Accounting Standards: Quick Referencer for Micro Non-company Entities

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The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)
New Delhi

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Background

Accounting Standards (AS) issued by the Institute of Chartered Accountants of India (ICAI) are applicable to Non-company entities to whom Ind AS are not applicable. For applicability of AS, the ICAI in 2004, prescribed the criteria classifying entities as Level I, Level II and Level III, wherein subsequently minor revisions were made. Level II and Level III non-company entities were classified as Small and Medium sized Entities (SME) to whom certain exemptions/relaxations were provided.

In July 2020, the threshold limits for classification of Micro, Small and Medium Enterprises (MSMEs) under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, had been substantially revised. Considering this change, the inflation, and that the criteria for classification of Non-company entities was laid down long back, the Accounting Standards Board (ASB) of ICAI considered, through due process, including outreach, the revision the criteria to achieve simplification and ease of doing business by Micro and Small non-company entities. The ICAI has issued an Announcement revising the criteria for classification of Non-company entities into four Levels, viz., Level I, Level II, Level III and Level IV which is applicable in respect of accounting periods commencing on or after April 1, 2020. Level IV, Level III and Level II entities are referred to as Micro, Small and Medium size entities (MSMEs). The Announcement includes details of exemptions/relaxations to MSMEs and the guidance on transitioning between levels. The Announcement has been included as Appendix 1 of this Publication.

In accordance with the Announcement, following is the list of Accounting Standards that are generally applicable to Level IV entities, viz., Micro Non-company entities (MiNCE)) for the accounting periods beginning on or after April 1, 2020:

AS 1, Disclosure of Accounting Policies	AS 2, Valuation of Inventories
AS 4, Contingencies and Events Occurring After the Balance Sheet Date	AS 5, Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies
AS 7, Construction Contracts	AS 9, Revenue Recognition

AS 10, Property, Plant and Equipment (Applicable with disclosures exemption)	AS 11, The Effects of Changes in Foreign Exchange Rates (Applicable with disclosures exemption)
AS 12, Government Grants	AS 13, Accounting for Investments (Applicable with disclosures exemption)
AS 15, Employee Benefits (Applicable with exemptions)	AS 16, Borrowing Costs
AS 19, Leases (Applicable with disclosures exemption)	AS 22, Accounting for Taxes (Applicable only for current tax related provisions)
AS 26, Intangible Assets (Applicable with disclosures exemption)	AS 29, Provisions, Contingent Liabilities and Contingent Assets (Applicable with disclosures exemption)

This Publication has two Parts, viz, Part I and Part II. Part I provides an overview of recognition and measurement related provisions prescribed in AS applicable to MiNCE and Part II include Disclosures Checklist under AS applicable to these entities. It is pertinent to note that the full text of ASs should be referred for comprehensive knowledge on the subject.

This Publication covers recognition, measurements and disclosure requirements under above stated AS. Certain other AS, namely, AS 14, *Accounting for Amalgamations*, AS 21, *Consolidated Financial Statements*, AS 23, *Accounting for Investments in Associates in Consolidated Financial Statements*, AS 25, *Interim Financial Statements,* AS 27, *Financial Reporting for Interests in Joint Ventures*, are not covered in the Publication since in case of micro non-company entities generally there are no such transactions. However, if there are such transactions covered under these standards, the entities shall apply the requirements of these standards. Further, AS 3, *Cash Flow Statements,* AS 17, *Segment Reporting,* AS 18, *Related Party Disclosures,* AS 20, *Earnings Per Share,* AS 24, *Discontinued Operations,* AS

28, *Impairment of Assets,* are also not covered in this Publication since these are not applicable to MiNCE. Also, references to these AS, which are not applicable to MiNCE, have not been included in the AS applicable to these entities, e.g., requirements regarding impairment of assets referred in AS 10, reference to intangible assets acquired in amalgamation transactions referred in AS 26, etc. have not been included. AS 22, *Accounting for Incomes Taxes,* shall apply to MNCE for Current tax requirements only.

For the complete text of the applicable/relevant ASs mentioned in above paragraph, please refer publications of the Accounting Standards Board; Compendium of Accounting Standards, Accounting Standards: Quick Referencer and Accounting Standards: Disclosure Checklist (Revised February 2020).

Foreword

Small and Medium Entities (SMEs) represent over 90% of total entities in many countries worldwide and contribute significantly to the respective national economies through investment, employment generation, production of goods and services, etc. Similarly, SMEs in India also have always been the backbone of the Indian economy. In view of their significance in the economy, good quality financial reporting by such entities is called for.

The quality of financial reporting primarily depends on the twin towers of recognition & measurement principles and disclosure & presentation of relevant information. Accounting Standards establish the sound principles for recognition, measurement, presentation and disclosures of information in the financial statements.

For the purpose of applicability of Accounting Standards, entities are classified into companies and non-company entities. The Accounting Standards prescribed by the Institute of Chartered Accountants of India (ICAI) are applicable to Non-company entities. In order to ensure that the relevant Accounting Standards are effectively implemented by various entities, the ICAI had categorised non-company entities into Level I, Level II and Level III for applicability of Accounting Standards. Level II and Level III non-company entities were further classified as Small and Medium Sized Entities and certain exemptions/relaxations were provided to these entities.

In view of various developments taken place over the time, such as, threshold limits for classification of Micro, Small and Medium Enterprises (MSMEs) under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, and substantial revisions in the same, and considering that the criteria for classification of Non-company entities was laid down long back, the ICAI had revised the criteria for classification of Non-company entities. In this regard, the ICAI has recently issued an Announcement revising the criteria for classification of Non-company entities into four Levels, viz., Level I, Level II, Level III and Level IV which is applicable in respect of accounting periods commencing on or after April 1, 2020. Level IV, Level III and Level II entities are referred to as Micro, Small and Medium size entities (MSMEs).

For ease of Micro Non-company entities (Level IV), the Accounting Standards Board (ASB) has come out with this Publication bringing, at one place, the recognition, measurement and disclosure requirements under Accounting

Standards applicable for such entities.

I congratulate the Accounting Standards Board in taking this initiative and coming out with this Publication.

I appreciate CA. M.P. Vijay Kumar, Chairman, ASB, CA. (Dr.) Sanjeev Kumar Singhal, Vice-chairman, ASB, and all members of the ASB who have made invaluable contribution in the various activities of the ASB and coming out with this Publication.

I am confident that this Publication would be extremely helpful to the Micro Non-company entities for preparing their financial statements and members of the ICAI while discharging their professional duties.

