

FR AMENDMENTS - MAY 2026

IndAS Amendment Rules 2025 - Applicable from May 2026

IndAS 21 - Lack of Exchangeability (Exchangeability)

Amendment prescribes how to estimate exchange rate when the foreign currency lacks exchangeability with the functional currency and enhances the disclosure requirements in such cases.

Exchangeability

Step I: Determining Exchangeability ✓

Shekel

- a. Currency exchangeable into other currency at measurement date
- b. For specified purpose.

Step II: When other currency lacks Exchangeability

- a. Use an exchange rate that meets para 19A objectives
- b. Estimate exchange rate using one of the following:
 1. OER without adjustment
 2. Another estimation technique
- c. Provide enhanced disclosures

Note: If other currency does not lacks Exchangeability, then provisions of IndAS 21 applies as is.

Student Notes

Step I: Determining Exchangeability -**Whether currency exchangeable into other currency?****Definition:** A currency is exchangeable into another when an entity:

- CAN obtain another currency
- within a TIME FRAME allowing for normal administrative delay,
- through a MECHANISM that creates enforceable rights.

Ability vs Intention

INR → USD → Shekel Exch
 Do not intend to

a) CAN - Ability Over Intention

- i. Entity to check whether it can exchange rather than it intends to exchange at that rate.

Example - Currency INR can be converted to USD and USD can be converted to Shekel, then consider INR is convertible to Shekel even if entity does not intend to do cross currency exchange

- ii. Currency A can be exchanged with currency B does not necessarily always mean that Currency B can also be exchanged with currency A.

Example - USD can be converted to Rial (Iranian currency) but Rial may not be exchangeable easily to USD

b) CAN - Quantity

Unless entity is able to obtain for a specified purpose significant amount of currency when compared to the total requirements, currency shall not be considered as exchangeable.

*"relative"***c) TIME FRAME**

- i. Conversion to be within a reasonable time frame, normal admin delays acceptable.
- ii. What constitutes a normal administrative delay depends on facts and circumstances.
- iii. Routine delays due to regulatory requirements, public holidays, etc. will not adversely affect exchangeability

d) MECHANISM

- i. Only markets or exchange mechanisms considered wherein exchange transactions create enforceable rights and obligations.
- ii. It depends on facts and circumstances.

Example - 2 currencies not exchangeable in market but exchangeable between 2 entities in need of each other currency will not make the currency exchangeable as the exchange is not market / mechanism based but based on an arm's length transaction between 2 entities.

e)

PURPOSE

- i. Different exchange rates might be available for different uses of a currency.
- ii. This could affect an entity's ability to obtain those currencies for its purpose affecting exchangeability.
- iii. Hence, it is important to consider the purpose for which entity requires the other currency.

Example - A Currency may not be available for capital account transaction but available for current account payments, like available for paying imports but not for paying dividends in that foreign country.

Step II: Estimating the spot exchange rate when a currency is not exchangeable

- a) **Para 19A conditions:** An entity shall estimate the spot exchange rate at a measurement date when a currency is not exchangeable into another currency with the objective that the:
- Spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place
 - at the measurement date
 - between market participants
 - under prevailing economic conditions.

- b) **Estimate Exchange Rate using one of the following methods provided it meets Para 19A conditions:**

1. **OER (observable exchange rate) without adjustments**

To assess whether the exchange rates reflect the prevailing economic conditions, following needs to be considered:

- Whether several observable exchange rates exist
- The purpose for which the currency is exchangeable
- The nature of the exchange rate; and
- The frequency with which exchange rates are updated

Examples of an observable exchange rate include:

A spot exchange rate for a purpose other than that for which the company is assessing exchangeability.

The first exchange rate at which a company is able to obtain the other currency for its specified purpose after exchangeability is restored subject to time adjustment, inflation rates, etc.

2. Using another estimation technique

Use any observable exchange rate and adjust it as necessary.

