

**SUPPLEMENTARY FOR DECEMBER 2025
TERM OF EXAMINATION**

PAPER - 18

CORPORATE FINANCIAL REPORTING

SYLLABUS 2022



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Module 1: Specific Accounting Standards

Ind AS 21: The Effects of Changes in Foreign Exchange Rates

Following major changes as prescribed in Companies (Indian Accounting Standards) Amendment Rules, 2025 should be considered.

Para 8 (Extended)

A currency is *exchangeable* into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations

Para 8A (New Insertion)

An entity assesses whether a currency is exchangeable into another currency:

- (a) at a measurement date; and
- (b) for a specified purpose.

Para 8B (New Insertion)

If an entity is able to obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose, the currency is not exchangeable into the other currency.

Paar 19A (New Insertion)

An entity shall estimate the spot exchange rate at a measurement date when a currency is not exchangeable into another currency (as described in paragraphs 8, 8A–8B and A2–A10) at that date. An entity's objective in estimating 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.

Para 26 (Substituted)

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.



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Para 57A (New Insertion)

When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency (see paragraph 19A), the entity shall disclose information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows. To achieve this objective, an entity shall disclose information about:

- (a) the nature and financial effects of the currency not being exchangeable into the other currency;
- (b) the spot exchange rate(s) used;
- (c) the estimation process; and
- (d) the risks to which the entity is exposed because of the currency not being exchangeable into the other currency.

Para 57B (New Insertion)

Paragraphs A18–A20 specify how an entity applies paragraph 57A.

Para 60L (New Insertion)

Lack of Exchangeability, amended paragraphs 8 and 26, and added paragraphs 8A–8B, 19A, 57A–57B and Appendix A. An entity shall apply those amendments for annual reporting periods beginning on or after 1 April 2025. The date of initial application is the beginning of the annual reporting period in which an entity first applies those amendments.

Para 60M (New Insertion)

In applying *Lack of Exchangeability*, an entity shall not restate comparative information.

Instead:

- (a) when the entity reports foreign currency transactions in its functional currency, and, at the date of initial application, concludes that its functional currency is not exchangeable into the foreign currency or, if applicable, concludes that the foreign currency is not exchangeable into its functional currency, the entity shall, at the date of initial application:
 - i. translate affected foreign currency monetary items, and non-monetary items measured at fair value in a foreign currency, using the estimated spot exchange rate at that date; and



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- ii. recognise any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings.
- (b) when the entity uses a presentation currency other than its functional currency, or translates the results and financial position of a foreign operation, and, at the date of initial application, concludes that its functional currency (or the foreign operation's functional currency) is not exchangeable into its presentation currency or, if applicable, concludes that its presentation currency is not exchangeable into its functional currency (or the foreign operation's functional currency), the entity shall, at the date of initial application:
- i. translate affected assets and liabilities using the estimated spot exchange rate at that date;
 - ii. translate affected equity items using the estimated spot exchange rate at that date if the entity's functional currency is hyperinflationary; and
 - iii. recognise any effect of initially applying the amendments as an adjustment to the cumulative amount of translation differences—accumulated in a separate component of equity.”

