"64 [परिशिष्ट 1 देखें]

65 *इंड एएस में वार्षिक सुधार (2024)*, संशोधित पैरा 37. एक इकाई 1 अप्रैल 2026 को या उसके पश्चात शुरू होने वाली वार्षिक रिपोर्टिंग अवधि के लिए उस संशोधन को लागू करेगी।";

(iii) परिशिष्ट 1 में, पैरा 6 के पश्चात, निम्नलिखित पैरा अंत:स्थापित किया जाएगा, अर्थात्:

"7. आईएएस 7 के पैरा 64 को सम्मिलित नहीं किया गया है क्योंकि यह आईएफआरएस 18 जारी करने के कारण संशोधनों से संबंधित है, *वित्तीय विवरणों में प्रस्तुति और प्रकटीकरण* (ख) यदि हां, तो तत्संबंधी ब्यौरा क्या है, जिसके लिए भारत के प्रशासनिक रूप से कार्य किया जा रहा है। यद्यपि, आईएएस 7 के पैरा संख्या के साथ अनुरूपता बनाए रखने के लिए, पैरा संख्या को इंडस्ट्रीज़ एएस 7 में बनाए रखा गया है।

8. आईएएस 7 के पैरा 37 में किसी सहयोगी, संयुक्त उद्यम या सहायक कंपनी में लेखांकन निवेश के लिए साम्या विधि के संदर्भ को इंड एएस 7 में हटा दिया गया है क्योंकि इंड एएस 27, अलग *वित्तीय विवरण के अधीन* अलग-अलग वित्तीय विवरणों में साम्या विधि का उपयोग करने का विकल्प *नहीं है*";

[फा. सं. 01/01/2009-सीएल-V (भाग XIV)]

बालमुरुगन डी, संयुक्त सचिव

टिप्पण : मूल नियम भारत के राजपत्र, असाधारण, भाग 2, खंड 3, उप-खंड (i) में संख्यांक सा.का. नि. 111 (अ), तारीख 16 फरवरी, 2015 द्वारा प्रकाशित किए गए थे और अधिसूचना संख्यांक सा.का.नि. 549 (अ), तारीख 13 अगस्त, 2025 के द्वारा अंतिम बार संशोधित किए गए थे।

MINISTRY OF CORPORATE AFFAIRS

NOTIFICATION

New Delhi, the 12th August, 2026

G.S.R. 725(E).— In exercise of the powers conferred by section 133 read with section 469 of the Companies Act, 2013 (18 of 2013), the Central Government, in consultation with the National Financial Reporting Authority, hereby makes the following rules further to amend the Companies (Indian Accounting Standards) Rules, 2015, namely:—

1. Short title and commencement. -(1) These rules may be called the Companies (Indian Accounting Standards) Amendment Rules, 2026.

(2) They shall come into force on the date of their publication in the Official Gazette.

2. In the Companies (Indian Accounting Standards) Rules, 2015, in the "Annexure", under the heading "B. Indian Accounting Standards (Ind AS)", —

(A) in "Indian Accounting Standard (Ind AS) 101"; —

(i) after paragraph 39AI, the following paragraphs shall be inserted, namely:—

"39AJ [Refer Appendix 1]

39AK *Annual Improvements to Ind AS (2024)*, amended paragraphs B5–B6. An entity shall apply those amendments for annual reporting periods beginning on or after 1 April 2026."

(ii) in Appendix B, for paragraphs B5 and B6, the following paragraphs shall be substituted, namely:—

"B5 An entity shall not reflect in its opening Ind AS Balance Sheet a hedging relationship of a type that does not qualify for hedge accounting in accordance with Ind AS 109 (for example, many hedging relationships where the hedging instrument is a stand-alone written option or a net written option; or where the hedged item is a net position in a cash flow hedge for another risk than foreign currency risk) [see paragraph 6.4.1(a) of Ind AS 109]. However, if an entity designated a net position as a hedged item in accordance with previous GAAP, it may designate as a hedged item in accordance with Ind ASs an individual item within that net position, or a net position if that meets the requirements in paragraph 6.6.1 of Ind AS 109, provided that it does so no later than the date of transition to Ind ASs.

B6 If, before the date of transition to Ind ASs, an entity had designated a transaction as a hedge but the hedge does not meet the qualifying criteria for hedge accounting in paragraph 6.4.1(b)–(c) of Ind AS 109, the entity shall apply paragraphs 6.5.6 and 6.5.7 of Ind AS 109 to discontinue hedge accounting. Transactions entered into before the date of transition to Ind ASs shall not be retrospectively designated as hedges.";

(iii) in Appendix 1, for paragraph 14, the following paragraph shall be substituted, namely:—

"14. Paragraphs 34 to 39W, 39Y to 39AB and 39AD of IFRS 1 have not been included in Ind AS 101 as these paragraphs relate to effective date and are not relevant in Indian context. Paragraph 39AJ of IFRS 1 has not been included since it relates to amendments due to issuance of IFRS 18, *Presentation and Disclosure in Financial Statements,* for which corresponding Ind AS is under formulation. However, in order to maintain consistency with paragraph numbers of IFRS 1, these paragraph numbers have been retained in Ind AS 101.".

