

Uniquus Insights

NFRA Deliberations on Ind AS 118 and Key Regulatory Developments

Insights from the 22nd Meeting of the National Financial Reporting
Authority



Executive Summary

The expectations from financial reporting continue to evolve as investors, regulators, and other stakeholders seek greater transparency, consistency, and insight into an entity's financial performance. In this environment, regulatory developments and convergence with global standards play a critical role in shaping how financial information is presented and understood.

The **22nd Meeting of the National Financial Reporting Authority (NFRA)** held on **22 December 2025** is an important step in this direction. The discussions reflect NFRA's continued focus on strengthening the financial reporting framework in India and ensuring alignment with international best practices. A key area of deliberation was **Ind AS 118 – Presentation and Disclosure in Financial Statements**, which is converged with **IFRS 18** and represents a significant shift in the presentation of financial performance.

While Ind AS 118 does not change how financial performance is measured, it materially enhances how that performance is **presented, disaggregated, and explained** to users of financial statements. The emphasis on structured subtotals, clearer categorization of income and expenses, and improved disaggregation will require entities to re-examine their reporting processes, systems, and internal governance well ahead of implementation.

Through this publication, we aim to share key takeaways from the NFRA meeting, along with early insights on Ind AS 118, to help preparers, auditors, and finance leaders understand the regulatory direction and begin their readiness journey. Early engagement with these changes will be critical to ensuring a smooth transition and to delivering more meaningful financial communication to stakeholders.

We hope you find this update informative and useful as you navigate the evolving financial reporting landscape.

Yours faithfully

For Uniquis Consultech Inc.



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Executive Summary

NFRA deliberates on Ind AS 118 – Presentation and Disclosure in Financial Statements

Key Highlights from the 22nd NFRA Meeting

Ind AS 118 – Why It Matters

Spotlight: Improved Disaggregation of Financial Information

NFRA's 22nd Meeting: Key Deliberations on Ind AS 118

Decisions and Regulatory Next Steps

Uniquis Perspective

Stay Tuned

NFRA deliberates on Ind AS 118 – Presentation and Disclosure in Financial Statements

The 22nd Meeting of the National Financial Reporting Authority (NFRA), held on 22 December 2025, marks an important milestone in India's financial reporting landscape. The meeting focused on key regulatory and standard-setting matters, including deliberations on Ind AS 118 – Presentation and Disclosure in Financial Statements, which is aligned with IFRS 18.

Key Highlights from the 22nd NFRA Meeting

The meeting was chaired by **Shri Nitin Gupta, Chairperson, NFRA**, and attended by full-time and part-time members of NFRA, senior representatives from **ICAI, ASB, AASB**, and NFRA officials—reflecting strong coordination between regulators and the profession.

Key aspects discussed during the meeting included:

- Developments in financial reporting and auditing standards in India
- Oversight and governance considerations in financial reporting
- Alignment of Indian standards with global best practices
- Regulatory preparedness for the implementation of **Ind AS 118**

The discussions reiterated NFRA's commitment to **enhancing transparency, consistency, and comparability** in financial reporting, with a strong focus on user needs.

Ind AS 118 – Why It Matters

In January 2025, ICAI issued the exposure draft of Ind AS 118, which was made available to the public for approximately four months. ICAI sent the proposal to NFRA in August 2025. Ind AS 118 represents a **significant evolution from Ind AS 1**, without changing how financial performance is measured, but fundamentally improving **how performance is presented and communicated**.

The standard introduces:

- New categories and mandatory subtotals in the Statement of Profit or Loss
- Clearer structure and presentation requirements
- Enhanced disclosure discipline, particularly around management-defined measures

Executive Summary

NFRA deliberates on Ind AS 118 – Presentation and Disclosure in Financial Statements

Key Highlights from the 22nd NFRA Meeting

Ind AS 118 – Why It Matters

Spotlight: Improved Disaggregation of Financial Information

NFRA's 22nd Meeting: Key Deliberations on Ind AS 118

Decisions and Regulatory Next Steps

Uniquis Perspective

Stay Tuned

Spotlight: Improved Disaggregation of Financial Information

One of the most impactful aspects of Ind AS 118, as highlighted in **Uniquis' Early Impressions** ([*Ind AS 118, Presentation and Disclosure in Financial Statements \(Exposure Draft\)*](#)), is its **strong emphasis on disaggregation of financial information**.