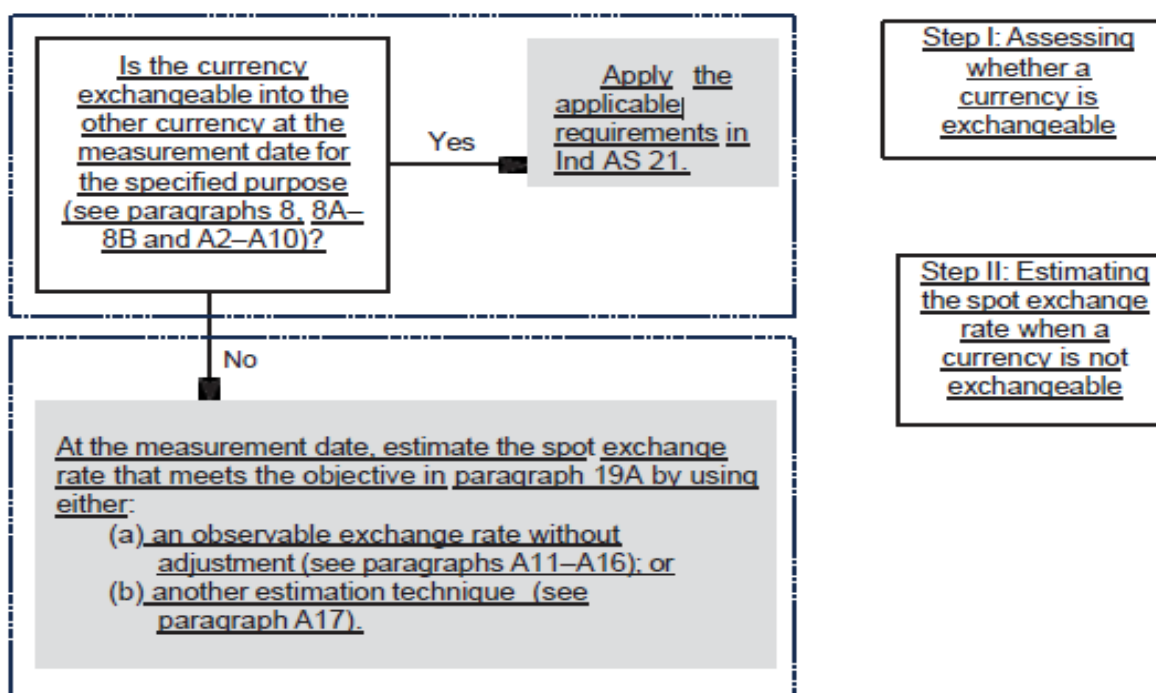
Appendix A (Substituted)

Application guidance

This appendix is an integral part of the Standard.

Exchangeability

Para A1: The purpose of the following diagram is to help entities assess whether a currency is exchangeable and estimate the spot exchange rate when a currency is not exchangeable.





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Step I: Assessing whether a currency is exchangeable

(paragraphs 8 and 8A–8B)

Para A2

Paragraphs A3–A10 set out application guidance to help an entity assess whether a currency is exchangeable into another currency. An entity might determine that a currency is not exchangeable into another currency, even though that other currency might be exchangeable in the other direction. For example, an entity might determine that currency PC is not exchangeable into currency LC, even though currency LC is exchangeable into currency PC.

Time frame

Para A3

Paragraph 8 defines a spot exchange rate as the exchange rate for immediate delivery. However, an exchange transaction might not always complete instantaneously because of legal or regulatory requirements, or for practical reasons such as public holidays. A normal administrative delay in obtaining the other currency does not preclude a currency from being exchangeable into that other currency. What constitutes a normal administrative delay depends on facts and circumstances.

Ability to obtain the other currency

Para A4

In assessing whether a currency is exchangeable into another currency, an entity shall consider its ability to obtain the other currency, rather than its intention or decision to do so. Subject to the other requirements in paragraphs A2–A10, a currency is exchangeable into another currency if an entity is able to obtain the other currency—either directly or indirectly—even if it intends or decides not to do so. For example, subject to the other requirements in paragraphs A2–A10, regardless of whether the entity intends or decides to obtain PC, currency LC is exchangeable into currency PC if an entity is able to either exchange LC for PC, or exchange LC for another currency (FC) and then exchange FC for PC.

Markets or exchange mechanisms

Para A5

In assessing whether a currency is exchangeable into another currency, an entity shall consider only markets or exchange mechanisms in which a transaction to exchange the currency for the other currency would create enforceable rights and obligations. Enforceability is a matter of law. Whether an exchange transaction in a market or exchange mechanism would create enforceable rights and obligations depends on facts and circumstances.



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Purpose of obtaining the other currency

Para A6

Different exchange rates might be available for different uses of a currency. For example, a jurisdiction facing pressure on its balance of payments might wish to deter capital remittances (such as dividend payments) to other jurisdictions but encourage imports of specific goods from those jurisdictions. In such circumstances, the relevant authorities might:

- (a) set a preferential exchange rate for imports of those goods and a 'penalty' exchange rate for capital remittances to other jurisdictions, thus resulting in different exchange rates applying to different exchange transactions; or
- (b) make the other currency available only to pay for imports of those goods and not for capital remittances to other jurisdictions.