(B) in "Indian Accounting Standard (Ind AS) 107"; —

(i) after paragraph 5A, the following paragraphs shall be inserted, namely:—

"5B Paragraph 30A applies only to contracts to buy nature-dependent electricity that satisfy the requirements in paragraph 2.3A of Ind AS 109 and are outside the scope of that Standard in accordance with paragraphs B2.7–B2.8 of Ind AS 109.

5C Paragraph 30B applies only to contracts that satisfy the requirements in paragraph 2.3A of Ind AS 109 and have been designated in a cash flow hedging relationship in accordance with paragraph 6.10.1 of Ind AS 109.

5D Paragraph 30C applies only to contracts that satisfy the requirements in paragraph 2.3A of Ind AS 109 and have been entered into with regards to an entity's electricity purchases. These contracts comprise those:

(a) within the scope of Ind AS 109; and

(b) outside the scope of Ind AS 109 in accordance with paragraph 2.4 of that Standard, including those excluded in accordance with paragraphs B2.7–B2.8 of that Standard.";

(ii) in paragraph 11A ;—

(a) for the words "it shall disclose", the words "it shall disclose, for each class of investment" shall be substituted;

(b) for item 'c' and entries relating thereto, the following item and entries shall be substituted, namely ;—

"(c) the fair value at the end of the reporting period."

(c) after item (e) and entries relating thereto, the following item and entries shall be inserted, namely ;—

"(f) the fair value gain or loss presented in other comprehensive income during the period, showing separately the fair value gain or loss related to investments derecognised during the reporting period and the fair value gain or loss related to investments held at the end of the reporting period.";

(iii) in paragraph 11B, after item (c) and entries relating thereto, the following item and entries shall be inserted, namely:—

"(d) any transfers of the cumulative gain or loss within equity during the reporting period related to the investments derecognised during that reporting period.";

(iv) after paragraph 20A, the following paragraphs shall be inserted, namely:—

"20B An entity shall disclose the information required by paragraph 20C by class of financial assets measured at amortised cost or fair value through other comprehensive income and by class of financial liabilities measured at amortised cost. The entity shall consider how much detail to disclose, the appropriate level of aggregation or disaggregation, and whether users of financial statements need additional explanations to evaluate any quantitative information disclosed.

20C To enable users of financial statements to understand the effect of contractual terms that could change the amount of contractual cash flows based on the occurrence (or non-occurrence) of a contingent event that does not relate directly to changes in basic lending risks and costs (such as the time value of money or credit risk), an entity shall disclose:

(a) a qualitative description of the nature of the contingent event;

(b) quantitative information about the possible changes to contractual cash flows that could result from those contractual terms (for example, the range of possible changes); and

(c) the gross carrying amount of financial assets and the amortised cost of financial liabilities subject to those contractual terms.

20D For example, an entity shall disclose the information required by paragraph 20C for a class of financial liabilities measured at amortised cost whose contractual cash flows change if the entity achieves a reduction in its carbon emissions.";

(v) after paragraph 30, the following heading and paragraphs shall be inserted, namely:—

"**Contracts referencing nature-dependent electricity**

30A An entity shall disclose in a single note in its financial statements information about contracts that meet the criteria set out in paragraph 5B. In particular, the entity shall disclose information that enables users of its financial statements to understand the effects these contracts have on the amount, timing and uncertainty of its future cash flows and on its financial performance. To meet these objectives, an entity shall disclose:

(a) information about contractual features that expose the entity to:

(i) variability in the underlying amount of electricity (see paragraph 2.3A of Ind AS 109); and

(ii) the risk that the entity would be required to buy electricity during a delivery interval in which the entity cannot use the electricity (see paragraph B2.7 of Ind AS 109).

(b) information about unrecognised commitments arising from such contracts as at the reporting date, including:

(i) the estimated future cash flows from buying electricity under these contracts. The entity shall apply its judgement when identifying the appropriate time bands within which to disclose the estimated future cash flows.

(ii) qualitative information about how the entity assesses whether a contract might become onerous (see Ind AS 37, *Provisions, Contingent Liabilities and Contingent Assets*), including the assumptions the entity uses in making this assessment.

(c) qualitative and quantitative information about effects on the entity's financial performance for the reporting period. The disclosure is based on the information that is applicable to the reporting period that the entity used to assess whether it has been a net purchaser of electricity (see paragraph B2.8 of Ind AS 109). An entity shall disclose information for the reporting period about:

(i) the costs arising from purchases of electricity made under the contracts, disclosing separately how much of the purchased electricity was unused at the time of delivery;

(ii) the proceeds arising from sales of unused electricity; and

(iii) the costs arising from purchases of electricity made to offset sales of unused electricity.