May 19, 2021 **CA. Nihar N Jambusaria**
New Delhi President, ICAI

Preface

Accounting Standards issued by the ICAI are applicable to Non-company entities to whom Ind AS are not applicable. Small and Medium sized Non-company entities have been provided certain exemptions so that relevant accounting requirements are made applicable to such entities and effective compliance can be achieved. In this regard, for applicability of Accounting Standards, the ICAI in 2004, prescribed the criteria for classification of entities into level I, Level II and Level III, wherein subsequently minor revisions were made. Level II and Level III non-company entities were classified as Small and Medium sized Entities (SME) and exemptions/relaxations were available to such entities.

The Ministry of Micro, Small and Medium Enterprises has made substantial revisions in the threshold limits for classification of Micro, Small and Medium Enterprises (MSMEs) vide Notification dated June 1, 2020, under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006. The Government, in the recent past, has increased focus on ease of doing business for MSME and is also evaluating reducing compliance reporting / requirements.

In view of the above, the Accounting Standards Board (ASB) of the ICAI undertook the task of revision in the criteria for classification of Non-company entities. The ASB also considered the inflation, other developments taken place and the insights obtained from the outreach conducted in recent past for simplification of Accounting Standards, and recommended the revision in the criteria for classification of SMEs.

Accordingly, the Council of the ICAI after considering recommendations of the ASB issued an Announcement revising the criteria for classification of Non-company entities into four Levels, viz., Level I, Level II, Level III and Level IV which is applicable in respect of accounting periods commencing on or after April 1, 2020. Level IV, Level III and Level II entities are referred to as Micro, Small and Medium size entities (MSMEs). The Announcement has provided certain additional exemptions/relaxations to MSMEs.

The Accounting Standards Board (ASB) had earlier come out with Publications on 'Accounting Standards: Quick Referencer (As on April 1, 2019)' providing a quick guide of the key recognition and measurement provisions of the Accounting Standards and 'Accounting Standards (AS): Disclosures Checklist

(Revised February, 2020) providing all the Accounting Standards disclosures at one place. Taking those publications as base, this publication has been brought out for level IV, i.e., Micro Non-company entities (MiNCE) for the ease of reference and understanding by such entities. This Publication is bifurcated in two Parts; Part I provides an Overview of Accounting Standards applicable to MiNCE and Part II includes Disclosures Checklist under AS applicable to these entities. This Publication summarizes the Accounting Standards in a lucid language to address the need of a concise book for micro-size entities to be used as ready referencer. This Publication does not include disclosure requirements under other regulatory requirements applicable to such entities. This Publication has been prepared for ease of reference by relevant stakeholders, however, the readers are encouraged to refer the full text of Accounting Standards for comprehensive knowledge on the subject.

I would like to convey my sincere gratitude to our Honourable President, CA. Nihar N. Jambusaria, who had conceptualized the thought of developing a simple guide for MiNCE for their ease of understanding, reference and guidance on the Accounting Standards. This Publication was possible only because of his continuous motivation to bring out this publication in simple language.

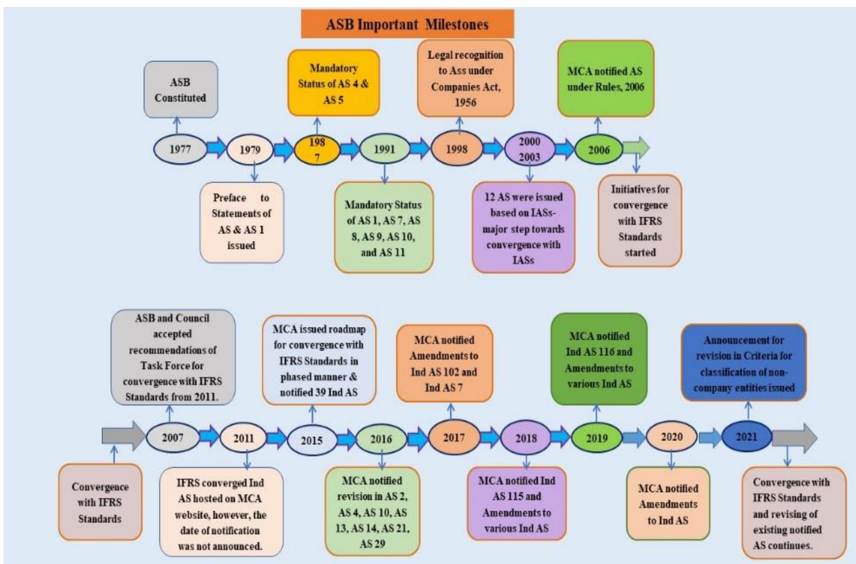
I am very thankful to the Vice President, CA. (Dr.) Debashis Mitra, for providing us opportunity of bringing out this Publication as a useful tool for compliance with relevant requirements of Accounting Standards by MiNCE and by the Accounting professionals. I place on record my sincere thanks to the Vice Chairman, ASB, CA. (Dr) Sanjeev Singhal, for championing the initiative of revision of thresholds for classification of Non-company entities and simplifying the accounting requirements for MSMEs by providing certain additional exemptions to such entities to enhance compliance. CA. (Dr) Sanjeev Singhal has been extremely passionate in piloting this initiative. I am thankful to all the Council colleagues for their guidance and unanimous support to the proposal of revising the threshold and defining exemptions/ relaxations. My thanks are due to the members of the ASB for their valuable contribution in all the activities of the ASB.

I also sincerely appreciate the contributions made by Staff of the ASB in preparing this Publication.

May 15, 2021 **CA. M.P. Vijay Kumar**
New Delhi Chairman, Accounting Standards Board

About the Accounting Standards Board

The Institute of Chartered Accountants of India (ICAI) being the premier accounting body in the country had set up the Accounting Standards Board (ASB) on 21st April, 1977, with key objective of formulating Accounting Standards (AS/ASs) to harmonise varied accounting practices. ICAI, being the associate member of the International Accounting Standards Committee and full-fledged member of the International Federation of Accountants decided to consider the International Accounting Standards while formulating Accounting Standards and try to integrate them to the extent possible in the light of the local laws and regulations. Apart from playing sheet anchor role in standard-setting in the country, the ASB plays an active role in international standard-setting by participating in various international accounting forums.



The AS which at present are applicable to the entities not following Ind AS, are nearly more than 20 years old and many of them are more than 30 years old. Though these are well established in the country, in order to ensure that the ASs capture the contemporary business reporting needs and are in line with the economic developments of the country, the same need to be reviewed and revised from time to time. Further, our country's economy has grown over the period of time and there are aspirations to become US$ 5 trillion economy in a few years. It is well recognised fact that Micro, Small and Medium Entities

(MSMEs) have got a significant role to play in the economic growth and development of the country, which calls for sound financial reporting by such entities. Therefore, to meet the growing financial reporting needs of the MSMEs, these existing Accounting Standards are being revised considering the developments in financial reporting arena internationally. While doing so, considering these Accounting Standards would be applicable to Micro entities, there would be lesser use of fair values and time value of money and optimal disclosures would be required. Accordingly, certain Accounting Standards in their entirety and certain disclosure requirements have been exempted to Micro Non-Company entities.