Para A7

Accordingly, whether a currency is exchangeable into another currency could depend on the purpose for which the entity obtains (or hypothetically might need to obtain) the other currency.

In assessing exchangeability:

- (a) when an entity reports foreign currency transactions in its functional currency (see paragraphs 20– 37), the entity shall assume its purpose in obtaining the other currency is to realise or settle individual foreign currency transactions, assets or liabilities.
- (b) when an entity uses a presentation currency other than its functional currency (see paragraphs 38–43), the entity shall assume its purpose in obtaining the other currency is to realise or settle its net assets or net liabilities.
- (c) when an entity translates the results and financial position of a foreign operation into the presentation currency (see paragraphs 44–47), the entity shall assume its purpose in obtaining the other currency is to realise or settle its net investment in the foreign operation.

Para A8

An entity's net assets or net investment in a foreign operation might be realised by, for example:

- (a) the distribution of a financial return to the entity's owners;
- (b) the receipt of a financial return from the entity's foreign operation; or
- (c) the recovery of the investment by the entity or the entity's owners, such as through disposal of the investment.

Para A9

An entity shall assess whether a currency is exchangeable into another currency separately for each purpose specified in paragraph A7. For example, an entity shall assess exchangeability for the purpose of reporting foreign currency transactions in its functional currency (see



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paragraph A7(a)) separately from exchangeability for the purpose of translating the results and financial position of a foreign operation (see paragraph A7(c)).

Ability to obtain only limited amounts of the other currency

Para A10

A currency is not exchangeable into another currency if, for a purpose specified in paragraph A7, an entity is able to obtain no more than an insignificant amount of the other currency. An entity shall assess the significance of the amount of the other currency it is able to obtain for a specified purpose by comparing that amount with the total amount of the other currency required for that purpose. For example, an entity with a functional currency of LC has liabilities denominated in currency FC. The entity assesses whether the total amount of FC it can obtain for the purpose of settling those liabilities is no more than an insignificant amount compared with the aggregated amount (the sum) of its liability balances denominated in FC.

Step II: Estimating the spot exchange rate when a currency is not exchangeable (paragraph 19A)

Para A11 This Standard does not specify how an entity estimates the spot exchange rate to meet the objective in paragraph 19A. An entity can use an observable exchange rate without adjustment (see paragraphs A12–A16) or another estimation technique (see paragraph A17).

Using an observable exchange rate without adjustment

Para A12

In estimating the spot exchange rate as required by paragraph 19A, an entity may use an observable exchange rate without adjustment if that observable exchange rate meets the objective in paragraph 19A. Examples of an observable exchange rate include:

(a) a spot exchange rate for a purpose other than that for which an entity assesses exchangeability (see paragraphs A13–A14); and

(b) the first exchange rate at which an entity is able to obtain the other currency for the specified purpose after exchangeability of the currency is restored (first subsequent exchange rate) (see paragraphs A15–A16).

Using an observable exchange rate for another purpose

Para A13

A currency that is not exchangeable into another currency for one purpose might be exchangeable into that currency for another purpose. For example, an entity might be able to obtain a currency to import specific goods but not to pay dividends. In such situations, the



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entity might conclude that an observable exchange rate for another purpose meets the objective in paragraph 19A. If the rate meets the objective in paragraph 19A, an entity may use that rate as the estimated spot exchange rate.

Para A14

In assessing whether such an observable exchange rate meets the objective in paragraph 19A, an entity shall consider, among other factors:

(a) *whether several observable exchange rates exist*—the existence of more than one observable exchange rate might indicate that exchange rates are set to encourage, or deter, entities from obtaining the other currency for particular purposes. These observable exchange rates might include an ‘incentive’ or ‘penalty’ and therefore might not reflect the prevailing economic conditions.

(b) *the purpose for which the currency is exchangeable*—if an entity is able to obtain the other currency only for limited purposes (such as to import emergency supplies), the observable exchange rate might not reflect the prevailing economic conditions.