30B An entity shall disaggregate, for its contracts that meet the criteria set out in paragraph 5C, the information the entity discloses, by risk category, about the terms and conditions of hedging instruments in accordance with paragraph 23A.

30C If an entity discloses information about other contracts referencing nature-dependent electricity as described in paragraph 5D (including those contracts described in paragraph 30B) in other notes in its financial statements, the entity shall include cross-references to those notes in the single note required by paragraph 30A.";

(vi) after paragraph 44JJ, the following paragraphs shall be inserted, namely:—

"44KK [Refer Appendix 1].

44LL *Amendments to the Classification and Measurement of Financial Instruments*, added paragraphs 20B, 20C and 20D and amended paragraphs 11A and 11B. An entity shall apply these amendments when it applies the amendments to Ind AS 109 in accordance with paragraph 7.1.12 of Ind AS 109. The entity need not provide the disclosures required by the amendments for any period presented before the date of its initial application of the amendments.

44MM In the reporting period in which an entity first applies *Amendments to the Classification and Measurement of Financial Instruments*, the entity is not required to disclose the information that would otherwise be required by paragraph 28(f) of Ind AS 8.

44NN *Annual Improvements to Ind AS (2024)*, amended paragraph B38. An entity shall apply those amendments for annual reporting periods beginning on or after 1 April 2026.

44OO *Contracts Referencing Nature-dependent Electricity*, which also amended Ind AS 109, added paragraphs 5B–5D, 30A–30C and 44PP. An entity shall apply these paragraphs when it applies the amendments to Ind AS 109. If an entity does not restate comparative information when it first applies the amendments to Ind AS 109 in accordance with paragraph 7.2.51 of that Standard, the entity shall not provide comparative information for the disclosures required by paragraphs 30A–30C.

44PP In the reporting period in which an entity first applies *Contracts Referencing Nature-dependent Electricity*, the entity need not disclose the quantitative information that would otherwise be required by paragraph 28(f) of Ind AS 8.";

(vii) in Appendix B, for paragraph B38, the following paragraph shall be substituted, namely:—

"B38 Paragraph 42G(a) requires an entity to disclose the gain or loss on derecognition relating to financial assets in which the entity has continuing involvement. The entity shall disclose if a gain or loss on derecognition arose because the fair values of the components of the previously recognised asset (ie the interest in the asset derecognised and the interest retained by the entity) were different from the fair value of the previously recognised asset as a whole. In that situation, the entity shall also disclose whether the fair value measurements included significant unobservable inputs, as described in paragraphs 72–73 of Ind AS 113.";

(viii) in Appendix 1, for paragraph 5, the following paragraphs shall be substituted, namely:—

"5 Paragraphs 42I-42S of IFRS 7 have not been included in Ind AS 107 as these paragraphs relate to initial application of IFRS 9 which are not relevant in Indian context. Paragraphs 43-44BB related to effective date and transition given in IFRS 7 have not been given in Ind AS 107 since it is not relevant in Indian context. Paragraph 44KK relates to IFRS 18, *Presentation and Disclosure in Financial Statements,* for which corresponding Ind AS 118 is under formulation. However, in order to maintain consistency with paragraph numbers of IFRS 7, these paragraph numbers are retained in Ind AS 107.

6. Paragraphs 44OO and 44PP have been modified in context of IFRS 19 for which corresponding Ind AS 119 is under formulation.".

(C) in "Indian Accounting Standard (Ind AS) 109": —

(i) in paragraph 2.1, in item (b), for sub-item (ii), the following sub-item shall be substituted, namely:—

"**(ii) lease liabilities recognised by a lessee are subject to the derecognition requirements in paragraphs 3.3.1 and 3.3.3 of this Standard; and**";

(ii) after paragraph 2.3, the following paragraphs shall be inserted, namely:—

"**2.3A Paragraphs 6.10.1–6.10.2 and B2.7–B2.8 apply only to contracts referencing nature-dependent electricity. Contracts referencing nature-dependent electricity are contracts that expose an entity to variability in the underlying amount of electricity because the source of electricity generation depends on uncontrollable natural conditions (for example, the weather). Contracts referencing nature-dependent electricity include both contracts to buy or sell nature-dependent electricity and financial instruments that reference such electricity.**

2.3B An entity shall not apply paragraphs 6.10.1–6.10.2 and B2.7–B2.8 by analogy to other contracts, items or transactions.";

(iii) after paragraph 2.3B and entries relating thereto, the following heading shall be inserted, namely: —

"**Contracts to buy or sell non-financial items**";