Part –I An Overview of Accounting Standards Applicable to Micro Non-company Entities

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Part–II Disclosures Checklist under Accounting Standards– Applicable to Micro Non-company Entities

Contents

Part –I An Overview of Accounting Standards Applicable to Micro Non-company Entities

AS 1, Disclosure of Accounting Policies

This Standard deals with the disclosure of significant accounting policies which are followed in preparing and presenting financial statements.

Disclosure of Accounting Policies

To ensure proper understanding of financial statements, it is necessary that all significant accounting policies adopted in the preparation and presentation of financial statements should be disclosed. Such disclosure should form part of the financial statements.

Accounting Policies refer to the specific accounting principles and methods of applying those principles adopted by the enterprise in the preparation and presentation of financial statements.

Disclosure of accounting policies or of changes therein cannot remedy wrong or inappropriate treatment of the item in the books of accounts.

Consideration in Selection of Accounting Policies	Primary Consideration-Financial statements should represent true and fair view
	Major considerations in achieving the primary consideration- Prudence, Substance over form, Materiality

Fundamental Accounting Assumptions - Disclose if not followed	Going Concern
	Consistency
	Accrual

Change in an Accounting Policy

- Disclose change which has material effect in the current period or is reasonably expected to have material impact in later periods.

AS 1, Disclosure of Accounting Policies

- In case of change which has material effect in the current period, disclose, to the extent ascertainable, the amount by which any item in the financial statements is affected by such change.
- If not ascertainable, wholly or in part, indicate the fact.

AS 2, Valuation of Inventories

This Standard deals with the determination of value at which inventories are carried in the financial statements, including the ascertainment of cost of inventories and any write-down thereof to net realisable value.

Excluded inventories **(not dealt with by AS 2)**	work in progress arising under construction contracts
	work in progress arising in the ordinary course of business of service providers
	shares, debentures and other financial instruments held as stock-in-trade
	producers' inventories of livestock, agricultural and forest products, and mineral oils, ores and gases to the extent that they are measured at net realisable value in accordance with well-established practices in those

Inventories are assets:

- **held for sale in the ordinary course of business;**
- **in the process of production for such sale; or**
- **in the form of materials or supplies to be consumed in the production process or in the rendering of services.**

Do not include spare parts, servicing equipment and standby equipment which meet the definition of PPE as per AS 10.

Measurement- lower of cost and net realisable value

Net realisable value	• Estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale • Assessment to be made at each balance sheet date
Cost of Inventories	Cost of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present condition and location.

	Costs of purchase - Purchase price excluding trade discounts, rebates, etc. - Duties and taxes other than refundable duties and taxes - Freight inwards - Other expenditure directly attributable to the acquisition Costs of conversion - Allocation of fixed production overheads based on normal capacity - Variable production overheads assigned to each unit of production on the basis of the actual use of production facilities Exclusions - Abnormal wastage - Storage costs unless necessary in the production process prior to a further production stage - Selling and Distribution costs - Administrative overheads that do not contribute to bringing the inventories to their present location and condition - Unallocated overheads

Exception- Materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

Cost Formulas:

- The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects should be assigned by specific identification of their individual costs.
- For other inventories, cost can be assigned by using the first-in, first-out (FIFO), or weighted average cost formula, whichever reflects the fairest possible approximation to the cost incurred in bringing the inventories to their present location and condition.

AS 4, Contingencies and Events Occurring After the Balance Sheet Date

This Standard deals with the treatment of contingencies and events occurring after the balance sheet date.

A contingency is a condition or situation, the ultimate outcome of which, gain or loss, will be known or determined only on the occurrence or non-occurrence, of one or more uncertain future events.

Events occurring after the balance sheet date are those significant events, both favourable and unfavourable, that occur between the balance sheet date and the date on which the financial statements are approved by the Board of Directors in the case of a company and, by the corresponding approving authority in the case of any other entity.

Two types of events can be identified:

- **Adjusting events: those which provide further evidence of conditions that existed at the balance sheet date; and**
- **Non-adjusting events: those which are indicative of conditions that arose subsequent to the balance sheet date.**

Accounting Treatment

Contingencies

- Contingent gains should not be recognised in the financial statements.
- Contingent loss should be provided for by a charge in the Statement of Profit and Loss if:

  a) it is probable that future events will confirm that, after taking into account any related probable recovery, an asset has been impaired or a liability has been incurred as at the balance sheet date, and

  b) a reasonable estimate of the amount of the resulting loss can be made.

  If either of the above conditions is not met, the existence of a contingent loss should be disclosed in the financial statements, unless the possibility of the loss is remote.

- Requirements relating to contingencies are applicable only to the extent not covered by other Accounting Standards. For example, impairment of financial assets such as, impairment of receivables (commonly known as provisions for bad and doubtful debts) is governed by this Standard.

Events occurring after the Balance Sheet Date

Adjusting Events

- Assets and liabilities should be adjusted for events occurring after the balance sheet date that provide additional evidence to assist the estimation of amounts relating to conditions existing at the balance sheet date or that indicate that the fundamental accounting assumption of going concern (i.e., the continuance of existence or substratum of the enterprise) is not appropriate.

Non-Adjusting Events

- Disclosure should be made in the report of the approving authority of those events occurring after the balance sheet date that represent material changes and commitments affecting the financial position of the enterprise.

Proposed Dividend

- If dividend is declared after the balance sheet date, such dividends will not be recognised as a liability at the balance sheet date unless a Statue requires otherwise. Such dividends should be disclosed in the notes.

AS 5, Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies

This Standard should be applied by an enterprise in presenting profit or loss from ordinary activities, extraordinary items and prior period items in the Statement of Profit and Loss, in accounting for changes in accounting estimates, and in disclosure of changes in accounting policies.

Ordinary activities are any activities which are undertaken by an enterprise as part of its business and such related activities in which the enterprise engages in furtherance of, incidental to, or arising from, these activities.

Extraordinary items are income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the enterprise and, therefore, are not expected to recur frequently or regularly.

Prior period items are income or expenses which arise in the current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods.

Net Profit or Loss for the period

- All items of income and expense which are recognised in a period should be included in the determination of net profit or loss for the period unless an Accounting Standard requires or permits otherwise.
- The net profit or loss for the period comprises the following components, each of which should be disclosed on the face of the Statement of Profit and Loss:
    - a) profit or loss from ordinary activities; and
    - b) extraordinary items.