Example: Rates from exchange transactions in markets or exchange mechanisms that do not create enforceable rights and obligations and adjust that rate, as necessary, to meet the estimation objective.

c) Disclosure when a currency is not exchangeable

An entity shall disclose:

- (a) the currency and a description of the restrictions;
- (b) a description of affected transactions; *SPL*
- (c) the carrying amount of affected assets and liabilities; *BS*
- (d) the spot exchange rates used and whether those rates are:
 - i. observable exchange rates without adjustment; or
 - ii. spot exchange rates estimated using another estimation technique;
- (e) a description of estimation technique and qualitative and quantitative information on inputs and assumptions used; and
- (f) qualitative information about risks to which entity is exposed due to lack of exchangeability, and the nature and carrying amount of assets and liabilities exposed to each type of risk.
- (g) Foreign operation's functional currency not exchangeable into presentation currency / Presentation currency is not exchangeable into a foreign operation's functional currency, also disclose:
 - (i) the name of the foreign operation;
 - (ii) whether foreign operation is a S/JV/JO/A/Branch and; principal place of business;
 - (iii) summarized financial information about the foreign operation; and
 - (iv) any commitments to provide financial support to the foreign operation, including loss exposure.

Transitional Provisions

Comparatives - Not to be restated

1.4.2025

Adjust Opening Reserves - Adjust opening balance of retained earnings or FCTR.



IndAS 7 - Supplier Finance Arrangements

Amendment to include disclosures in Cash Flow Statement where company uses supplier finance arrangements. Only additional disclosures are required under the amendment to enable users better understand the effect on cash flows, liabilities & liquidity risks.

1. What Is a Supplier Finance Arrangement?

- ▶ A finance provider pays amounts the entity owes to its suppliers.
- ▶ The entity then repays the finance provider on the same date or a later date.
- ▶ **Result:** Entity gets extended payment terms OR suppliers get early payment.
- ▶ **Also known as:** Supply Chain Finance / Payables Finance / Reverse Factoring.

NOT included: Financial guarantees (e.g., letters of credit) and credit cards used to settle directly with suppliers.

Example

Company A buys goods from Supplier B for ₹10 lakh payable in 30 days.

Under supplier finance arrangement:

- FI pays Supplier B immediately (say in 5 days).
- Company A pays FI after 90 days.

Consequently:

- Supplier receives early payment, Buyer gets longer credit

2. Disclosure Requirements

An entity must disclose aggregate information to help users assess the effect on liabilities, cash flows and liquidity risk:

Item	What to Disclose + Example
(a) Terms & Conditions	Disclose the terms of the arrangement — e.g., extended payment periods, any security or guarantees provided. If different arrangements have different terms, disclose them separately. Example: ABC Ltd has a reverse factoring arrangement with NBFC X. Suppliers are paid within 5 days of invoice approval; ABC Ltd repays NBFC X after 60 days (compared to the normal 30-day trade payable terms). No collateral is pledged. A separate disclosure is made for a second arrangement with NBFC Y which carries a pledge over inventory as security and provides immediate payment to supplier and 120 days credit to entity.

Item	What to Disclose + Example						
(b)(i) <u>Carrying Amounts</u>	Disclose: - Amount of liabilities - Balance sheet line item Example Balance Sheet shows: Trade Payables = ₹50 crore Out of this: ₹15 crore relates to supplier finance arrangement Disclosure: <table> <tr> <th>Particular</th><th>Amount</th></tr> <tr> <td>Liabilities under SFA</td><td>₹15 crore</td></tr> <tr> <td>Balance sheet line item</td><td>Trade Payables</td></tr> </table>	Particular	Amount	Liabilities under SFA	₹15 crore	Balance sheet line item	Trade Payables
Particular	Amount						
Liabilities under SFA	₹15 crore						
Balance sheet line item	Trade Payables						
(b)(ii) <u>Already Paid by Finance Provider</u>	Disclose how much of those liabilities FI has already paid to suppliers. Example Total SFA liability = ₹15 crore Out of this: - FI already paid suppliers for ₹10 crore - Remaining ₹5 crore not yet paid Disclosure: <table> <tr> <th>Particular</th><th>Amount</th></tr> <tr> <td>Total SFA liabilities</td><td>₹15 crore</td></tr> <tr> <td>Suppliers already paid</td><td>₹10 crore</td></tr> </table>	Particular	Amount	Total SFA liabilities	₹15 crore	Suppliers already paid	₹10 crore
Particular	Amount						
Total SFA liabilities	₹15 crore						
Suppliers already paid	₹10 crore						
(b)(iii) <u>Payment Due Date Ranges</u>	Disclose payment ranges for: - SFA liabilities - Comparable trade payables Example <table> <tr> <th>Type</th><th>Payment period</th></tr> <tr> <td>Supplier finance liabilities</td><td>90-120 days</td></tr> <tr> <td>Normal trade payables</td><td>30-45 days</td></tr> </table> This shows extension of credit through SFA. If range is too wide, explain or break it. Example: Instead of 30-180 days, disclose: 30-60 days 60-120 days 120-180 days	Type	Payment period	Supplier finance liabilities	90-120 days	Normal trade payables	30-45 days
Type	Payment period						
Supplier finance liabilities	90-120 days						
Normal trade payables	30-45 days						

