

CA FINAL – PAPER 1: FINANCIAL REPORTING*Amendments Applicable from May 2026 Examination***AMENDMENT 1 – Ind AS 21: Lack of Exchangeability****Background**

Ind AS 21 requires entities to use the spot exchange rate to translate foreign currency transactions. However, in rare cases, a currency may not be exchangeable into another – this amendment provides guidance on what to do in such situations, aligning Ind AS 21 with IAS 21.

Key Definition: When is a Currency 'Exchangeable'?

A currency is exchangeable into another when an entity can obtain the other currency within a time frame allowing for normal administrative delay, through a mechanism that creates enforceable rights.

Two-Step Approach**Step I – Assess Whether a Currency is Exchangeable**

Five key factors to consider:

- Time Frame: Normal administrative delays (legal/regulatory) are acceptable; they do not make a currency non-exchangeable.
- Ability to Obtain: Consider ability (not intention) to obtain the other currency – directly or via an intermediate currency.
- Markets / Mechanisms: Only consider markets that create enforceable rights and obligations.
- Purpose of Obtaining: Different exchange rates may apply for different purposes, affecting exchangeability.
- Limited Amounts: If only an insignificant amount can be obtained vs. total required, the currency is not exchangeable. Compare amount obtainable with total required for the specified purpose.

KEY NOTE

Even if LC → PC is exchangeable, PC → LC need not be. Assess directionality separately.

Step II – Estimating Spot Rate (when currency is NOT exchangeable)

Objective: Estimate the rate that reflects what an orderly transaction would yield at the measurement date, under prevailing economic conditions. Two methods:

- Method A –
Observable Exchange Rate (without adjustment): Use if it meets the estimation objective.



Consider: number of observable rates, purpose, nature of rate, frequency of updates.
 Examples: rate for a different purpose; first rate available once exchangeability resumes (adjusted for time and inflation).

- Method B –
 Another Estimation Technique: Use any observable rate and adjust it. May include rates from markets that do not create enforceable rights, adjusted appropriately.

Disclosure Requirements

When a currency is NOT exchangeable, disclose:

- Identity of currency and description of restrictions
- Description of affected transactions
- Carrying amount of affected assets and liabilities
- Spot exchange rates used and basis (observable / estimated)
- Description of estimation technique with qualitative and quantitative inputs
- Qualitative information on each type of risk and the nature/carrying amount of exposed assets/liabilities

Additional disclosures when a foreign operation's functional currency is not exchangeable into presentation currency:

- Name, type (subsidiary/JV/associate/branch) and principal place of business of foreign operation
- Summarised financial information of the foreign operation
- Nature and terms of contractual arrangements that may require financial support

Transition

EXAM POINT	<i>No restatement of comparatives required. Adjust opening retained earnings or cumulative translation differences in equity.</i>
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AMENDMENT 2 – Ind AS 1: Classification of Liabilities

Change in Classification Principle

Old Requirement	New Requirement (Amended)
Unconditional right to defer settlement for ≥ 12 months	Right to defer settlement must EXIST at reporting date AND have SUBSTANCE

Covenants – Classification Impact

- Only covenants that must be complied with ON OR BEFORE the reporting date affect current/non-current classification.**
- Future covenants (to be complied with after the reporting date) do NOT affect classification.

However, when non-current liabilities are subject to future covenants, new disclosures are required to help users assess risk of liabilities becoming repayable within 12 months.



Breach of Covenant – Two Regimes

Periods beginning 1 Apr 2025	Periods beginning 1 Apr 2026
Ind AS 1 retains the India carve-out: Breach before reporting date → liability becomes current. BUT if lender agrees (after period end, before statements approved) not to demand payment → can classify as NON-CURRENT.	Carve-out REMOVED (aligned with IAS 1). Breach before reporting date → liability MUST be classified as CURRENT, even if lender subsequently waives.
Lender's post-period waiver saves non-current classification.	Only saves non-current if lender provides a grace period ENDING at least 12 months after the reporting date, agreed BY END of reporting period.