(iv) in paragraph 2.6, for the paragraph beginning with the words "A contract to which" and ending with words "scope of this Standard", the following paragraph shall be substituted, namely:—

"A contract to which (b) or (c) applies is not entered into for the purpose of the receipt or delivery of the non-financial item in accordance with the entity's expected purchase, sale or usage requirements and, accordingly, is within the scope of this Standard. Other contracts (which include contracts as described in paragraph 2.3A) to which paragraph 2.4 applies are evaluated to determine whether they were entered into and continue to be held for the purpose of the receipt or delivery of the non-financial item in accordance with the entity's expected purchase, sale or usage requirements and, accordingly, whether they are within the scope of this Standard.";

(v) after paragraph 2.7, the following paragraph shall be inserted, namely:—

"2.8 An entity shall also apply paragraphs B2.7–B2.8 to assess whether contracts referencing nature-dependent electricity (as described in paragraph 2.3A) are entered into and continue to be held for the purpose of the receipt of electricity in accordance with the entity's expected usage requirements.";

(vi) for paragraph 5.1.3, the following paragraph shall be substituted, namely:—

"5.1.3 Despite the requirement in paragraph 5.1.1, at initial recognition, an entity shall measure trade receivables at the amount determined by applying Ind AS 115 if the trade receivables do not contain a significant financing component in accordance with Ind AS 115 (or when the entity applies the practical expedient in accordance with paragraph 63 of Ind AS 115).";

(vii) after paragraph 6.9.13, the following paragraphs shall be inserted, namely:—

"**<u>6.10 Contracts referencing nature-dependent electricity</u>**

6.10.1 Some contracts referencing nature-dependent electricity are designated as hedging instruments in hedges of forecast electricity transactions. In addition to the requirements in paragraph 6.3.7, for such a hedging relationship an entity is permitted to designate as the hedged item a variable nominal amount of forecast electricity transactions that is aligned with the variable amount of nature-dependent electricity expected to be delivered by the generation facility as referenced in the hedging instrument. The other hedge accounting requirements of this chapter continue to apply to such a hedging relationship.

6.10.2 If the cash flows of the contract referencing nature-dependent electricity designated as the hedging instrument are conditional on the occurrence of a forecast transaction that is designated as the hedged item in accordance with paragraph 6.10.1, this forecast transaction is presumed to be highly probable as required by paragraph 6.3.3.";

(viii) after paragraph 7.1.10, the following paragraphs shall be inserted, namely:—

"7.1.11 [Refer Appendix 1]

7.1.12 *Amendments to the Classification and Measurement of Financial Instruments*, which amended Ind AS 109 and Ind AS 107, added paragraphs 7.2.47–7.2.49, B3.1.2A, B3.3.8–B3.3.10, B4.1.8A, B4.1.10A, B4.1.16A and B4.1.20A. It also amended paragraphs B4.1.10, B4.1.13, B4.1.14, B4.1.16, B4.1.17, B4.1.20, B4.1.21 and B4.1.23. An entity shall apply these amendments for annual reporting periods beginning on or after 1 April 2026.

7.1.13 [Refer Appendix 1]

7.1.14 *Annual Improvements to Ind AS (2024)*, amended paragraph 2.1(b)(ii), paragraph 5.1.3 and Appendix A. An entity shall apply those amendments for annual reporting periods beginning on or after 1 April 2026.

7.1.15 *Contracts Referencing Nature-dependent Electricity*, added paragraphs 2.3A–2.3B, 2.8, 6.10.1–6.10.2, 7.2.51–7.2.53, and B2.7–B2.8 and amended paragraph 2.6. An entity shall apply these amendments for annual reporting periods beginning on or after 1 April 2026.";

(ix) after paragraph 7.2.46, the following headings and paragraphs shall be inserted, namely:—

"**Transition for *Amendments to the Classification and Measurement of Financial Instruments***

7.2.47 An entity shall apply *Amendments to the Classification and Measurement of Financial Instruments* retrospectively, in accordance with Ind AS 8, except as specified in paragraphs 7.2.48–7.2.49. For the purposes of the requirements in these paragraphs, the date of initial application is the beginning of the annual reporting period in which the entity first applies the amendments.

7.2.48 An entity is not required to restate prior periods to reflect the application of these amendments. An entity may restate prior periods if, and only if, it is possible to do so without the use of hindsight. If an entity does not restate prior periods, it shall recognise the effect of initially applying these amendments as an adjustment to the opening balance of financial assets and financial liabilities and the cumulative effect, if any, as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

7.2.49 At the date of initial application of the amendments to the Application Guidance to Section 4.1 of this Standard (Classification of financial assets), an entity shall disclose for each class of financial assets that changed measurement category as a result of applying the amendments:

(a) the measurement category and carrying amount determined immediately before the amendments were applied; and

(b) the measurement category and carrying amount determined immediately after the amendments were applied.

