the trust.
  - Any material change in scheme(s) and whether scheme(s) is/are in compliance with the new regulations.
  - Relevant disclosures in terms of 'guidance note on accounting for employee share-based payments' or any other relevant accounting standards issued by the ICAI and diluted Earnings Per Share (EPS) for issue of shares pursuant to scheme(s) as per AS 20, *Earnings Per Share* to be disclosed on a company's website and web-link to be provided in the board's report.
- Minimum provisions in the trust deed such as details of the trust, powers and duties of trustee, provisions on dissolution of trust, etc.
- Contents of the explanatory statement to the notice and resolution for shareholders' meeting such as brief description of the scheme, total number of options, exercise price, exercise period, etc.
- Information required in the statement to be filed with stock exchange(s)
- Terms and conditions of schemes to be formulated by the Compensation Committee such as the quantum of option, the kinds of benefits to be granted, etc.

Further, SEBI, through a press release dated 24 August 2015 released the decisions taken at its board meeting, which, *inter alia,* include the following:

- Listed companies with employee benefit trusts existing as on the date of notification of the SBEB Regulations would have
  - to reclassify the shareholding of trust as 'non-promoter and non-public' category, and
  - ensure compliance with the requirement of minimum public shareholding within three years (as against five years presently)
- Time period for exercise of voting rights by employee benefit trusts, existing as on the date of notification of the SBEB Regulations, based on the feedback from the market participants has been increased from one year to three years.
- In line with the amendments to the Companies (Share Capital and Debentures) Rules, 2014, employees of an 'associate company' would not be eligible as beneficiaries of the employee benefit schemes framed under the SBEB Regulations.
- Pursuant to recent amendments to the SEBI Regulations on takeover, buy-back and delisting, the employee benefit trusts would be allowed to offer shares (under the tender offer route) through the stock exchange platform, without any requirement of minimum holding period.

(Source: Circular CIR/CFDJPOLICY CELL/2/2015 dated 16 June 2015 by SEBI and Press Release PR No. 21612015 by SEBI dated 24 August 2015)

Updates on insider trading

There are two updates on insider trading regulations, they are as follows:

1. Disclosures under the SEBI (Prohibition of Insider Trading) Regulations, 2015

The SEBI issued the Prohibition of Insider Trading Regulations, 2015 (the Regulations) in January 2015. These regulations came into effect on 15 May 2015 and replaced the SEBI (Prohibition of Insider Trading) Regulations, 1992. These regulations have far reaching impact on the way the companies disclose such information and deal with the various stakeholders who deal with the corporate ecosystem.

The regulations are meant to strengthen the laws related to insider trading in line with those in some of the more developed capital markets. Adoption of the new regulations in letter and spirit, thus could potentially affect a much larger set of stakeholders.

Following key changes have been introduced by the new Regulations:

Expansion of definition of 'connected persons' and 'trading'

The Regulations have expanded the definition of 'connected person' to include individuals who may not have a contractual or business relationship with the company but are in regular touch with the company and its officers.

The Prohibition of Insiders Trading Regulations, 1992 referred to dealing in securities i.e. buying, selling, subscribing or agreeing to buy, sell or subscribe to any security. The new regulations mention the term 'trading in security' which includes activities beyond dealing such as pledging.

Restrictions on communication of Unpublished Price Sensitive Information (UPSI)

It has been provided that mere communication of the UPSI other than for legitimate purposes, performance of duties or discharge of legal obligations, even if there is no trading, is in violation of the regulations. This requirement is unlike the

erstwhile Regulations where communication of UPSI was not considered as a violation while dealing in securities when in possession of UPSI was considered to be in violation.

Introduction of the concept of 'generally available information' to determine the basis of UPSI

The Regulations have changed the basis of determining UPSI. It would now be determined on the basis of accessibility of the information to the public on a non-discriminatory basis. This 'generally available information' has not been sufficiently clarified potentially widening the scope of UPSI.

No such concept was present in the earlier Regulations.

Burden of proof on the accused to establish non-possession of UPSI

The Regulations provide that in case of individual connected persons, the onus of establishing that they were not in possession of UPSI shall be on the individual and in other cases, the onus would be on the board. However, non-possession of UPSI was not explicitly provided for in the earlier Regulations.

Expansion of the applicability of 'trading window' to include persons having contractual or fiduciary relationship with the company

As per the Regulations, the trading window will also be applicable to any person having contractual or fiduciary relation with the company, such as auditors, accountancy firms, law firms, analysts, consultants, etc., assisting or advising the company. However, under the earlier Regulations, only the employees of the company were prohibited from trading in the securities of the company when the trading window was closed.