What's changing?

- Entities will need to **break down aggregated line items** where material information may otherwise be obscured.
- Disaggregation must reflect **different economic characteristics** of income and expenses.
- The standard discourages “one-line” presentations that limit insight into performance drivers.

Why this matters

For users of financial statements, enhanced disaggregation:

- Improves **clarity on recurring vs. non-recurring performance**
- Enables **better peer comparison**
- Strengthens linkage between **internal management reporting and external disclosures**

For preparers, this will require:

- Re-evaluation of the chart of accounts and reporting structures
- Stronger judgement frameworks around aggregation vs. disaggregation
- Early assessment of system and process readiness

Executive Summary

NFRA deliberates on Ind AS 118 – Presentation and Disclosure in Financial Statements

Key Highlights from the 22nd NFRA Meeting

Ind AS 118 – Why It Matters

Spotlight: Improved Disaggregation of Financial Information

NFRA's 22nd Meeting: Key Deliberations on Ind AS 118

Decisions and Regulatory Next Steps

Uniquis Perspective

Stay Tuned



NFRA's 22nd Meeting: Key Deliberations on Ind AS 118

NFRA's discussions reflected a broad consensus on the direction, intent, and benefits of the new Standard, while also addressing India-specific implementation considerations. Set out below are the key themes that emerged from the deliberations, along with the Authority's conclusions.

Convergence with Global Reporting Practices

NFRA reaffirmed the Government of India's policy of convergence with IFRS and acknowledged the extensive due process undertaken by the ICAI, including public consultation and outreach. Ind AS 118 mirrors IFRS 18 without carve-outs, reinforcing India's commitment to global comparability in financial reporting.

NFRA's view: Full convergence with IFRS 18 is appropriate and desirable at this stage.

Enhanced Presentation of Financial Performance

Members noted that Ind AS 118 does not alter recognition or measurement principles. Instead, it fundamentally improves **how financial performance is presented and explained**, particularly through:

- A more structured Statement of Profit and Loss,
- Clearer subtotals and categories,
- Stronger aggregation and disaggregation principles, and
- Improved transparency for users of financial statements.

The focus on the Statement of Profit and Loss directly addresses long-standing investor and analyst concerns about comparability and clarity.

NFRA's view: Ind AS 118 meaningfully strengthens financial communication without increasing accounting complexity.

Classification of Expenses: Flexibility over Prescription

A key area of discussion was the introduction of **functional classification of expenses** as an option, in addition to the traditional **nature-wise classification**.

While functional classification was widely recognized as enhancing profitability analysis (including clearer presentation of gross profit), members cautioned against mandating a single format. India's diverse industries and long-standing practices warranted flexibility.

NFRA's view: Providing a **choice between functional and nature-wise classification** strikes the right balance between comparability and practicality, allowing management to select the presentation that best reflects its business model.

Executive Summary

NFRA deliberates on Ind AS 118 – Presentation and Disclosure in Financial Statements

Key Highlights from the 22nd NFRA Meeting

Ind AS 118 – Why It Matters

Spotlight: Improved Disaggregation of Financial Information

NFRA's 22nd Meeting: Key Deliberations on Ind AS 118

Decisions and Regulatory Next Steps

Uniquis Perspective

Stay Tuned

Management-defined Performance Measures (MPMs)

The inclusion of management-defined performance measures within financial statements attracted detailed discussion. While concerns were raised about subjectivity, it was noted that Ind AS 118 introduces a disciplined framework that:

- Limits MPMs to measures used internally by management,
- Requires clear reconciliation to accounting totals,
- Mandates consistency and transparency around changes.

SEBI's views on enhancing discipline were considered to be substantially addressed within the Standard itself. SEBI suggested that MPMs should:

- Represent key aspects of financial performance monitored internally;
- Be measurable and capable of reliable determination;
- Not exclude recurring items without adequate justification;
- Be applied consistently unless a change improves relevance; and
- Be aligned, where practicable, with industry practices.