After
1/4/26

Events after the reporting period (refinancing, breach rectification, lender grace period granted, settlement of non-current liability) are disclosed as NON-ADJUSTING events per Ind AS 10.

Convertible Debt – Classification Clarification

When classifying host liability (e.g., convertible bonds) as current/non-current:

- Conversion options recognised as EQUITY – can be IGNORED for classification.
- Conversion options recognised as a LIABILITY – cannot be ignored; they must be factored in.

New Disclosure Requirements (Covenants)

For non-current liabilities subject to future covenants, entities must disclose:

- Nature of covenants, when compliance is required, and carrying amount of related liabilities
- Facts/circumstances indicating possible difficulty in compliance within the next 12 months (e.g., actions taken, hypothetical breach test results)

AMENDMENT 3 – Ind AS 7 & 107: Supplier Finance Arrangements

What is a Supplier Finance Arrangement?

An arrangement where one or more finance providers offer to pay amounts the entity owes its suppliers, with the entity repaying the finance provider at the same time or later than suppliers are paid. Also called: Supply chain finance / Payables finance / Reverse factoring.



**NOT
INCLUDED**

Financial guarantees / letters of credit used as credit enhancements, and credit cards for direct supplier settlement – these are NOT supplier finance arrangements.

Required Disclosures (Aggregate)

- Terms and conditions (extended payment terms, security/guarantees). Dissimilar arrangements disclosed separately.
- **At beginning and end of reporting period:**
 - Carrying amount of financial liabilities that are part of the arrangement (with line item reference)
 - Subset of above for which suppliers have already been paid by finance providers
 - Range of payment due dates for these liabilities vs. comparable trade payables not in the arrangement (stratify if ranges are wide)
- Type and effect of non-cash changes (e.g., business combinations, exchange differences)

Transition Relief

On first application, no requirement to disclose:

- Comparative information for prior periods
- Opening balance sheet carrying amounts and payment due date ranges
- Information for interim periods within the first year of application

AMENDMENT 4 – Ind AS 12: Pillar Two Income Taxes

Background

Pillar Two refers to the OECD's framework for a global minimum corporate tax rate, including qualified domestic minimum top-up taxes (QDMTT). This amendment provides an exception and disclosure requirements for Pillar Two taxes.

Key Exception

**CRITICAL
RULE**

Entities shall NEITHER recognise NOR disclose deferred tax assets and liabilities relating to Pillar Two income taxes. This is a mandatory exception to Ind AS 12's normal deferred tax requirements.

Mandatory Disclosures

- Disclose that the exception has been applied (i.e., no deferred tax recognised for Pillar Two).
- Disclose current tax expense (or income) related to Pillar Two income taxes separately.
- **In periods where Pillar Two legislation is enacted (or substantively enacted) but not yet in effect, disclose:**
 - Known or reasonably estimable information about exposure to Pillar Two taxes
 - Qualitative and quantitative information about exposure at the end of the reporting period



- If not estimable, a statement to that effect and description of progress in assessing exposure

Quick Reference: Exam-Ready Summary

Amendment	Key Exam Points
Ind AS 21 (Exchangeability)	Two-step approach: (1) Is currency exchangeable? (2) If not, estimate spot rate using observable rate or other technique. No restatement of comparatives on transition.
Ind AS 1 (Liability Classification)	Right must exist AND have substance at reporting date. Future covenants → no impact on classification but trigger new disclosures. 2026: carve-out for post-period lender waivers removed.
Ind AS 7 & 107 (Supplier Finance)	New disclosures on supplier finance arrangements: terms, carrying amounts, payment date ranges, non-cash changes. Transition relief for first year.
Ind AS 12 (Pillar Two)	Exception: No DTA/DTL for Pillar Two. Mandatory: Disclose exception applied, current tax expense separately, and exposure information.