Item	What to Disclose + Example
(c) Non-Cash Changes 	Disclose the <u>type and effect of non-cash changes</u> in the <u>carrying amounts</u> — i.e., <u>changes that did not involve cash payments</u>. Example: Business combination: ABC Ltd acquired XYZ Ltd during the year. As a result, Rs. 12 crore of <u>supplier finance liabilities</u> were added from XYZ's balance sheet (<u>non-cash addition</u>). Foreign exchange: Rs. 3 crore increase in carrying amount of trade payables under SFA due to USD/INR exchange rate movement on USD-denominated payables. Reclassification: Rs. 5 crore transferred into the arrangement mid-year when existing payables were brought under the facility (no cash exchanged).

3. Effective Date

Applicable for annual reporting periods beginning on or after **1 April 2025**.

4. Transition Reliefs (Year of First Application)

In the first year, an entity is NOT required to disclose:

- (a) **Comparative information** for any prior reporting periods.
- (b) **Opening balance details:** carrying amounts, line items and payment due date ranges as at the beginning of the first application period.

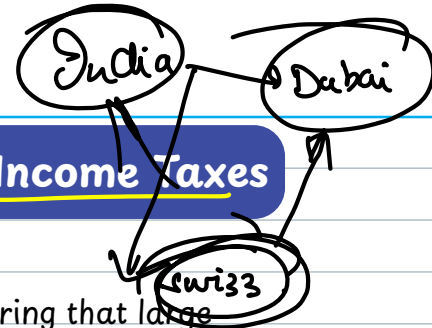
Example: Opening data on 1 April 2025 not required.

- (c) **Interim period disclosures** within the first annual reporting period.

Example: If entity prepares quarterly financials, disclosures are not required for Q1/Q2/Q3 of first year. Only required in annual financial statements.

Q1 (31.3.26) & Annual FS 31.3.26 ← SFA disclosure

Swiss profits of 2 Dubai



IndAS 12 - Pillar Two Legislation & Pillar Two Income Taxes

Background - SJ Says

- Pillar Two is part of the OECD Global Tax Reform aimed at ensuring that large multinational groups pay a minimum level of tax globally.
- The rules introduce a Global Minimum Tax of around 15% on large multinational enterprise (MNE) groups.
- If profits in a country are taxed below 15%, an additional tax called a "Top-up Tax" may be charged in another jurisdiction.

Example:

If a multinational pays only 9% tax in Country A and the global minimum rate is 15%, an additional 6% tax may be imposed under Pillar Two rules.

- Because of these Rules there will be additional temporary differences leading to additional DTL/DTA apart from ST arising under the traditional tax laws.
- Since these rules are complex and may create temporary differences that are difficult to measure reliably, hence the following amendment has been introduced in IndAS 12.

What Is Pillar Two? — A Brief Overview

Currently it targets MNEs with annual revenue of EUR 750 million or more in at least two of the four preceding years.

- **Core mechanism:** If an MNE pays less than 15% effective tax rate (ETR) in a jurisdiction, a top-up tax is levied to bring the total to 15%.
- **Two main charging rules: Income Inclusion Rule (IIR)** — parent pays top-up on low-taxed subsidiaries; **Undertaxed Profits Rule (UTPR)** — backstop rule for jurisdictions not using IIR.
- **Qualified Domestic Minimum Top-up Tax (QDMTT):** Countries can also enact their own domestic top-up tax, allowing them to collect the revenue before another country does.