Transition for *Annual Improvements to Ind AS (2024)*

7.2.50 An entity shall apply the amendment to paragraph 2.1(b)(ii) made by *Annual Improvements to Ind AS (2024)* to lease liabilities that are extinguished on or after the beginning of the annual reporting period in which the entity first applies that amendment.

Transition for *Contracts Referencing Nature-dependent Electricity*

7.2.51 An entity shall apply paragraphs 2.3A–2.3B, 2.8 and B2.7–B2.8 retrospectively in accordance with Ind AS 8 using the facts and circumstances at the date of initial application (the date when an entity first applies the amendments). The date of initial application shall be the beginning of a reporting period, which might be a reporting period other than an annual reporting period. An entity need not restate prior periods to reflect the application of these amendments. The entity is permitted to restate prior periods only if it is possible to do so without the use of hindsight. If the entity does not restate prior periods, it shall recognise any difference between the previous carrying amount and the carrying amount at the date of initial application of these amendments in the opening retained earnings (or other component of equity, as appropriate) at the beginning of that reporting period.

7.2.52 If a contract referencing nature-dependent electricity (as described in paragraph 2.3A) would be outside the scope of Ind AS 109 as a result of applying the requirements in paragraphs B2.7−B2.8, an entity is permitted, at the date of initial application, to irrevocably designate this contract as measured at fair value through profit or loss in accordance with paragraph 2.5.

7.2.53 An entity shall apply paragraphs 6.10.1–6.10.2 prospectively to new hedging relationships designated on or after the date of initial application. An entity is permitted, at the date of initial application, to discontinue a hedging relationship in which a contract referencing nature-dependent electricity (as described in paragraph 2.3A) has been designated as the hedging instrument, if the same hedging instrument is designated in a new hedging relationship in accordance with paragraphs 6.10.1–6.10.2.";

(x) in Appendix A, after the definition 'transaction cost' and entries relating thereto, for last paragraph beginning with the words 'The following terms' and ending with the word 'price', the following paragraph shall be substituted, namely:—

"The following terms are defined in paragraph 11 of Ind AS 32, Appendix A of Ind AS 107 or Appendix A of Ind AS 113 and are used in this Standard with the meanings specified in Ind AS 32, Ind AS 107 or Ind AS 113:

(a) credit risk;

(b) equity instrument;

(c) fair value;

(d) financial asset;

(e) financial instrument; and

(f) financial liability.";

(xi) in Appendix B, —

(a) after paragraph B2.6, the following heading and paragraph shall be inserted, namely: —

"**Contracts to buy nature-dependent electricity**

B2.7 Some contracts referencing nature-dependent electricity (as described in paragraph 2.3A) require an entity to buy and take delivery of the electricity when it is generated. These contractual features expose the entity to the risk that it would be required to buy electricity during a delivery interval in which the entity cannot use the electricity. The entity might also have no practical ability to avoid making sales of unused electricity because the design and operation of the electricity market in which the electricity is transacted under the contract require any amounts of unused electricity to be sold within a specified time. When an entity applies the requirements in paragraph 2.4, such sales are not necessarily inconsistent with the contract being held in accordance with the entity's expected usage requirements. An entity entered into and continues to hold such a contract in accordance with its expected electricity usage requirements if the entity has been, and expects to be, a net purchaser of electricity for the contract period. An entity is a net purchaser of electricity if it buys sufficient electricity to offset the sales of any unused electricity in the same market in which it sold the electricity.

B2.8 In determining whether an entity is a net purchaser of electricity, the entity shall consider reasonable and supportable information (that is available without undue cost or effort) about its past, current and expected future electricity transactions over a reasonable amount of time. The entity identifies 'a reasonable amount of time' by considering the variability in the amount of electricity expected to be generated due to the seasonal cycle of the natural conditions and the variability in the entity's demand for electricity due to its operating cycle. In determining whether the entity has been a net purchaser, 'a reasonable amount of time' shall not exceed 12 months.";

(b) after paragraph B3.1.2, the following heading and paragraph shall be inserted, namely: —

" **Date of initial recognition or derecognition**

B3.1.2A Unless paragraph 3.1.2 applies, an entity shall recognise a financial asset or financial liability on the date on which the entity becomes party to the contractual provisions of the instrument (see paragraph 3.1.1). A financial asset is derecognised on the date on which the contractual rights to the cash flows expire or the asset is transferred (see paragraph 3.2.3). Unless an entity elects to apply paragraph B3.3.8, a financial liability is derecognised on the settlement date, which is the date on which the liability is extinguished because the obligation specified in the contract is discharged or cancelled or expires (see paragraph 3.3.1) or the liability otherwise qualifies for derecognition (see paragraph 3.3.2). ";

(c) after paragraph B3.3.7, the following paragraphs shall be inserted, namely: —

"B3.3.8 Despite the requirement in paragraph B3.1.2A to derecognise a financial liability on the settlement date, when settling a financial liability (or part of a financial liability) in cash using an electronic payment system, an entity is permitted to deem the financial liability (or part of it) to be discharged before the settlement date if, and only if, the entity has initiated a payment instruction that resulted in:

(a) the entity having no practical ability to withdraw, stop or cancel the payment instruction;

(b) the entity having no practical ability to access the cash to be used for settlement as a result of the payment instruction; and

(c) the settlement risk associated with the electronic payment system being insignificant.