Extraordinary items

Extraordinary items should be disclosed in the Statement of Profit and Loss as a part of net profit or loss for the period. The nature and the amount of each extraordinary item should be separately disclosed in the Statement of Profit and Loss in a manner that its impact on current profit or loss can be perceived. Example, attachment of property of the enterprise, or an earthquake.

Profit or loss from ordinary activities

When items of income and expense within profit or loss from ordinary activities are of such size, nature or incidence that their disclosure is relevant to explain the performance of the enterprise for the period, the nature and amount of such items should be disclosed separately.

Prior period items

The nature and amount of prior period items should be separately disclosed in the Statement of Profit and Loss in a manner that their impact on the current profit or loss can be perceived.

Prior period items are normally included in the determination of net profit or loss for the current period. An alternative approach is to show such items in the statement of profit and loss after determination of current net profit or loss. In either case, the objective is to indicate the effect of such items on the current profit or loss.

Changes in Accounting Policy

- A change in an accounting policy should be made only if the adoption of a different accounting policy is required by statute or for compliance with an Accounting Standard or if it is considered that the change would result in a more appropriate presentation of the financial statements of the enterprise.
- Refer AS 1 for disclosures with respect to changes in accounting policies.

Changes in Accounting Estimates

- Use of estimates is essential for preparation of financial statements. Estimates may have to be revised if changes occur regarding the circumstances on which the estimates were made or as a result of new information, more experience or subsequent developments.
- The effect of a change in an accounting estimate should be included in the determination of net profit or loss in:
  - a) the period of the change, if the change affects the period only; or
  - b) the period of the change and future periods, if the change affects both.

- The nature and amount of a change in an accounting estimate which has a material effect in the current period, or which is expected to have material effect in subsequent periods, should be disclosed. If it is impracticable to quantify the amount, this fact should be disclosed.

Whenever it is difficult to distinguish between change in an accounting policy and change in an accounting estimate, the change is treated as change in an accounting estimate.

AS 7, Construction Contracts

This Standard prescribes the accounting for construction contracts in the financial statements of contractors.

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contract revenue

Contract revenue should comprise:

a) the initial amount of revenue agreed in the contract; and

b) variations in contract work, claims and incentive payments:

   i. to the extent that it is probable that they will result in revenue; and

   ii. they are capable of being reliably measured.

Contract costs

Contract costs comprises:

a) costs that relate directly to the specific contract, e.g., site labour costs, cost of materials used in construction, etc.;

b) costs that are attributable to contract activity in general and can be allocated to the contract, e.g., insurance, construction overheads, borrowing costs as per AS 16, *Borrowing Costs*, etc.; and

c) such other costs as are specifically chargeable to the customer under the terms of the contract, e.g., general administration costs and development costs for which reimbursement is specified in the terms of contract.

- *Exclusions*-Costs of a construction contract exclude costs that cannot be attributed to contract activity or cannot be allocated to a contract, e.g.,

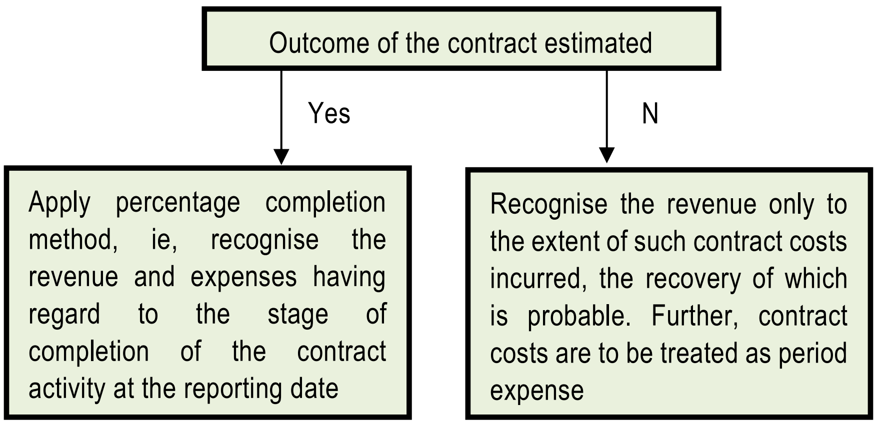
   (i) general administration costs for which reimbursement is not specified in the contract;

(ii) selling costs;

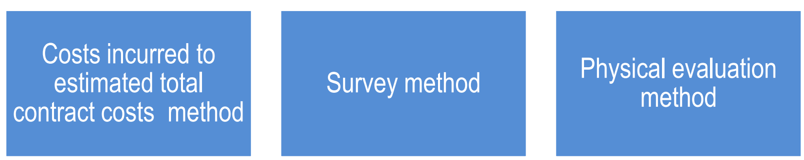
(iii) depreciation of idle plant and equipment that is not used on a particular contract;

(iv) research and development costs for which reimbursement is not specified in the contract.

Recognition of Contract Revenue and Expenses



Determination of stage of completion- Examples of methods (depends on nature of the contract)



Treatment of contract costs relating to future activity

Recognised as an asset provided it is probable that they will be recovered. Such costs represent an amount due from the customer and are often classified as contract work-in-progress. Example: uninstalled material, etc.

Treatment of expected loss on the contract

When it is probable that total contract costs will exceed total contract revenue, the expected loss on the contract should be immediately recognised as an expense.

Uncertainty regarding collectability of an amount

When an uncertainty arises about the collectability of an amount already included in contract revenue, and already recognised in the Statement of Profit and Loss, the uncollectable amount or the amount in respect of which recovery has ceased to be probable is recognised as an expense rather than as an adjustment to the amount of contract revenue.

AS 9, Revenue Recognition

This Standard deals with the bases for recognition of revenue in the Statement of Profit and Loss of an enterprise. The Standard is concerned with the recognition of revenue arising in the course of the ordinary activities of the enterprise from:

a) Sale of goods

b) Rendering of services

c) Interest, royalties and dividends

> Revenue is the gross inflow of cash, receivables or other consideration arising in the course of the ordinary activities of an enterprise from the sale of goods, from the rendering of services, and from the use by others of enterprise resources yielding interest, royalties and dividends.

Measurement

- Revenue is measured by the charges made to customers or clients for goods supplied and services rendered to them and by the charges and rewards arising from the use of resources by them.
- In an agency relationship, the revenue is the amount of commission and not the gross inflow of cash, receivables or other consideration.

