

Minutes of the 21st meeting of the Authority held on 10.07.2025

The 21st Meeting of the National Financial Reporting Authority (Authority) was held on 10 July 2025, at 11:30 am.

The meeting was chaired by Mrs. Ravneet Kaur, Chairperson, NFRA.

The meeting was attended by:

(a) Part Time Members:

- 1) Shri Anand Mohan Bajaj, Dy C&AG (Commercial & CRA), O/o CAG of India
- 2) Ms. Sudha Balakrishnan, Chief Financial Officer, RBI
- 3) Shri Pramod Rao, Executive Director, SEBI
- 4) CA. Charanjot Singh Nanda, President, ICAI
- 5) CA. (Dr) Sanjiv Singhal, Chairman, Accounting Standards Board, ICAI
- 6) CA. Sripriya Kumar, Chairperson, Auditing & Assurance Standards Board, ICAI
- 7) Professor R. Narayanaswamy, Ex-Faculty, Finance & Accounting, IIM Bangalore
- 8) Professor Sanjay Kallapur, Professor of Accounting at ISB, Hyderabad

(b) Officials

- 1) Ms. Vidhu Sood, Secretary, NFRA
- 2) CA Vidhyadhar Kulkarni, Pr. Consultant, NFRA
- 3) Ms Parminder Kaur, Secretary, ASB, ICAI
- 4) Ms Megha Saxena, Secretary, AASB, ICAI

1. The quorum for the meeting of the Authority was met in accordance with para 3 (9) of the National Financial Reporting Authority (Meeting for Transaction of Business) Rules, 2019. Shri IDS Dhariwal, Joint Secretary (MCA), was granted leave of absence.

2. Chairperson, NFRA welcomed the participants to the first meeting of FY 2025-26. Chairperson welcomed the two newly appointed Part Time Members, CA. (Dr) Sanjiv Singhal,

Chairman, Accounting Standards Board, and CA. Sripriya Kumar, Chairperson, Auditing & Assurance Standards Board. Chairperson also acknowledged the valuable contribution of the outgoing Part Time member viz. CA. Pramod Jain, Chairman, Accounting Standards Board, ICAI.

3. Thereafter, a presentation was made by the NFRA Secretariat on the agenda items viz. (i) Amendments to Ind AS 109, *Financial Instruments* and Ind AS 107, *Financial Instruments: Disclosures- Classification and Measurement of Financial Instruments* (ii) Annual Improvements 2024- Amendments to Ind AS 101, *First-time Adoption of Indian Accounting Standards*, Ind AS 107, *Financial Instruments: Disclosures*, Ind AS 109, *Financial Instruments*, Ind AS 110, *Consolidated Financial Statements* and Ind AS 7, *Statement of Cash Flows*.

4. Agenda Item 1 – Consideration of the recommendations of the Institute of Chartered Accountants of India (ICAI) regarding amendments to Ind AS 109, *Financial Instruments* and Ind AS 107, *Financial Instruments: Disclosures- Classification and Measurement of Financial Instruments*.

The Authority deliberated on the ICAI's proposals regarding amendments to Ind AS 109 and Ind AS 107 consequential to amendments in the corresponding IFRS Accounting Standards made by the International Accounting Standards Board.

(a) ED, SEBI enquired whether the amendments relating to evaluation criteria of investments in different tranches in a securitisation transaction, address the different accounting treatment being adopted by NBFCs that follow financial asset derecognition principles of Ind AS 109 and the Banks which follow derecognition prescriptions of the Reserve Bank of India (RBI) especially in cases where the credit risk is borne by third party investors upon securitization. It was clarified that there is difference in the underlying concepts of derecognition as the RBI prescription that applies to Banks appears to be based on U.S. GAAP concept whereas Ind AS 109, which applies to NBFCs, is based on IFRS Accounting Standards. It was decided that for a better appreciation of the issue and possible future course of action, SEBI may provide the Authority a concept note in this regard.

- (b) The Authority approved the amendments enlisted in the agenda item and decided to recommend to the Ministry of Corporate Affairs (MCA) the ICAI's proposals on amendments to Ind AS 109 and Ind AS 107.

5. Agenda item 2 – Consideration of the recommendations of the ICAI regarding Annual Improvements 2024- Amendments to (i) Ind AS 101, *First-time Adoption of Indian Accounting Standards*, (ii) Ind AS 107, *Financial Instruments: Disclosures*, (iii) Ind AS 109, *Financial Instruments*, (iv) Ind AS 110, *Consolidated Financial Statements* and (v) Ind AS 7, *Statement of Cash Flows*

The Authority deliberated upon the amendments proposed in this agenda item and noted that the annual improvements were largely editorial in nature. It was decided to recommend the same to MCA.

6. Agenda Item 3 : Draft Accounting Standards (AS) for LLPs.

Secretary, NFRA, presented the background of the draft AS for LLPs for the benefit of Part-Time members who had joined the Authority recently and referred to the decision taken in the 16th Meeting of the Authority. Secretary, NFRA informed that the draft texts of Accounting Standards submitted by the ICAI had been reviewed by NFRA Secretariat and they are in consonance with the recommendations approved by the Authority in its 16th Meeting.

President, ICAI, suggested that the Accounting Standards Board of ICAI may bring a separate proposal on Accounting Standards for LLPs following cash based accounting. This was agreed to by all Members.

The Authority agreed that the draft Accounting Standards for LLPs may be recommended and sent to MCA.

7. Any other item with the permission of the Chair

(a) Simplification of Deferred Tax Accounting for Small Companies.

Chairman, ASB informed that some of the existing Accounting Standards applicable to non-Ind AS companies have more onerous provisions than those stipulated in the Ind

AS and it appears that they need reconsideration. This was also endorsed by President, ICAI. It was decided that ASB, ICAI, may present a concept note to the Authority for consideration before public consultation is undertaken by ICAI.

(b) Formats of Financial Statements for LLPs.

Chairperson, AASB stated that new formats of financial statements for LLPs in alignment with the proposed Accounting Standards for LLPs may be required. Secretary, NFRA, mentioned that the draft formats sent by ICAI to MCA are under review with NFRA. Prof Narayanaswamy suggested that the new formats should reduce complexity and in turn, lower compliance burden on LLPs as most of these entities are micro and small entities.

8. The meeting ended with a vote of thanks.

Sd/-
Secretary NFRA