B3.3.9 For the purpose of applying paragraph B3.3.8(c), settlement risk associated with an electronic payment system is insignificant if its characteristics are such that completion of the payment instruction follows a standard administrative process and the time between the criteria in paragraphs B3.3.8(a) and (b) being met and the cash being delivered to the counterparty is short. However, settlement risk would not be insignificant if completion of the payment instruction were subject to the entity's ability to deliver cash on the settlement date.

B3.3.10 An entity that elects to apply paragraph B3.3.8 to the settlement of a financial liability (or part of a financial liability) using an electronic payment system shall apply that paragraph to all settlements made through the same electronic payment system.";

(d) after paragraph B4.1.8, the following paragraph shall be inserted, namely: —

"B4.1.8A In assessing whether the contractual cash flows of a financial asset are consistent with a basic lending arrangement, an entity may have to consider the different elements of interest separately. The assessment of interest focuses on *what* an entity is being compensated for, rather than *how much* compensation an entity receives. Nonetheless, the amount of compensation an entity receives may indicate that the entity is being compensated for something other than basic lending risks and costs. Contractual cash flows are inconsistent with a basic lending arrangement if they are indexed to a variable that is not a basic lending risk or cost (for example, the value of equity instruments or the price of a commodity) or if they represent a share of the debtor's revenue or profit, even if such contractual terms are common in the market in which the entity operates.";

(e) for paragraph B4.1.10, the following paragraphs shall be substituted, namely: —

"B4.1.10 If a financial asset contains a contractual term that could change the timing or amount of contractual cash flows (for example, if the asset can be prepaid before maturity or its term can be extended), the entity must determine whether the contractual cash flows that could arise over the life of the instrument due to that contractual term are solely payments of principal and interest on the principal amount outstanding. To make this determination, the entity must assess the contractual cash flows that could arise both before, and after, the change in contractual cash flows, irrespective of the probability of the change in contractual cash flows occurring. The entity may also need to assess the nature of any contingent event (ie the trigger) that would change the timing or amount of the contractual cash flows. While the nature of the contingent event in itself is not a determinative factor in assessing whether the contractual cash flows are solely payments of principal and interest, it may be an indicator. For example, compare a financial instrument with an interest rate that is reset to a higher rate if the debtor misses a particular number of payments to a financial instrument with an interest rate that is reset to a higher rate if a specified equity index reaches a particular level. It is more likely in the former case that the contractual cash flows over the life of the instrument will be solely payments of principal and interest on the principal amount outstanding because of the relationship between missed payments and an increase in credit risk. In the former case, the nature of the contingent event relates directly to, and the contractual cash flows change in the same direction as, changes in basic lending risks and costs. (See also paragraph B4.1.18.)

B4.1.10A In some cases, a contingent feature gives rise to contractual cash flows that are consistent with a basic lending arrangement both before and after the change in contractual cash flows, but the nature of the contingent event itself does not relate directly to changes in basic lending risks and costs. For example, the interest rate on a loan is adjusted by a specified amount if the debtor achieves a contractually specified reduction in carbon emissions. In such a case, when applying paragraph B4.1.10, the financial asset has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding if, and only if, in all contractually possible scenarios, the contractual cash flows would not be significantly different from the contractual cash flows on a financial instrument with identical contractual terms, but without such a contingent feature. In some circumstances, the entity may be able to make that determination by performing a qualitative assessment; but, in other circumstances, it may be necessary to perform a quantitative assessment. If it is clear, with little or no analysis, that the contractual cash flows are not significantly different, an entity need not perform a detailed assessment.";

(f) in paragraph B4.1.13, in the table, after item "Instrument E" and the entries relating thereto, the following item and the entries shall be inserted, namely: —

"Instrument EA	**Analysis**
Instrument EA is a loan with an interest rate that is adjusted every reporting period by a fixed number of basis points if the debtor achieves a contractually specified reduction in carbon emissions during the preceding reporting period.	The contractual cash flows are solely payments of principal and interest on the principal amount outstanding. The entity considers whether the contractual cash flows that could arise both before and after each change in