Recognition criteria

S.no.	Revenue arising from	Recognition criteria
1.	**Sale of goods**	a) Property in goods or significant risks and rewards of ownership have been transferred b) No effective control is retained in the goods transferred by the seller to a degree usually associated with ownership c) No significant uncertainty exists regarding the amount of the consideration At the time of performance it should

		not be unreasonable to expect ultimate collection.
2.	**Rendering of services**	a) Performance should be measured either under the completed service contract method or under the proportionate completion method, whichever relates the revenue to the work accomplished. b) No significant uncertainty exists regarding the amount of the consideration At the time of performance it should not be unreasonable to expect ultimate collection.
3.	**Revenue arising from the use by others of enterprise resources yielding:**	Recognise revenue when no significant uncertainty as to measurability or collectability exists. Revenue should be recognised on the following basis:
	• **Interest**	Time proportionate basis
	• **Royalty**	Accrual basis (consider terms of agreement)
	• **Dividend**	When right to receive dividend is established

Completed service contract method is a method of accounting which recognises revenue in the Statement of Profit and Loss only when the rendering of services under a contract is completed or substantially completed.

Proportionate completion method is a method of accounting which recognises revenue in the Statement of Profit and Loss proportionately with the degree of completion of services under a contract.

Uncertainties w.r.t collection

Uncertainty	Effect
At the time of raising claim	• Postpone revenue recognition to the extent of uncertainty • Recognise revenue when ultimate collection is reasonably certain
Subsequent to sale of goods/rendering of services	• Revenue already recognised should not be adjusted • Make separate provision to reflect uncertainty

AS 10, Property, Plant and Equipment

The objective of this Standard is to prescribe the accounting treatment for property, plant and equipment (PPE).

PPE are tangible items that:

- **are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and**
- **are expected to be used during more than a period of twelve months.**

Recognition

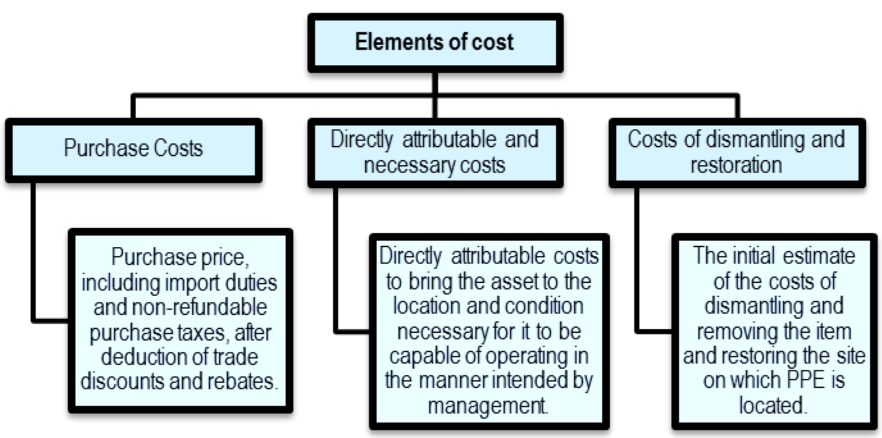
The cost of an item of PPE should be recognised as an asset if, and only if:

(a) it is probable that future economic benefits associated with the item will flow to the enterprise; and

(b) the cost of the item can be measured reliably.

Measurement at recognition

At the time of recognition, an item of PPE that qualifies for recognition as an asset should be measured at its cost.



Recognition of costs ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management

Examples of Directly Attributable Costs:

- Costs of employee benefits arising directly from the construction or acquisition of the item of PPE
- Costs of site preparation
- Initial delivery and handling costs
- Installation and assembly costs
- Professional fees
- Costs of testing whether the asset is functioning properly, after deducting the net proceeds from selling any items produced while bringing the asset to that location and condition (such as samples produced when testing equipment)

Exclusions:

- Administration and other general overhead costs
- Costs of opening a new facility or business, such as, inauguration costs
- Costs of introducing a new product or service (including costs of advertising and promotional activities)
- Costs of conducting business in a new location or with a new class of customer (including costs of staff training)

PPE acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets

The cost of such an item of PPE is measured at fair value unless:

(a) the exchange transaction lacks commercial substance; or

(b) the fair value of neither the asset(s) received nor the asset(s) given up is reliably measurable.

The acquired item(s) is/are measured in this manner even if an enterprise cannot immediately derecognise the asset given up. If the acquired item(s) is/are not measured at fair value, its/their cost is measured at the carrying amount of the asset(s) given up.

Subsequent Costs

Costs of day-to-day servicing	Replacement Cost	Regular Major Inspection Cost
These are primarily the costs of labour and consumables and may include the cost of small parts. **Not recognised** as PPE. Ex: Repair and Maintenance	The cost of replacing part is **recognised** in the carrying amount of PPE if the recognition criteria are met. The carrying amount of the replaced parts is derecognised	It is **recognised** in the carrying amount of the PPE if the recognition criteria are met. Any remaining carrying amount of the cost of the previous inspection is derecognised.

Deferred Payment Plan

If an item of PPE is acquired under deferred payment plan, the difference of cash price equivalent and total payment is recognised as interest over the period of credit unless such interest is capitalised as per AS 16, *Borrowing Costs.*

Measurement after recognition

An enterprise should choose either the cost model or the revaluation model as its accounting policy and apply that policy to an entire class of PPE.

Cost Model

- Cost less any accumulated depreciation

Revaluation Model

- Whose fair value can be measured reliably should be carried at a revalued amount less any subsequent accumulated depreciation.
- With sufficient regularity
For entire class of PPE to which an asset which is revalued belongs

<u>Accounting for Revaluations</u>

- Increase in an asset's carrying amount as a result of a revaluation is credited directly to owners' interests under the heading of revaluation surplus. However, the increase should be recognised in the Statement of Profit and Loss to the extent it reverses a revaluation decrease of the same asset previously recognised in the Statement of Profit and Loss.

- Decrease in an asset's carrying amount as a result of a revaluation is recognised in the Statement of Profit and Loss. However, the decrease should be debited directly to owners' interests under the heading of revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Depreciation

- Each part of an item of PPE with a cost that is significant in relation to the total cost of the item should be depreciated separately.
- The depreciable amount should be allocated on a systematic basis over its useful life.
- Depreciation charge for each period should be recognised in the Statement of Profit and Loss unless it is included in the carrying amount of another asset.
- Residual value & useful life to be reviewed at each balance sheet date. Any change is accounted for as change in an accounting estimate as per AS 5.
- Depreciation method used should reflect the pattern in which the asset's future economic benefits are expected to be consumed by the enterprise.
- Depreciation method to be reviewed at least at each financial year end. Any change is accounted for as change in an accounting estimate as per AS 5.
- Depreciation methods include SLM, WDV & Units of Production method.

Retirements

Items of PPE retired from active use and held for disposal should be stated at the lower of their carrying amount and net realisable value. Any write-down should be recognised immediately in the Statement of Profit and Loss.

Derecognition

- The carrying amount of an item of PPE should be derecognised on disposal or when no future economic benefits are expected from its use or disposal.