Several major economies have already implemented or enacted Pillar Two rules, including European Union countries, United Kingdom, Japan, South Korea, Australia, Canada, etc.

Ind AS 12 Amendment

1. Entities should NOT recognise or disclose Deferred Tax Assets (DTA) or Deferred Tax Liabilities (DTL) related to Pillar Two income taxes.
2. However, any current tax expense relating to Pillar Two must be disclosed separately.

Disclosures

A. Application of Exception

The entity must state that it has applied the exception and therefore has not recognised deferred taxes relating to Pillar Two.

B. When Legislation is Enacted but Not Yet Effective

If a country has enacted Pillar Two laws but they are not yet effective, the entity must disclose information about its exposure.

Example:

If the country of domicile introduces Pillar Two law effective next year, the entity must disclose potential exposure to additional tax.

C. Qualitative and Quantitative Information

The entity must provide qualitative and quantitative information about its exposure.

Example:

- **Qualitative:** Countries where the entity may face top-up taxes.
- **Quantitative:** Estimated exposure range (e.g., ₹5-₹12 crore additional tax).

If the amount cannot be estimated:

The entity must disclose that the impact cannot yet be reasonably estimated and explain progress in assessing the impact.

SJ Extra

How It Can Affect an Indian Entity (Even if India Has Not Implemented It)

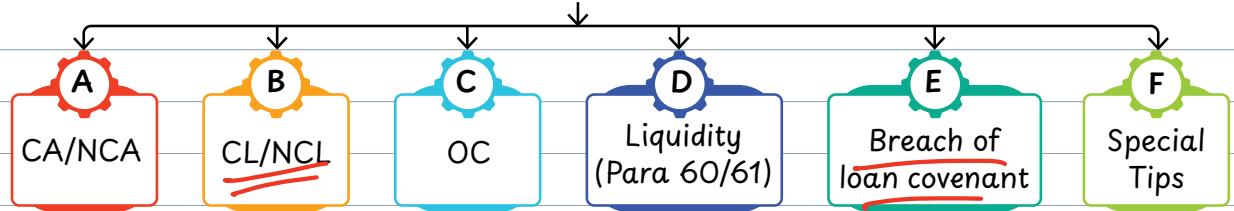
Even though India has not yet implemented Pillar Two legislation, Indian multinational companies may still be affected.

An Indian parent company has a subsidiary in Germany. Germany has implemented Pillar Two rules. If the group's effective tax rate in another country is below 15%, Germany may impose a top-up tax. It is important to note that under these regulations the tax can be collected by country of Parent entity, or country of foreign operation, or even a 3rd country.

Therefore, Indian multinationals with foreign subsidiaries must evaluate Pillar Two exposure and make appropriate disclosures in financial statements.

Ind AS
1Presentation of Financial Statements

1

Current and Non Current**A****CA/NCA (Current Asset/Non-Current Asset):**

If none of following conditions met classify the asset as NCA

(i) CA Rule (As per Ind AS1/ Sch3, D2, GI to prep. of BS para 1)	(a) OC Based (Operating Cycle)	(b) Inventory	(c) Realisation Based	(d) Cash & Cash eq.
(1) Rule Says	- expected to be sold/consumed realised - in co's normal OC	Held primarily for trading	- expected - to be realised - within 12m of BS date	- Cash & cash eq. unless if restricted to use/settle a liability for > 12m from BS date.
(2) Applies on	All operating items & not PPE, IA, IP etc eq. prepaid business expense, Tr. Rec., etc.	RM/WIP/ FG/Spares classified as inventory/ loose tools etc.	Only assets encashable	a. Cash b. Cash equivalents (0-3m realisability) c. other bank balance (>3m ≤ 12m realisability)
(3) Not relevant for	Investments, PPE, IA, etc.	Not applicable to any asset except inventory	Not relevant for PPE, Advance to supplier, prepaid expense, fictitious assets or any such non encashable asset	Any asset other than C&B Balances
(4) Check on	Date of transaction	N.A.	From BS date	N.A.