The maximum possible cumulative adjustments would not significantly change the interest rate on the loan.	contractual cash flows are solely payments of principal and interest (see paragraph B4.1.10). If the contingent event of achieving the carbon emissions target occurs, the interest rate is adjusted by a fixed number of basis points, resulting in contractual cash flows that are consistent with a basic lending arrangement. It is only because the nature of the contingent event itself does not relate directly to changes in basic lending risks and costs that the entity cannot conclude – without further assessment – whether the cash flows on the financial asset are solely payments of principal and interest. The entity therefore assesses whether, in all contractually possible scenarios, the contractual cash flows would not be significantly different from the contractual cash flows on a financial instrument with identical contractual terms, but without the contingent feature linked to carbon emissions (see paragraph B4.1.10A). Because any adjustments over the life of the instrument would not result in contractual cash flows that are significantly different, the entity concludes that the loan has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.”.

(g) in paragraph B4.1.14, in the table, after item “Instrument H” and and entries relating thereto, the following item and the entries shall be inserted, namely: —

“Instrument I	**Analysis**
Instrument I is a loan with an interest rate that is adjusted every reporting period to track the movements in a market-determined carbon price index during the preceding reporting period.	The contractual cash flows are not solely payments of principal and interest on the principal amount outstanding. The contractual cash flows are indexed to a variable (the carbon price index), which is not a basic lending risk or cost. The contractual cash flows are therefore inconsistent with a basic lending arrangement (see paragraph B4.1.8A).”

(h) for paragraph B4.1.16, the following paragraphs shall be substituted, namely: —

“B4.1.16 This may be the case if the financial asset represents an investment in particular assets or cash flows and hence the contractual cash flows are not solely payments of principal and interest on the principal amount outstanding. For example, if the contractual terms stipulate that the financial asset’s cash flows increase as more automobiles use a particular toll road, those contractual cash flows are inconsistent with a basic lending arrangement. As a result, the instrument would not satisfy the condition in paragraphs 4.1.2(b) and 4.1.2A(b).

B4.1.16A The situation described in paragraph B4.1.15 may also arise if a financial asset has ‘non-recourse’ features. A financial asset has non-recourse features if an entity’s ultimate right to receive cash flows is contractually limited to the cash flows generated by specified assets. In other words, the entity is primarily exposed to the specified assets’ performance risk rather than the debtor’s credit risk. For example, a creditor’s ultimate right to receive cash flows may be contractually limited to the cash flows generated by specified assets of a structured entity.”;

(i) for paragraph B4.1.17, the following paragraph shall be substituted, namely: —

"B4.1.17 However, the fact that a financial asset has non-recourse features does not in itself necessarily preclude the financial asset from meeting the condition in paragraphs 4.1.2(b) and 4.1.2A(b). In such situations, the creditor is required to assess ('look through to') the link between the particular underlying assets or cash flows and the contractual cash flows of the financial asset being classified to determine whether those contractual cash flows are payments of principal and interest on the principal amount outstanding. An entity shall also consider how this link is affected by other contractual arrangements, such as subordinated debt or equity instruments issued by the debtor. If the terms of the financial asset give rise to any other cash flows or limit the cash flows in a manner inconsistent with payments representing principal and interest, the financial asset does not meet the condition in paragraphs 4.1.2(b) and 4.1.2A(b). Whether the underlying assets are financial assets or non-financial assets does not in itself affect this assessment.";

(j) for paragraph B4.1.20, the following paragraphs shall be substituted, namely: —

"B4.1.20 In some types of transactions with non-recourse features, an issuer may prioritise payments to the holders of financial assets using multiple contractually linked instruments (tranches). Each tranche has a subordination ranking that specifies the order in which any cash flows generated by the issuer from the underlying pool of financial instruments are allocated to the tranche. The prioritisation of payments to the holders of these tranches is established through a waterfall payment structure that creates concentrations of credit risk and results in a disproportionate allocation of cash shortfalls from the underlying pool between the tranches. In such situations, the holders of a tranche have the right to payments of principal and interest on the principal amount outstanding only if the issuer generates sufficient cash flows to satisfy higher-ranking tranches. In these types of transactions, the holders of a tranche apply paragraphs B4.1.21–B4.1.26 instead of paragraph B4.1.17.