(c) *the nature of the exchange rate*—a free-floating observable exchange rate is more likely to reflect the prevailing economic conditions than an exchange rate set through regular interventions by the relevant authorities.

(d) *the frequency with which exchange rates are updated*—an observable exchange rate unchanged over time is less likely to reflect the prevailing economic conditions than an observable exchange rate that is updated on a daily basis (or even more frequently).

Using the first subsequent exchange rate

Para A15

A currency that is not exchangeable into another currency at the measurement date for a specified purpose might subsequently become exchangeable into that currency for that purpose. In such situations, an entity might conclude that the first subsequent exchange rate meets the objective in paragraph 19A. If the rate meets the objective in paragraph 19A, an entity may use that rate as the estimated spot exchange rate.

Para A16

In assessing whether the first subsequent exchange rate meets the objective in paragraph 19A, an entity shall consider, among other factors:



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(a) *the time between the measurement date and the date at which exchangeability is restored*—the shorter this period, the more likely the first subsequent exchange rate will reflect the prevailing economic conditions.

(b) *inflation rates*—when an economy is subject to high inflation, including when an economy is hyperinflationary (as specified in Ind AS 29, *Financial Reporting in Hyperinflationary Economies*), prices often change quickly, perhaps several times a day. Accordingly, the first subsequent exchange rate for a currency of such an economy might not reflect the prevailing economic conditions.

Using another estimation technique

Para A17

An entity using another estimation technique may use any observable exchange rate—including 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 objective in paragraph 19A.

Disclosure when a currency is not exchangeable

Para A18

An entity shall consider how much detail is necessary to satisfy the disclosure objective in paragraph 57A.

An entity shall disclose the information specified in paragraphs A19–A20 and any additional information necessary to meet the disclosure objective in paragraph 57A.

Para A19

In applying paragraph 57A, an entity shall disclose:

- (a) the currency and a description of the restrictions that result in that currency not being exchangeable into the other currency;
- (b) a description of affected transactions;
- (c) the carrying amount of affected assets and liabilities;
- (d) the spot exchange rates used and whether those rates are:



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- i. observable exchange rates without adjustment (see paragraphs A12–A16); or
- ii. spot exchange rates estimated using another estimation technique (see paragraph A17);
- (e) a description of any estimation technique the entity has used, and qualitative and quantitative information about the inputs and assumptions used in that estimation technique; and
- (f) qualitative information about each type of risk to which the entity is exposed because the currency is not exchangeable into the other currency, and the nature and carrying amount of assets and liabilities exposed to each type of risk.

Para A20

When a foreign operation's functional currency is not exchangeable into the presentation currency or, if applicable, the presentation currency is not exchangeable into a foreign operation's functional currency, an entity shall also disclose:

- (a) the name of the foreign operation; whether the foreign operation is a subsidiary, joint operation, joint venture, associate or branch; and its principal place of business;
- (b) summarised financial information about the foreign operation; and
- (c) the nature and terms of any contractual arrangements that could require the entity to provide financial support to the foreign operation, including events or circumstances that could expose the entity to a loss.

Ind AS 116: Leases

Following changes as prescribed in Companies (Indian Accounting Standards) Second Amendment Rules, 2024 should be considered.

Para 102A (New insertion)

After the commencement date, the seller-lessee shall apply paragraphs 29–35 to the right-of-use asset arising from the leaseback and paragraphs 36–46 to the lease liability arising from the leaseback. In applying paragraphs 36–46, the seller-lessee shall determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying the requirements in this paragraph does not prevent the seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease as required by paragraph 46(a).



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In Appendix C

Para C1D (New Insertion)

Lease Liability in a Sale and Leaseback, amended paragraph C2 and added paragraphs 102A and C20E. A seller-lessee shall apply these amendments for annual reporting periods beginning on or after 1 April 2024.

Para C2 (Substituted)

For the purposes of the requirements in paragraphs C1– C20E, the date of initial application is the beginning of the annual reporting period in which an entity first applies this Standard.