- Gain/loss on derecognition should be recognised in Statement of Profit and Loss (unless AS 19 requires otherwise in a sale and leaseback) and should not be classified as revenue.
- Gain/loss on derecognition is the difference between net disposal proceeds, if any, and the carrying amount of the derecognised item of PPE.

AS 11, The Effects of Changes in Foreign Exchange Rates

Activities involving foreign exchange

Accounting for transactions in foreign currencies

Translating the financial statements of foreign operations

Forward exchange contracts

AS 11 lays down principles of accounting for foreign currency transactions and foreign operations, i.e., which exchange rate to use and how to recognise in the financial statements the financial effect of changes in exchange rates.

number of units of a foreign currency in the reporting currency at different exchange rates.

Foreign currency is a currency other than the reporting currency of an enterprise.

Foreign operation is a subsidiary, associate, joint venture or branch of the reporting enterprise, the activities of which are based or conducted in a country other than the country of the reporting enterprise.

Forward exchange contract means an agreement to exchange different currencies at a forward rate.

Reporting currency is the currency used in presenting the financial statements.

Monetary items are money held and assets and liabilities to be received or paid in fixed or determinable amounts of money.

Non-monetary items are assets and liabilities other than monetary items.

Exchange difference is the difference resulting from reporting the same

Foreign currency transactions

A foreign currency transaction should be recorded, on initial recognition in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

For practical reasons, a rate that approximates the actual rate at the date of the transaction is often used, for example, an average rate for a week or a month might be used for all transactions in each foreign currency occurring during that period.

If exchange rates fluctuate significantly, the use of the average rate for a period is unreliable.

At each balance sheet date, various items are to be stated using the following rates:

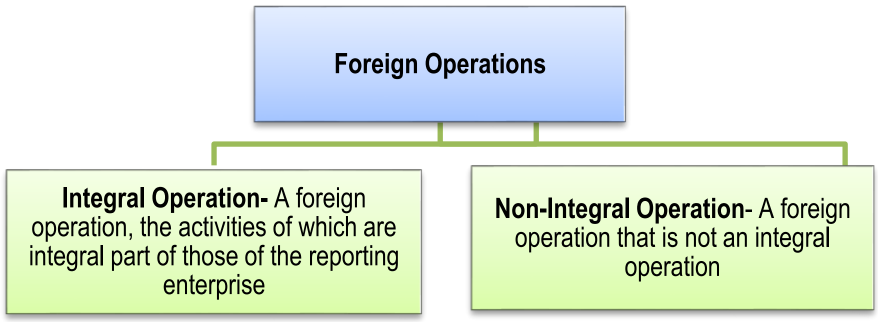
Item	Exchange Rate
Foreign currency monetary items	Closing rate with an exception where the closing rate may not reflect the amount likely to be realised or disbursed
Non-monetary items which are carried in terms of historical cost denominated in a foreign currency	Exchange rate prevailing on the date of transaction
Non-monetary items which are carried at fair value or other similar valuation, eg, net realisable value denominated in a foreign currency	Exchange rates prevailing at the time values were determined

<u>Recognition of exchange differences</u>

Exchange differences arising on the settlement of monetary items or on reporting an enterprise's monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, should be recognised as income or as expenses in the period in which they arise, with the following exception:

Exchange differences arising on a monetary item that, in substance, forms part of an enterprise's net investment in a non-integral foreign operation should be accumulated in a foreign currency translation reserve in the enterprise's financial statements until the disposal of the net investment, at which time they should be recognised as income or as expenses.

Foreign Operations



<u>Translation of Integral Operations</u>

Item	Translation
Individual items	Translated as if all the integral foreign operation's transactions had been entered into by the reporting enterprise itself
Cost and depreciation of tangible fixed assets or, if the asset is carried at fair value	Rate at the date of purchase of asset Rate that existed on the date of valuation
Costs of inventories	Rate existing on the date when the cost was incurred
Recoverable amount or realisable value of an asset	Rate existing on the date when the recoverable amount or net realisable value was determined

AS 11, The Effects of Changes in Foreign Exchange Rates

Translation of Non-Integral Operations

Item	Translation
Assets and Liabilities (both monetary and non-monetary)	Closing Rate
Income and expense items	Rate at the date of transactions. For practical reasons, a rate that approximates the actual rate (e.g., an average rate for a period) is often used
Contingent liability disclosed in the financial statements	Closing Rate

Recognition of exchange differences

- Integral Operations- Same as prescribed for foreign currency transactions
- Non-integral operations- Accumulated in a foreign currency translation reserve until the disposal of the net investment

Relaxation given vide paragraph 46A

Option given to account for exchange differences arising on reporting of long-term foreign currency monetary items:

- Relating to the acquisition of a depreciable capital asset- Added to or deducted from the cost of the asset and depreciated over the balance life of the asset
- Other cases- Accumulated in a "Foreign Currency Monetary Item Translation Difference Account" in the enterprise's financial statements and amortised over the balance period of such long-term asset/liability

Forward Exchange Contracts

- AS 11 is not applicable to exchange difference arising on forward exchange contracts entered into to hedge the foreign currency risk of future transactions in respect of which firm commitments are made or which are highly probable forecast transactions.

Contract not intended for trading or speculation purposes

- The premium or discount arising at the inception of such a forward exchange contract should be amortised as expense or income over the life of the contract.
- Exchange differences on such a forward exchange contract should be recognised in the Statement of Profit and Loss in the reporting period in which the exchange rates change.
- Any profit or loss arising on cancellation or renewal of such a forward exchange contract should be recognised as income or expense for the period.

Other Contracts

- A gain or loss should be computed by multiplying the foreign currency amount of the forward exchange contract by the difference between the forward rate available at the reporting date for the remaining maturity of the contract and the contracted forward rate (or the forward rate last used to measure again or loss on that contract for an earlier period).
- The gain or loss so computed should be recognised in the Statement of Profit and Loss for the period.
- The premium or discount on the forward exchange contract is not recognised separately.

AS 12, Accounting for Government Grants

This Standard deals with accounting for government grants. Government grants are sometimes called by other names such as subsidies, cash incentives, duty drawbacks, etc.

Government grants are assistance by government in cash or kind to an enterprise for past or future compliance with certain conditions.

Exclusions:

- **Forms of government assistance which cannot reasonably have a value placed upon them**
- **Transactions with government which cannot be distinguished from the normal trading transactions of the enterprise**

Recognition

Government grants should not be recognised until there is reasonable assurance that:

(i) the enterprise will comply with the conditions attached to them, and

(ii) the grants will be received.