B4.1.20A Some transactions that may contain multiple debt instruments and appear to have the characteristics described in paragraph B4.1.20 are, in fact, lending arrangements that are structured to provide enhanced credit protection to a creditor (or group of creditors). For example, a structured entity may be set up to hold the underlying assets that will generate the cash flows to repay the creditor. The structured entity issues senior and junior debt instruments. The creditor holds the senior debt instrument and the entity sponsoring the structured entity that holds the junior debt instrument has no practical ability to sell the junior instrument without the senior debt instrument becoming payable. The holders of such debt instruments apply paragraphs B4.1.7–B4.1.19 instead of paragraphs B4.1.21–B4.1.26.";

(k) in paragraph B4.1.21, for the words beginning with "In such transactions" and ending with "outstanding only if", the following paragraph shall be substituted, namely: —

"B4.1.21 In transactions that contain contractually linked instruments, as described in paragraph B4.1.20, a tranche has cash flow characteristics that are payments of principal and interest on the principal amount outstanding only if:";

(l) for paragraph B4.1.23, the following paragraph shall be substituted, namely: —

"B4.1.23 The underlying pool must contain one or more instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. For the purposes of this assessment, the underlying pool can include financial instruments that are not within the scope of the classification requirements (see Section 4.1) but that have contractual cash flows that are equivalent to solely payments of principal and interest on the principal amount outstanding—for example, some lease receivables. However, lease receivables that are subject to residual value risk, or that comprise variable lease payments that are indexed to a variable that is not a basic lending risk or cost (for example, a market rental rate), do not have contractual cash flows that are equivalent to solely payments of principal and interest on the principal amount outstanding.";

(xii) in Appendix 1, for paragraph 3, the following paragraph shall be substituted, namely:—

"3. Paragraphs 7.1.1 to 7.1.3 of IFRS 9 related to effective date have not been included in Ind AS 109 as these paragraphs are not relevant in Indian context. Paragraph 7.1.11 has not been included since it relates to amendments due to issuance of IFRS 18, *Presentation and Disclosure in Financial Statements*, for which corresponding Ind AS is under formulation. Paragraph 7.1.13 has not been included since it relates to early application of the amendments to the classification and measurement of financial instruments which is not permitted in India. However, in order to maintain consistency with paragraph numbers of IFRS 9, these paragraph numbers are retained in Ind AS 109.".

(D) in “Indian Accounting Standard (Ind AS) 110”: —

(i) in Appendix B, for paragraph B74, the following paragraph shall be substituted, namely:—

“B74 Such a relationship need not involve a contractual arrangement. A party is a de facto agent when the investor has, the ability to direct that party to act on the investor’s behalf. A party might also be a de facto agent when those that direct the activities of the investor have the ability to direct that party to act on the investor’s behalf. The investor shall consider its de facto agent’s decision-making rights and its indirect exposure, or rights, to variable returns through the de facto agent together with its own when assessing control of an investee.”;

(ii) for Appendix C, the following Appendices shall be substituted, namely: —

“**Appendix C**

Effective date and transition

This appendix is an integral part of the Ind AS and has the same authority as the other parts of the Ind AS.

Effective date

C1-C1D [Refer Appendix 1]

C1E *Annual Improvements to Ind AS (2024)*, amended paragraph B74. An entity shall apply those amendments for annual reporting periods beginning on or after 1 April 2026.

Transition

C2-C9 [Refer Appendix 1]”

Appendix D

References to matters contained in other Indian Accounting Standards

This Appendix is an integral part of the Ind AS.

1. Appendix A, *Distribution of Non-cash Assets to Owners* contained, in Ind AS 10, *Events after the Reporting Period*, makes reference to this Standard also.

2. Appendix A, *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*, contained in Ind AS 37, *Provisions, Contingent Liabilities and Contingent Assets*, makes reference to this Standard also.”

(iii) in Appendix 1, in paragraph 3, for the words, letters and figure “Appendix C of IFRS 10”, the words, letters and figures “Paragraphs C1-C1D and C2-C9 of Appendix C of IFRS 10” shall be substituted.

(E) in “Indian Accounting Standard (Ind AS) 7”: —

(i) for paragraph 37, the following paragraph shall be substituted, namely: —

“37 When accounting for an investment in an associate, a joint venture or a subsidiary accounted for at cost, an investor restricts its reporting in the statement of cash flows to the cash flows between itself and the investee, for example, to dividends and advances.”;

(ii) after paragraph 63, the following paragraphs shall be inserted, namely: —

"64 [Refer Appendix 1]

65 *Annual Improvements to Ind AS (2024)*, amended paragraph 37. An entity shall apply that amendment for annual reporting periods beginning on or after 1 April 2026.";

(iii) in Appendix 1, after paragraph 6, the following paragraphs shall be inserted, namely:

"7. Paragraph 64 of IAS 7 has not been included as it relates to amendments due to issuance of IFRS 18, *Presentation and Disclosure in Financial Statements*, for which corresponding Ind AS is under formulation. However, in order to maintain consistency with paragraph numbers of IAS 7, the paragraph number is retained in Ind AS 7.

8. Reference to Equity method for accounting investment in an associate, a joint venture or a subsidiary in paragraph 37 of IAS 7 has been deleted in Ind AS 7 as option to use equity method in separate financial statements is not there under Ind AS 27, *Separate Financial Statements*.".

[F. No. 01/01/2009-CL-V (Part. XIV)]

BALAMURUGAN D, Jt. Secy.

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