NFRA's view: Ind AS 118 improves transparency and control over non-GAAP measures, reducing the risk of selective or misleading performance reporting.

Effective Date and Transition

NFRA carefully considered implementation timelines and cross-border alignment challenges. While April 1 is the standard effective date in India, flexibility was deemed necessary for Indian subsidiaries of foreign companies reporting on a calendar-year basis.

NFRA's view:

- Mandatory application for annual periods beginning on or after **1 April 2027**
- **Early adoption permitted from 1 January 2027** for calendar-year entities, particularly subsidiaries of foreign parents

Consequential Regulatory Changes

The Authority recognized that Ind AS 118 will require alignment across the broader regulatory framework.

NFRA resolved to:

- Recommend that the **Ministry of Corporate Affairs** consider changes to Schedule III of the Companies Act, 2013
- Suggest that **SEBI** update its reporting formats and guidance, as required.

Executive Summary

NFRA deliberates on Ind AS 118 – Presentation and Disclosure in Financial Statements

Key Highlights from the 22nd NFRA Meeting

Ind AS 118 – Why It Matters

Spotlight: Improved Disaggregation of Financial Information

NFRA's 22nd Meeting: Key Deliberations on Ind AS 118

Decisions and Regulatory Next Steps

Uniquis Perspective

Stay Tuned

Decisions and Regulatory Next Steps

At the conclusion of the meeting, the National Financial Reporting Authority (NFRA) approved a set of decisions establishing the regulatory pathway for the adoption of **Ind AS 118 – Presentation and Disclosure in Financial Statements**.

NFRA resolved to **recommend the ICAI proposal on Ind AS 118 to the Central Government for notification**, with the sole modification relating to the **effective date**. The Authority agreed that Ind AS 118 should apply to **annual reporting periods beginning on or after 1 April 2027**.

To address consolidation and alignment challenges for Indian entities reporting on a calendar-year basis—particularly subsidiaries of foreign parents adopting **IFRS 18 from 1 January 2027**—NFRA also recommended **that such entities early adopt Ind AS 118 for annual periods beginning on or after 1 January 2027**.

Recognizing that the revised presentation and disclosure requirements may have broader regulatory implications, NFRA further resolved to:

Suggest to the Ministry of Corporate Affairs (MCA) that any consequential amendments required to **Schedule III of the Companies Act, 2013**, be considered; and

Suggest to the Securities and Exchange Board of India (SEBI) that its reporting formats, circulars, or guidance be reviewed and updated, as necessary, to ensure consistency with the notification and implementation of Ind AS 118.

These decisions collectively provide clarity on the implementation timeline and reinforce the need for coordinated action across accounting standards, corporate law, and securities regulation to ensure a smooth, consistent transition.

Executive Summary

NFRA deliberates on Ind AS 118 – Presentation and Disclosure in Financial Statements

Key Highlights from the 22nd NFRA Meeting

Ind AS 118 – Why It Matters

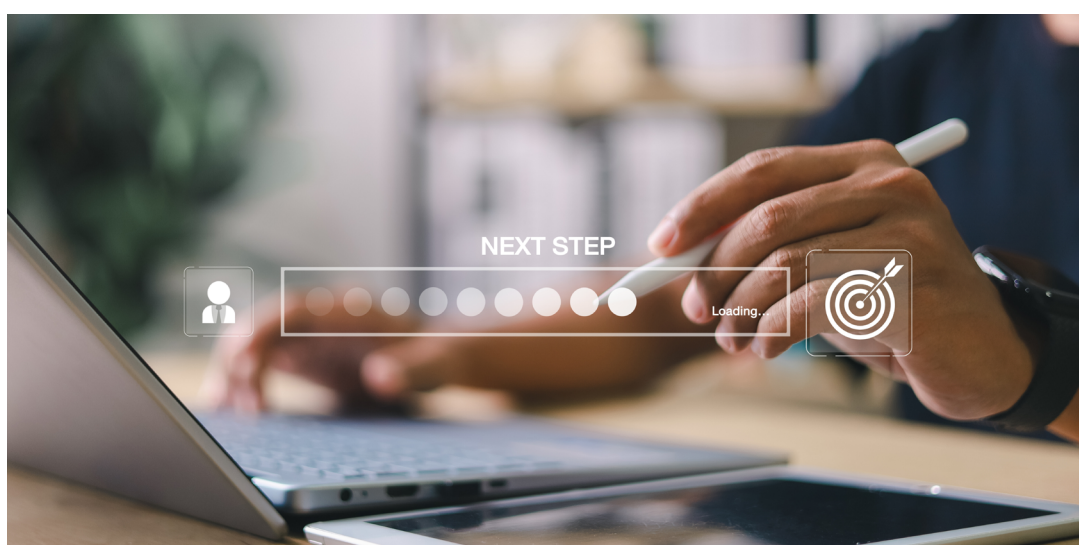
Spotlight: Improved Disaggregation of Financial Information