Government grant types and their accounting treatment

S. No.	Nature of Grant	Treatment for receipt	Treatment if grant becomes refundable
1	**Non-monetary assets given free of cost**	Recorded at a nominal value.	Not applicable
2	**Monetary Grants**		
	Grants given for depreciable fixed assets	**Option 1:** Grant to be deducted from gross value of asset and depreciation to be provided on net value	Book value of asset to be increased by the amount refundable to

		(Where the grant equals the whole or virtually the whole of the cost of the asset, show the asset at the nominal value).	Government and depreciation to be provided on revised book value prospectively over the remaining useful life.
		Option 2: Treated as deferred income which is recognised in the Statement of Profit and Loss on a systematic and rational basis over the useful life of the asset.	Amount refundable to be reduced from unamortised deferred income balance. Excess amount to be charged to the Statement of Profit and Loss.
	Grants given for non-depreciable assets	**When the grant does not require fulfillment of certain obligations:** Credited to capital reserve.	Amount refundable to be reduced from Capital Reserve.
		When the grant requires fulfillment of certain obligations: Credited to income over the same period over which cost of meeting such obligation is charged to income.	Amount refundable to be reduced from unamortised deferred income balance. Excess amount to be charged to the Statement of Profit and Loss.

3	**Grants related to revenue**	Recognised on a systematic basis in the Statement of Profit and Loss over the periods necessary to match the grants with related costs they are intended to compensate. Presentation: **Option 1:** Shown separately under "other income".	Unamortised deferred credit of grant to be first utilised. Excess amount to be charged to the Statement of Profit and Loss.
		Option 2: Deducted in reporting related expenses.	
4	**Grants of the nature of promoters' contribution** (They are given with reference to the total investment in an undertaking or by way of contribution towards its total capital outlay and no repayment is ordinarily expected in the case of such grants.)	Credited to capital reserve.	Amount refundable to be reduced from Capital Reserve.
5	**Government grants that are receivable as compensation for**		

	expenses or losses incurred in a previous accounting period or for the purpose of giving immediate financial support to the enterprise with no further related costs, should be recognised and disclosed in the Statement of Profit and Loss of the period in which they are receivable, as an extraordinary item if appropriate as per AS 5.

AS 13, Accounting for Investments

This Standard deals with accounting for investments in the financial statements of enterprises and related disclosure requirements.

Scope Exclusions	Recognition of interest, dividends and rentals earned on investments covered by AS 9
	Operating or finance leases
	Investment of retirement benefit plans and life insurance enterprises
	Mutual funds and venture capital funds and/or the related asset management companies, banks and public financial institutions formed under a Central or State Government Act or so declared under the Companies Act, 2013

Shares, debentures and other securities held as stock-in-trade (i.e., for sale in the ordinary course of business) are not 'investments' as defined in this Standard. However, the manner in which they are accounted for and disclosed in the financial statements is quite similar to that applicable in respect of current investments. Accordingly, the provisions of this Standard, to the extent that they relate to current investments, are also applicable to shares, debentures and other securities held as stock-in-trade, with suitable modifications as specified in this Standard.

Investments are assets held by an enterprise for earning income by way of dividends, interest, and rentals, for capital appreciation, or for other benefits to the investing enterprise. Assets held as stock-in-trade are not 'investments'.

Fair value is the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable willing seller. Under appropriate circumstances, market value or net realisable value provides an evidence of fair value.

Types

Current Investment- Readily realisable and is intended to be held for not more than one year from the date on which such investment is made

Long term Investment- Other than a current investment

Carrying Value- Lower of cost and fair value*. Reduction to fair value or any reversals of such reductions are included in Statement of Profit and Loss	Carried at cost In case of decline, other than temporary, carrying amount is reduced to recognise the decline- Resultant reduction and any reversal thereof are included in the Statement of Profit and Loss

*Determined either on an individual investment basis or by category of investment, but not on an overall (or global) basis.

Cost of an investment

Cost of an investment includes acquisition charges such as brokerage, fees and duties.

Mode of acquisition of investment	Acquisition cost
By actual cash payment	Actual cash price
By issue of shares or other securities	Fair value of the securities issued. In appropriate cases, this may be indicated by the issue price as determined by statutory authorities
In exchange for another asset	Fair value of the asset given up or fair value of the investment acquired, whichever is more clearly evident

- **Pre-acquisition dividend or interest-** Deducted from the purchase price

- **Right shares-** When right shares offered are subscribed for, the cost of the right shares is added to the carrying amount of the original holding. If rights are not subscribed for but are sold in the market, the sale proceeds are taken to the Statement of Profit and Loss.

- **Investment acquired on cum-right basis-** Where the investments are acquired on cum-right basis and the market value of investments immediately after their becoming ex-right is lower than the cost for which they were acquired then, it may be appropriate to apply the sale proceeds of rights to reduce the carrying amount of such investments to the market value.

Investment property

An investment property is an investment in land or buildings that are not intended to be occupied substantially for use by, or in the operations of, the investing enterprise.

- Accounted for in accordance with cost model as prescribed in AS 10 above.

Disposal of an investment

- Difference between the carrying amount and net disposal proceeds should be charged or credited to the Statement of Profit and Loss.

- When disposing of a part of the holding of an individual investment, the carrying amount to be allocated to that part is determined on the basis of the average carrying amount of the total holding of that investment.

Reclassification of investments

- Current to Long-term- Transfer at lower of cost and fair value at the date of transfer

- Long-term to current- Transfer at lower of cost and carrying amount at the date of transfer.

AS 15, Employee Benefits

The objective of this Standard is to prescribe the accounting treatment and disclosure for employee benefits in the books of employer except employee share-based payments. It does not deal with accounting and reporting by employee benefit plans.

Employee benefits are all forms of consideration given by an enterprise in exchange for service rendered by employees.

Employee benefits include:

Short-term employee benefits	**Post-employment benefits**	**Other long-term employee benefits**	**Termination benefits**

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) which fall due wholly within twelve months after the end of the period in which the employees render the related service.

Recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for the service rendered by the employee during an accounting period:

(a) as a liability (accrued expense), after deducting any amount already paid; and

(b) as an expense, unless another AS requires or permits the inclusion of the benefits in the cost of an asset.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an enterprise provides post-employment benefits for one or more employees.

Defined Contribution Plans	Defined Benefit Plans

Defined contribution plans are post-employment benefit plans under which an enterprise pays fixed contributions into a separate entity (a fund) and will have no obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Accounting for defined contribution plans

- Enterprise's obligation is limited to the amount that it agrees to contribute to the fund.
- Actuarial risk (that benefits will be less than expected) and investment risk (that assets invested will be insufficient to meet expected benefits) fall on the employee.
- Obligations are measured on an undiscounted basis, except where they do not fall due wholly within twelve months after the end of the period in which the employees render the related service.
- Enterprise should recognise the contribution payable to a defined contribution plan in exchange for the service provided by the employee:
  - as a liability (accrued expense), after deducting any contribution already paid; and
  - as an expense, unless another Accounting Standard requires or permits the inclusion of the contribution in the cost of an asset (see, for example, AS 10, *Property, Plant and Equipment*).