Common Conclusion for Assets Classification:

Nature of Asset/Liability	Classification - Current/Non-Current
Property Plant & Equipment, Capital WIP, Goodwill, Intangible Assets, Intangibles under development	Always NCA
Investment other than in cash equivalents	CA or NCA (Rule (c))
Cash & Cash Equivalent	Usually CA (unless restriction)
Loans (Given)	CA or NCA (Rule (c))
Inventories	Always CA
Trade Receivables	CA or NCA (Rule (a) or (c))
Deferred Tax Asset	Always NCA
Tax Refundable	CA or NCA
Advances	
‣ Capital Advance (not shown as CWIP)	Always NCA (as it will convert to a capital asset)
‣ Advance for goods or services	CA or NCA
Security Deposit	CA or NCA

B**Current & Non-Current Liabilities:**

If non of following conditions met classify liability as NCL.

(i) CL Rule	(a) OC Based	(b) Inventory	(c) Due to Settle Based	(d) Deferment Rights
(1) Rule	<u>Est. to be settled in OC</u>	<u>Held for trading</u>	<u>Due to be settled within 12m (from BS date)</u>	Does not have the right at the end of the reporting period to <u>unconditionally defer</u> settlement of the liability for <u>at least 12 months after the reporting period</u>
(2) Date	Initial date	N.A.	BS date	BS date
(3) Intention of Co. matters?	N.A.	N.A.	No, due date matters.	<u>No. Company to have right in substance. Even right to roll over for > 12m will make liability as NC. However if intention is to settle disclosures be given about timing of settlement.</u>

Right / Indefinite

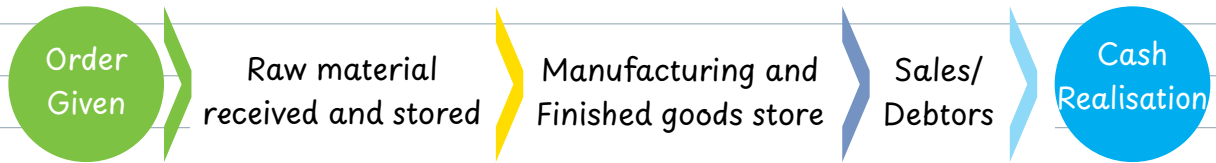
Amendment

Amendment

Liab. whether to be settled in cash or by issue of entity's own equity shares, will not affect C or NC classification. The liability component will irrespective of equity conversion option be classifiable into C or NC. Further clarified Ind AS 1 amendments applicable retrospectively wef 1.4.2025.

**OC:**

- Means time taken from acquisition of assets to realization in cash.
- Operating Cycle:



Lead time for acquisition of goods + Storage time of Raw material + Processing time + Storage time for Finished Goods before sale + Credit period given to Trade Receivables on sale of goods	Gross* Operating Cycle (This to be considered)	Net Operating Cycle (Not Considered)
- Credit Period received from supplier of goods		

*As the obligation is to determine time taken to complete one cycle of business and not to determine working capital blocked in business

- **Normal operating Cycle is to be considered:**
 - + Normal or Average operating cycle is considering and not contract specific operating cycle.
- **One business to have one operating cycle only**
 - + But if company has **multiple business**, then it can have **separate normal operating cycle for each business** and accordingly current/non-current classification of asset/liabilities of each business will be determined
- **If operating cycle is not determinable, then assume to be 12 months**



Liquidity Based Presentation: Para 60/61 of Ind AS 1

Disclosure: If any item of current asset or current liability includes asset or liability not realisable or payable within 12 months of reporting date separate disclosure of amount of such items to be given in Notes to Financial Statement (Subject to Materiality)

Example: Slow moving inventory, expected to be sold in say 3 years will be a CA (Rule (b)). However, in notes to FS disclosure required of this fact that inventory includes inventory of 'x' not expected to be realised within 12 months.



Whenever the OC > 12m, Para 60/61 may be relevant to be included in the answer



Breach of LT Loan Covenant (Condition)

- Step 1** → In case of material breach of conditions of Long Term/Non-Current Loan
- Step 2** → prior to Balance Sheet date ✓
- Step 3** → the loan may become repayable immediately due to such breach
- Step 4** → in such case such loans will be classified as "Current Liabilities" on balance sheet date
- Step 5** → unless the breach has been rectified or terms renegotiated
- Step 6** → before the approval of financial statements (And not reporting date only)
- Step 7** → such that the loan is not repayable, post renegotiation, within 12 month from balance sheet date;

Then the loan will be classifiable as a NCL.