NFRA's 22nd Meeting: Key Deliberations on Ind AS 118

Decisions and Regulatory Next Steps

Uniquis Perspective

Stay Tuned



Uniquis Perspective

The discussions at NFRA's 22nd Meeting, together with the principles embedded in Ind AS 118, clearly signal a shift towards **more decision-useful financial reporting**. While the transition will require effort, particularly around data granularity, systems, and controls, the long-term benefits in terms of transparency and comparability are significant.

Organizations should begin:

- Assessing the impact of Ind AS 118 on their financial statements
- Identifying areas where current aggregation may not meet future requirements
- Aligning finance teams, systems, and governance processes well ahead of implementation

Stay Tuned

We will continue to track regulatory developments and share practical insights on implementing Ind AS 118, including sector-specific considerations and transition challenges.

For further discussion or tailored impact assessments, please reach out to our Accounting & Reporting Consulting team.

For more information on the Exposure draft of Ind AS 118, see the [press release](#) on the ICAI's Web site.

Executive Summary

NFRA deliberates on Ind AS 118 – Presentation and Disclosure in Financial Statements

Key Highlights from the 22nd NFRA Meeting

Ind AS 118 – Why It Matters

Spotlight: Improved Disaggregation of Financial Information

NFRA's 22nd Meeting: Key Deliberations on Ind AS 118

Decisions and Regulatory Next Steps

Uniquis Perspective

Stay Tuned



About Uniquis Consultech:

Uniquis Consultech is a global tech-enabled consulting company that specializes in Accounting & Reporting, Governance, Risk & Compliance, Sustainability & Climate Consulting, and Tech Consulting. The Company is co-founded by consulting veterans Jamil Khatri and Sandip Khetan and backed by marquee investors such as Nexus Venture Partners, Sorin Investments, and UST. Anu Chaudhary, a global sustainability and climate specialist with over 25 years of experience, serves as the Global Head of Sustainability & Climate Consulting.

Uniquis has a global team of 700+ professionals led by 75+ Partners & Directors across eleven offices in the USA, the Middle East, and India. The company serves more than 400 clients, including marquee names in each of the markets it operates in.

Uniquis is committed to leveraging technology and an integrated global delivery model to provide best-in-class consulting services to its clients.

About Our Accounting & Reporting Consulting Services:

In today's dynamic business environment, organizations are continuously required to adapt to the dynamic shifts in accounting & reporting standards and regulations. Enhanced management reporting requirements and accelerated reporting timelines necessitate increased automation within the finance function. Special events, such as preparing for an IPO/capital market transaction or fulfilling the reporting requirements arising from an M&A transaction, introduce additional complexities and challenges for the finance function.

As a result, organizations need to transform their finance functions from time to time with a focus on people, processes, and technology. Our Accounting & Reporting Consulting (ARC) practice is designed to partner with the finance function through these challenges. Our teams function as an extension of your finance teams to execute your plans seamlessly.

We bring the necessary technical expertise, skills, technology, and bandwidth, enabling you to navigate your plans in real time without adding additional manpower costs within the organization.

A TEAM That YOU CAN TRUST TO DELIVER



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