Also, the trading window could be opened only after 48 hours (earlier 24 hours) post the information is made public.

Introduction of 'trading plans' to enable insiders to trade even when in possession of UPSI

As per the Regulations, an insider is entitled to formulate a trading plan and present it to the compliance officer for approval and public disclosure pursuant to which trades may be carried out on his behalf in accordance with such plan.

Such trading plans would be irrevocable and would contain the details of trades to be done on behalf of the insider in the future for a period of at least 12 months.

Introduction of codes of fair disclosure and conduct

The regulations provide that all companies whose securities are listed are required to formulate a code of practices and procedures for fair disclosure of UPSI and a code of conduct to regulate, monitor and report trading by its employees and other connected persons.

Additionally, every market intermediary registered with SEBI and every other person who is required to handle UPSI in the course of business operations are required to formulate the code of conduct.

2. Guidance note on SEBI (Prohibition of Insider Trading) Regulations, 2015.

The SEBI on 24 August 2015, issued a guidance note to remove difficulties in the interpretation or application of SEBI (Prohibition of Insider Trading) Regulations, 2015. The guidance note, *inter alia,* clarifies that exercise of Employees Stock Options Scheme (ESOPs) is not considered as 'trading' for the purpose of the above Regulations, except provisions relating to disclosures.

Following are some key points:

- Disclosure requirements need to be complied with under the new insider trading regulations.
- Any derivative contract that is cash-settled on expiry should be considered to be contra trade. Trading in index futures or such other derivatives where the scrip is part of such derivatives, need not be reported.
- Any trading opted by a person under Trading Plan can be done only to the extent and in the manner disclosed in the plan, save and except for pledging of securities.
- Buy back offers, open offers, rights issues, Follow on Public Offers (FPOs), bonus, etc. of a listed company are available to designated persons also, and restriction of 'contra-trade' would not apply with respect to such matters.
- A spouse is presumed to be an 'immediate relative', unless rebutted.
- The board of directors of the company would be the approving authority in the cases where trades are done by the compliance officer or his immediate relatives.
- In case of a group, separate code may be adopted for a listed company and each of its intermediaries, as applicable to the concerned entity.

(Source: Notification dated 15 January 2015, Circular CIR/ISD/01/2015 dated 11 May 2015 and Guidance Note on SEBI (Prohibition of Insider Trading) Regulations, 2015 dated 24 August 2015 by SEBI)

Other regulatory updates

3

Issue of shares under the Employees Stock Options Scheme and/or sweat equity shares to persons resident outside India

As per Regulation 8 of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000, an Indian company can issue shares under the Employees' Stock Options Scheme, to its employees or employees of its joint venture or wholly owned subsidiary abroad who are resident outside India, directly or through a trust, provided that:

a. the scheme has been drawn in terms of regulations issued under the Securities Exchange Board of India Act, 1992 (SEBI Act), and

b. face value of the shares to be allotted under the scheme to the non-resident employees does not exceed five per cent of the paid-up capital of the issuing company.

The RBI through its notification dated 16 July 2015 revised guidelines relating to issue of shares under the Employee Stock Options Scheme (ESOS) and/or sweat equity shares to persons resident outside India. As per the revised guidelines, an Indian company may issue 'employees' stock option' and/or 'sweat equity shares' to its employees/directors or employees/directors of its holding company or joint venture or wholly-owned overseas subsidiary/subsidiaries who are resident outside India, provided that:

a. The scheme has been drawn either in terms of regulations issued under the SEBI Act or the Companies (Share Capital and Debentures) Rules, 2014 notified by the Central Government under the 2013 Act, as the case may be.

b. The employee stock option/sweat equity shares issued to non-resident employees/directors under the applicable rules/regulations are in compliance with the sectoral cap applicable to the said company.

c. Issue of employee stock option/sweat equity shares in a company where foreign investment is under the approval route shall require prior approval of the Foreign Investment Promotion Board (FIPB) of the Government of India (GOI).

d. Issue of employee stock option/sweat equity shares under the applicable rules/regulations to an employee/director who is a citizen of Bangladesh/Pakistan shall require prior approval of the FIPB of GOI.

The issuing company should furnish a return (as per the Form-ESOP) to the RBI within 30 days from the date of issue of employees' stock option or sweat equity shares to the prescribed competent authority (RBI).