Amendment

Amendment of Ind AS Second Amendment Rules, 2025: LT → NCL & CL

From 1-4-2026, before the approval of FS, replaced with before the reporting date. (Retrospective application wef 1.4.26)

Hence from FY 2026-27, if extension for correction of breach is received after the BS date, but before approval of FS, the loan will still be classified as CL. This amendment was made to bring Ind AS in line with IFRS.

However Ind AS 10 disclosures may be needed:

- (a) refinancing on a long-term basis of a liability classified as current; *due to breach BS date on 31/3*
- (b) rectification of a breach of a long-term loan arrangement classified as current; *But approval*
- (c) the granting by the lender of a period of grace to rectify a breach of a long-term loan arrangement, classified as current; and *FS se pahle*
- (d) settlement of a liability classified as non-current.

Note

Breach of Loan Covenant

January 2026

Su	Mo	Tu	We	Th	Fr	Sa
					1	2
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

February 2026

Su	Mo	Tu	We	Th	Fr	Sa
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28

March 2026

Su	Mo	Tu	We	Th	Fr	Sa
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

April 2026

Su	Mo	Tu	We	Th	Fr	Sa
					1	2
					3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

Loan 100 crore repayable after 5 years unless breach happens which will make it repayable on demand.

Case II: Extension till 10.4.26 ✓

If P.C. नही आया तो भी No Breach in case II

By 14.2.26, get Promoter contribution, else loan repayable on demand.

S1: Extension
BS date

S3: Extension
FS approved

S2: Extension

Case II/III: New date of promoter's contri.

Case I:

Promoter contri. not deposited by due date hence loan is repayable on demand (however bank has not yet demanded money back & we are seeking extension to get promoter contri.)

Breach before BS date

S1

Situation 1

Extension given by bank on 25th March for:

- (a) 3m (till 30.6.26) → CL as no right to defer > 12m from BS date
- (b) 12m (till 31.3.27) → NCL as bank cannot demand till 12m.

Ind AS / IAS

S2 Situation 2

Extension after BS date, before approval of FS

Extension from bank received 5th April 2023 (FS approved on 20 April 2023)
(Event after reporting date)

- (a) 3m (till 30.6.26) → CL
- (b) 12m (till 31.3.27) → NCL*

Amendment → *(Ind AS 107 disclosures required)

(However w.e.f. FY 2026-27, extension received after BS Date, will not change liability to NCL from CL.)

S3 Situation 3

Extension received after approval of FS

Loan condition of Promo Contr. extension recd. on 30.4.23 after approval of FS for:

- (a) 3m (30.6.26) → CL
- (b) 12m (31.3.27) → CL

(Event after FS approval is always ignored, disclosures may be required)

Case II:

No Breach on BS date

Suppose on 10.2.26, estimating promo. contri. will not be available by due date 14.2.26, we sought & got extension from Bank till 10.4.26 to get promo contri. Classification of Loan on 31.3.26 if promo contri. was:

- (a) Deposited by 10.4.26 → NCL
 - (b) Not deposited till 20.4.26 → NCL
- FS approval No Breach till BS date

+ Disclosure

Event after BS date are otherwise ignored for C/NC Classification.

Case III:

Breach after BS date

What if loan agreement demanded prom. contri. by 10.4.26 right from beg. & contri. was not deposited on 10.4.26. Classify in BS 31.3.26.

Ans: → NCL as no breach hence loan not repayable immediately on 31.3.26.

→ Provide disclosure of:

- (a) Information or conditions to be complied post the BS date, → for NCL
- (b) Circumstances indicating difficulty in complying with it with in next 12 m of reporting date or company's position of reporting date if not meeting future covenants
- (c) CA of such liabilities

FY 2025-26 if applicable

Amendment

Material Breach Vs Breach

From FY 2026-27, any breach (and not just material breach) of LT loans, making the loan repayable on demand will change classification of such loans to current.

Terms used in Question:

Cross Default Clause ← Default in one loan affecting other loans with same lender

26-27