After Para C20D (New Insertion)

Lease liability in a sale and leaseback

Para C20E

A seller-lessee shall apply *Lease Liability in a Sale and Leaseback* (see paragraph C1D) retrospectively in accordance with Ind AS 8 to sale and leaseback transactions entered into after the date of initial application

Appendix D (New Insertion)

Illustrative Examples

(These examples accompany, but are not part of Ind AS 116. They illustrate aspects of Ind AS 116, but are not intended to provide any interpretative guidance)

Sale and leaseback transaction with fixed payments and above-market terms

(The example illustrates the application of requirements in paragraph 99-102 of Ind AS 116 for a seller lessee and a buyer-lessor).

An entity (Seller-lessee) sells a building to another entity (Buyer-lessor) for cash of ₹2,000,000. Immediately before the transaction, the building is carried at a cost of ₹ 1,000,000. At the same time, Seller-lessee enters into a contract with Buyer-lessor for the right to use the building for 18 years, with annual payments of ₹120,000 payable at the end of each year. The terms and conditions of the transaction are such that the transfer of the building by Seller-lessee satisfies the requirements of Ind AS 115, Revenue from Contracts with Customers, to be accounted for



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as a sale of the building. Accordingly, Seller-lessee and Buyer-lessor account for the transaction as a sale and leaseback.

The fair value of the building at the date of sale is ₹1,800,000. Because the consideration for the sale of the building is not at fair value, Seller-lessee and Buyer-lessor make adjustments to measure the sale proceeds at fair value. Applying paragraph 101(b) of Ind AS 116, the amount of the excess sale price of ₹200,000 (₹2,000,000 – ₹1,800,000) is recognised as additional financing provided by Buyer-lessor to Seller-lessee.

The interest rate implicit in the lease is 4.5 per cent per annum, which is readily determinable by Seller lessee. The present value of the annual payments (18 payments of ₹120,000, discounted at 4.5 per cent per annum) is ₹1,459,200, of which ₹200,000 relates to the additional financing and ₹1,259,200 relates to the lease—corresponding to 18 annual payments of ₹16,447 and ₹103,553, respectively.

Buyer-lessor classifies the lease of the building as an operating lease.

Seller-lessee

Applying paragraph 100(a) of Ind AS 116, at the commencement date, Seller-lessee measures the right-of-use asset arising from the leaseback of the building at the proportion of the previous carrying amount of the building that relates to the right of use retained by Seller-lessee, which is ₹699,555. Seller-lessee calculates this amount as: ₹1,000,000 (the carrying amount of the building) \times ₹1,259,200 (the discounted lease payments for the 18-year right-of-use asset) \div ₹1,800,000 (the fair value of the building).

Seller-lessee recognises only the amount of the gain that relates to the rights transferred to Buyer-lessor of ₹240,355 calculated as follows. The gain on sale of the building amounts to ₹800,000 (₹1,800,000 – ₹1,000,000), of which:

(a) ₹559,645 (₹800,000 \times ₹1,259,200 \div ₹1,800,000) relates to the right to use the building retained by Seller lessee; and

(b) ₹240,355 (₹800,000 \times (₹1,800,000 – ₹1,259,200) \div ₹1,800,000) relates to the rights transferred to Buyer-lessor.



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At the commencement date, Seller-lessee accounts for the transaction as follows.

Cash	₹20,00,000
Right-of-use asset	₹6,99,555
Building	₹10,00,000
Lease Liability	₹12,59,200
Financial Liability	₹2,00,000
Gain on rights transferred	₹2,40,355

Buyer-lessor

At the commencement date, Buyer-lessor accounts for the transaction as follows.

Building	₹18,00,000
Financial Asset	₹2,00,000 (18 payments of ₹16,447, discounted at 4.5 per cent per annum)
Cash	₹20,00,000

After the commencement date, Buyer-lessor accounts for the lease by treating ₹103,553 of the annual payments of ₹120,000 as lease payments. The remaining ₹16,447 of annual payments received from Seller lessee are accounted for as (a) payments received to settle the financial asset of ₹200,000 and (b) interest revenue.

Subsequent measurement of a right-of-use asset and lease liability in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate

(The example illustrates the application of the requirements in paragraph 102A and paragraphs 29-46 of Ind AS 116 in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate).