(Source: Notification RBI/2015-16/128 by RBI dated 16 July 2015)

Revision of Non-Banking Financial Companies (Approval of Acquisition or Transfer of Control) Directions, 2014

The RBI through a notification dated 9 July 2015 revised the Non-Banking Financial Companies (Approval of Acquisition or Transfer of Control) Directions, 2014. Revised directions provide for the events when prior written permission of RBI is required. These are as follows:

- Any takeover or acquisition of control of an NBFC, which may or may not result in change of management.
- Any change in the shareholding of an NBFC, including progressive increases over time, which would result in acquisition/transfer of shareholding of 26 per cent or more of the paid-up equity capital of the NBFC.
- Any change in the management of the NBFC which would result in a change in more than 30 per cent of the directors, excluding independent directors.

A public notice of at least 30 days shall be given before effecting the sale of, or transfer of the ownership by sale of shares or transfer of control, whether with or without the sale of shares.

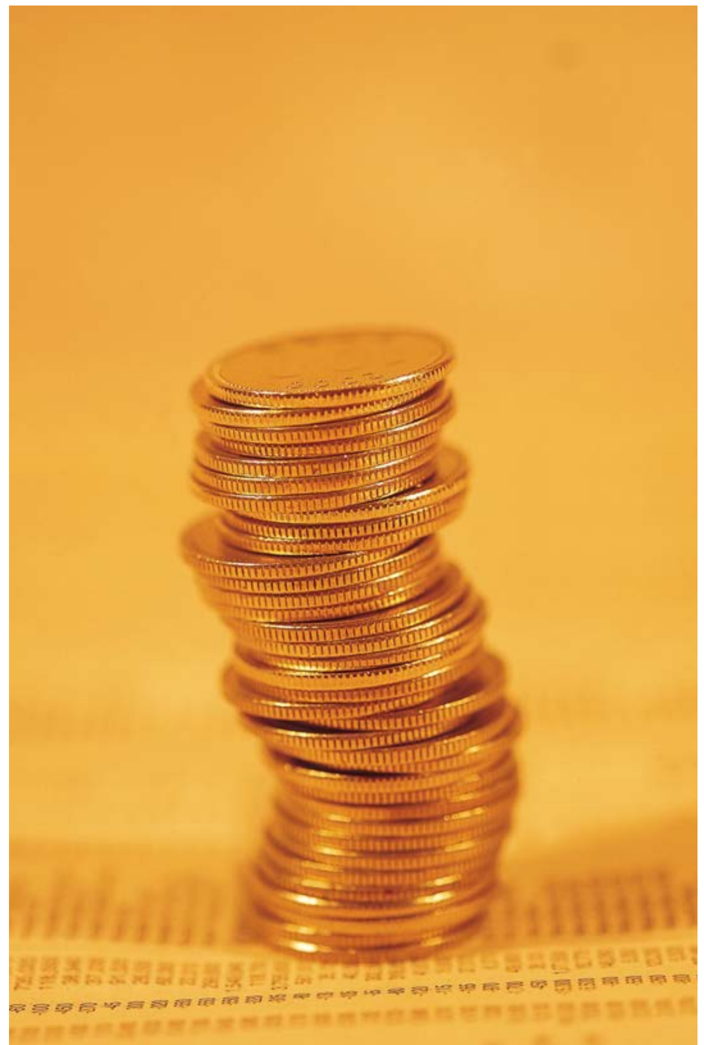
(Source: Notification RBI/2015-16/122 by RBI dated 9 July 2015)

Important guidance notes issued by the ICAI till 30 September 2015

Name	Description
Application guide on the provisions of Schedule II to the 2013 Act	Includes provisions of the 2013 Act and Schedule II relating to depreciation and provides application guidance for implementing the requirements of Schedule II.
Guidance on reporting under the Companies (Auditor's Report) Order, 2015 and consequential amendment to the format of the auditor's report of a company	With regard to CARO 2015, the ICAI has advised its members to continue to draw guidance, to the extent relevant, from the Statement on Companies (Auditor's Report) Order, 2003. It also contains consequential amendment to the format of the auditor's report of a company.
Guidance note on accounting for derivative contracts	Provides guidance on recognition, measurement, presentation and disclosure for derivative contracts so as to bring uniformity in their accounting and presentation in the financial statements.
Guidance note on accounting for expenditure on corporate social responsibility activities	Provides guidance on recognition, measurement, presentation and disclosure of expenditure on activities relating to corporate social responsibility.

Important Expert Advisory Committee (EAC) opinions issued by the ICAI

1. Accounting treatment of exchange variation in respect of foreign operations of the company as per AS 11 (The Chartered Accountant, the ICAI Journal, April 2015).
2. Treatment of foreign exchange fluctuations and interest cost on issuance of Foreign Currency Convertible Bonds (FCCBs) (The Chartered Accountant, the ICAI Journal, July 2015).
3. Accounting treatment of income from credit card membership and joining fees and credit card acquisition/ sourcing costs (The Chartered Accountant, the ICAI Journal, August 2015).



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