An entity (Seller-lessee) sells a building to another entity (Buyer-lessor) for cash of ₹1,800,000 (the fair value of the building at the date of sale). Immediately before the transaction, the building is carried at a cost of ₹1,000,000. At the same time, Seller-lessee enters into a contract with Buyer-lessor for the right to use the building for five years. Lease payments—payable annually—comprise fixed payments and variable payments that do not depend on an index or rate.



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The terms and conditions of the transaction are such that the transfer of the building by Seller-lessee satisfies the requirements of Ind AS 115, Revenue from Contracts with Customers to be accounted for as a sale of the building. Accordingly, Seller-lessee accounts for the transaction as a sale and leaseback.

The interest rate implicit in the lease cannot be readily determined. Seller-lessee's incremental borrowing rate is 3 per cent per annum.

Applying paragraph 100(a) of Ind AS 116, Seller-lessee determines the proportion of the building transferred to Buyer-lessor that relates to the right of use it retains as 25 per cent. (a) Consequently, at the commencement date Seller-lessee accounts for the transaction as follows.

Cash		₹18,00,000
Right-of-use asset	$(₹1,000,000 \times 25 \text{ per cent})$	₹2,50,000
Building		₹10,00,000
Lease Liability		₹4,50,000
Gain on rights transferred $((₹1,800,000 - ₹1,000,000) \times 75 \text{ per cent})$		₹6,00,000

Seller-lessee expects to consume the right-of-use asset's future economic benefits evenly over the lease term and, thus, depreciates the right-of-use asset on a straight-line basis.

In measuring the lease liability applying paragraphs 36–46 of Ind AS 116, Seller-lessee develops an accounting policy for determining 'lease payments' in a way that it would not recognise any amount of the gain that relates to the right of use it retains. Depending on the circumstances (including the method Seller lessee used—applying paragraph 100(a) of Ind AS 116—for determining the measurement of the right-of-use asset and the gain recognised on the transaction at the commencement date), either Approach 1 or Approach 2 could meet the requirements in paragraph 102A.

Approach 1—Expected lease payments at the commencement date

Applying paragraph 102A of Ind AS 116, Seller-lessee determines 'lease payments' to reflect the expected lease payments at the commencement date that, when discounted using its incremental borrowing rate, result in the carrying amount of the lease liability at that date of ₹450,000.



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The lease liability and the right-of-use asset arising from the leaseback are:

Year	Lease Liability				Right-of-use asset		
	Beginning balance	Lease payments ^(b)	3 per cent interest expense ^(c)	Ending balance	Beginning balance	Depreciation charge	Ending balance
	₹	₹	₹	₹	₹	₹	₹
1	450,000	(95,902)	13,500	367,598	250,000	(50,000)	200,000
2	367,598	(98,124)	11,028	280,502	200,000	(50,000)	150,000
3	280,502	(99,243)	8,415	189,674	150,000	(50,000)	100,000
4	189,674	(100,101)	5,690	95,263	100,000	(50,000)	50,000
5	95,263	(98,121)	2,858	0	50,000	(50,000)	0

In applying paragraph 102A and paragraph 38(b) of Ind AS 116, Seller-lessee recognises in profit or loss the difference between the payments made for the lease and the lease payments that reduce the carrying amount of the lease liability. For example, if Seller-lessee pays ₹99,321 for the use of the building in Year 2, it recognises ₹1,197 (₹99,321 – ₹98,124) in profit or loss.

Approach 2—Equal lease payments over the lease term

Applying paragraph 102A of Ind AS 116, Seller-lessee determines ‘lease payments’ to reflect equal periodic payments over the lease term that, when discounted using its incremental borrowing rate, result in the carrying amount of the lease liability at the commencement date of ₹450,000.

The lease liability and the right-of-use asset arising from the leaseback are:

Year	Lease Liability				Right-of-use asset		
	Beginning balance	Lease payments ^(d)	3 per cent interest expense ^(c)	Ending balance	Beginning balance	Depreciation charge	Ending balance
	₹	₹	₹	₹	₹	₹	₹
1	450,000	(98,260)	13,500	365,240	250,000	(50,000)	200,000
2	365,240	(98,260)	10,957	277,937	200,000	(50,000)	150,000
3	277,937	(98,260)	8,338	188,015	150,000	(50,000)	100,000
4	188,015	(98,260)	5,640	95,395	100,000	(50,000)	50,000
5	95,395	(98,260)	2,865	0	50,000	(50,000)	0

In applying paragraph 102A and paragraph 38(b) of Ind AS 116, Seller-lessee recognises in profit or loss the difference between the payments made for the lease and the lease payments that reduce the carrying amount of the lease liability. For example, if Seller-lessee pays ₹99,321 for the use of the building in Year 2, it recognises ₹1,061 (₹99,321 – ₹98,260) in profit or loss.



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(a) Applying paragraph 100(a) of Ind AS 116, Seller-lessee determines the proportion of the building transferred to Buyer-lessor that relates to the right of use retained by comparing, at the commencement date, the right of use it retains via the leaseback to the rights comprising the entire building. Paragraph 100(a) does not prescribe a particular method for determining that proportion.

(b) Applying paragraph 102A and paragraph 36(b) of Ind AS 116, Seller-lessee reduces the carrying amount of the lease liability with 'lease payments' that reflect the expected lease payments estimated at the commencement date and, when discounted, result in the carrying amount of the lease liability at that date of ₹450,000.

(c) Applying paragraph 102A and paragraph 36(a) of Ind AS 116, Seller-lessee increases the carrying amount of the lease liability to reflect interest on the lease liability using its incremental borrowing rate.

(d) Applying paragraph 102A and paragraph 36(b) of Ind AS 116, Seller-lessee reduces the carrying amount of the lease liability with 'lease payments' that reflect equal periodic payments over the lease term that, when discounted, result in the carrying amount of the lease liability at the commencement date of ₹450,000.



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Module 7: Recent Developments in Financial Reporting

Module 7.3: Business Responsibility and Responsibility Report

- **BRSR Core –Framework for assurance and ESG disclosures for value chain** issued vide Circular No. SEBI/HO/CFD/CFD-SEC-2/P/CIR/2023/122 dated July 12, 2023 should be considered. (Link: https://www.sebi.gov.in/legal/circulars/dec-2024/industry-standards-on-reporting-of-brsr-core_90091.html)

The details of the circular are as follows:

1. SEBI vide Circular No. SEBI/HO/CFD/CMD-2/P/CIR/2021/562 dated May 10, 2021 had prescribed the Business Responsibility and Sustainability Report (BRSR) which was subsequently incorporated in the Master Circular No. SEBI/HO/CFD/PoD2/CIR/P/2023/120 dated July 11, 2023. Based on the recommendations of the ESG Advisory Committee and pursuant to public consultation, the Board decided to introduce the BRSR Core for assurance by listed entities. The Board further decided to introduce disclosures and assurance for the value chain of listed entities, as per the BRSR Core.

2. The provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“LODR Regulations”) in this regard, have been amended vide Gazette notification no. SEBI/LAD-NRO/GN/2023/131 dated June 14, 2023.

3. BRSR Core and Updated BRSR

3.1 The BRSR Core is a sub-set of the BRSR, consisting of a set of Key Performance Indicators (KPIs) / metrics under 9 ESG attributes. Keeping in view the relevance to the Indian / Emerging market context, few new KPIs have been identified for assurance such as job creation in small towns, open-ness of business, gross wages paid to women etc. Further, for better global comparability intensity ratios based on revenue adjusted for Purchasing Power Parity (PPP) have been included. The format of BRSR Core for reasonable assurance is placed at **Annexure I**. The BRSR format after incorporating new KPIs of BRSR Core is placed as **Annexure II**. Accordingly, the BRSR format as prescribed in Annexure 16 of the aforementioned Master Circular stands revised.

3.2 In order to facilitate the verification process, the BRSR Core specifies the data and approach for reporting and assurance. It is however clarified that the approach specified is only a base methodology. Any changes or industry specific adjustments / estimations shall be disclosed.

3.3 For ease of reference, the BRSR Core contains a cross-reference to the disclosures contained in the BRSR.



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3.4 Applicability

3.4.1 From FY 2023 – 2024, the top 1000 listed entities (by market capitalization) shall make disclosures as per the updated BRSR format, as part of their Annual Reports.

3.4.2 Listed entities shall mandatorily undertake reasonable assurance of the BRSR Core, as per the glide path specified in the following table:

Financial Year	Applicability of BRSR Core to top listed entities (by market capitalization)
2023 – 24	Top 150 listed entities
2024 – 25	Top 250 listed entities
2025 – 26	Top 500 listed entities
2026 – 27	Top 1000 listed entities

4. ESG Disclosures for value chain

4.1 Disclosures for value chain shall be made by the listed company as per BRSR Core, as part of its Annual Report. For this purpose, value chain shall encompass the top upstream and downstream partners of a listed entity, cumulatively comprising 75% of its purchases / sales (by value) respectively.

4.2 Listed entities shall report the KPIs in the BRSR Core for their value chain to the extent it is attributable to their business with that value chain partner. Such reporting may be segregated for upstream and downstream partners or can be reported on an aggregate basis.

4.3 The scope of reporting and any assumptions or estimates, if any, shall be clearly disclosed.

4.4 Applicability

4.4.1 ESG disclosures for the value chain shall be applicable to the top 250 listed entities (by market capitalization), on a comply-or-explain basis from FY 2024-25.

4.4.2 The limited assurance of the above shall be applicable on a comply-or-explain basis from FY 2025 - 26.

5. Assurance provider

5.1 The Board of the listed entity shall ensure that the assurance provider of the BRSR Core has the necessary expertise, for undertaking reasonable assurance.

5.2 The listed entity shall ensure that there is no conflict of interest with the assurance provider appointed for assuring the BRSR Core. For instance, it shall be ensured that the assurance provider or any of its associates do not sell its products or provide any non-audit / non-assurance related service including consulting services, to the listed entity or its group entities.



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6. The Stock Exchanges are advised to bring the provisions of this circular to the notice of all listed entities and also disseminate the same on their websites.

7. The Circular is issued in exercise of the powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 read with Regulation 101 of the LODR.

Details of Annexure I are available here:

https://www.sebi.gov.in/sebi_data/commondocs/jul-2023/Annexure_I-Format-of-BRSR-Core_p.pdf

Details of Annexure II are available here:

https://www.sebi.gov.in/sebi_data/commondocs/jul-2023/Annexure_II-Updated-BRSR_p.PDF

- **Industry Standards on Reporting of BRSR Core** issued vide **Circular No.: SEBI/HO/CFD/CFD-PoD-1/P/CIR/2024/177 dated December 20, 2024** should be considered. (Link: https://www.sebi.gov.in/legal/circulars/jul-2023/brsr-core-framework-for-assurance-and-esg-disclosures-for-value-chain_73854.html)

The details of the circular are as follows:

1. In order to facilitate ease of doing business and to bring about standardization in implementation, the Industry Standards Forum (“ISF”) comprising of representatives from three industry associations, viz. ASSOCHAM, CII and FICCI, under the aegis of the Stock Exchanges, has formulated industry standards, in consultation with SEBI, for effective implementation of the requirement to disclose Business Responsibility and Sustainability Report (**BRSR**) Core under Regulation 34(2)(f) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**LODR Regulations**”) read with Chapter IV-B of SEBI master circular for compliance with the provisions of the LODR regulations by listed entities, issued vide SEBI/HO/CFD/PoD2 /CIR/P/0155 and dated November 11, 2024.

2. The industry associations which are part of ISF ([ASSOCHAM](#), [FICCI](#), and [CII](#)) and the stock exchanges shall publish the aforesaid industry standards on their websites.

3. The listed entities shall follow the above industry standards to ensure compliance with SEBI requirements on disclosure of BRSR Core.

4. This circular shall be applicable for FY 2024-25 and onwards.

5. The Stock Exchanges are advised to bring the contents of this circular to the notice of their listed entities and ensure its compliance.

6. This circular is issued in exercise of the powers conferred under Section 11(1) and 11A of the Securities and Exchange Board of India Act, 1992 read with regulation 101 of LODR Regulations.