Micro Non-company entities may not discount contributions that fall due more than 12 months after the balance sheet date.

Accounting for defined benefit plans

- Enterprise's obligation is to provide the agreed benefits to current and former employees.
- Actuarial risk (that benefits will cost more than expected) and investment risk fall, in substance, on the enterprise.
- Accounting by an enterprise for defined benefit plans involves the following steps:
  - using actuarial techniques to make a reliable estimate of the amount of benefit that employees have earned in return for their service in the current and prior periods.
  - discounting that benefit using the Projected Unit Credit Method in order to determine the present value of the defined benefit obligation and the current service cost
  - determining the fair value of any plan assets
  - determining the total amount of actuarial gains and losses
  - where a plan has been introduced or changed, determining the resulting past service cost; and
  - where a plan has been curtailed or settled, determining the resulting gain or loss
- Actuarial gains and losses should be recognised immediately in the Statement of Profit and Loss as income or expense.

Other long-term employee benefits

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) which do not fall due wholly within twelve months after the end of the period in which the employees render the related service.

The amount recognised as a liability for other long-term employee benefits should be the net total of the following amounts:

(a) the present value of the defined benefit obligation at the balance sheet date

(b) minus the fair value at the balance sheet date of plan assets (if any) out of which the obligations are to be settled directly

For other long-term employee benefits, an enterprise should recognise the net total of the following amounts as expense or (subject to paragraph 59 of AS 15) income, except to the extent that another Accounting Standard requires or permits their inclusion in the cost of an asset:

(a) current service cost

(b) interest cost

(c) the expected return on any plan assets and on any reimbursement right recognised as an asset

(d) actuarial gains and losses, which should all be recognised immediately

(e) past service cost, which should all be recognised immediately

(f) the effect of any curtailments or settlements.

In case of micro non-company entities, recognition and measurement principles in respect of accounting for defined benefit plans and other long-term employee benefits are not mandatory and any other rational method may be used for calculation and accounting of the accrued liability.

Termination Benefits

Termination benefits are employee benefits payable as a result of either:

a) an enterprise's decision to terminate an employee's employment before the normal retirement date; or

b) an employee's decision to accept voluntary redundancy in exchange for those benefits (voluntary retirement).

An enterprise should recognise termination benefits as a liability and an expense when, and only when:

(a) the enterprise has a present obligation as a result of a past event;

(b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

(c) a reliable estimate can be made of the amount of the obligation.

> Micro non-company entities may not discount contributions that fall due more than 12 months after the balance sheet date as required in para 46 and 139 of the Standard.

AS 16, Borrowing Costs

This Standard should be applied in accounting for borrowing costs. This Standard does not deal with the actual or imputed cost of owners' equity, including preference share capital not classified as a liability.

Borrowing costs are interest and other costs incurred by an enterprise in connection with the borrowing of funds.

Inclusions:

- Interest and commitment charges on borrowings
- Amortisation of discounts and premiums related to borrowings
- Amortisation of ancillary costs incurred in connection with arrangement of borrowings
- Finance charges in respect of assets acquired under finance lease
- Exchange differences arising from foreign currency borrowings to the extent they are regarded as adjustment to interest costs

Exchange differences on foreign currency borrowings to the extent of the difference between the interest on local currency borrowings and the interest on foreign currency borrowings are considered to be borrowing costs under this Standard.

Accounting of Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset should be capitalised as part of the cost of that asset. Other borrowing costs should be recognised as an expense in the period in which they are incurred.

A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Ordinarily, a period of 12 months is considered as substantial period of time unless a shorter or longer period can be justified on the basis of facts and circumstances of the case.

Computation of Amount to be capitalised in case funds are borrowed

Generally	Specifically
✦ Capitalisation rate (weighted average of the borrowing costs outstanding during the period, other than specific borrowings) should be applied to the expenditure on qualifying assets. ✦ *Amount capitalised should not exceed borrowing costs incurred during that period.*	Actual Borrowing Costs *less* Income on temporary investment of these borrowings.

Commencement of Capitalisation of Borrowing costs	Suspension of Capitalisation of Borrowing costs	Cessation of Capitalisation of Borrowing costs
<u>All</u> the following conditions to be satisfied: ✦ expenditure for the acquisition, construction or production of a qualifying asset is being incurred; ✦ borrowing costs are being incurred; and ✦ activities that are necessary to prepare the asset for its intended use or sale are in progress.	During extended periods in which active development is interrupted.	✦ When substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. ✦ When the construction of a qualifying asset is completed in parts and a completed part is capable of being used while construction continues for the other parts, capitalisation of borrowing costs in relation to a part should cease when substantially all the activities necessary to prepare that part for its intended use or sale are complete.

AS 19, Leases

The objective of this Standard is to prescribe, for lessees and lessors, the appropriate accounting policies and disclosures in relation to finance leases and operating leases.

Scope Exclusions	lease agreements to explore for or use natural resources, such as oil, gas, timber, metals and other mineral rights
	licensing agreements for items such as motion picture films, video recordings, plays, manuscripts, patents and copyrights
	lease agreements to use lands

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

A finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset.

An operating lease is a lease other than a finance lease.

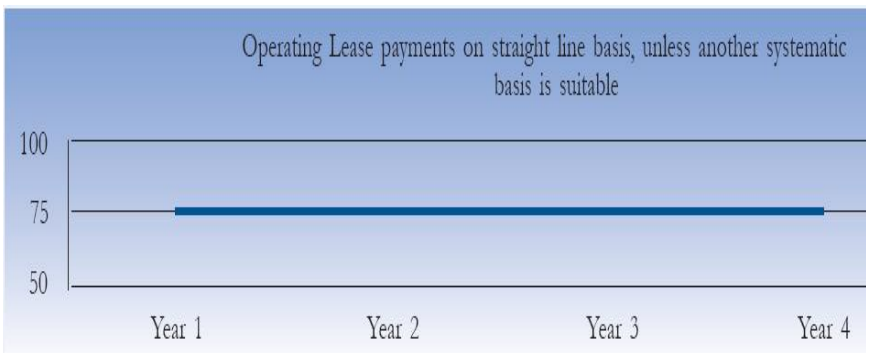
Accounting Treatment in the Financial Statements of Lessees

<u>Finance Leases</u>

When to recognise?	What to recognise?	What next ?
• Inception of the lease	• An asset and a liability at an amount equal to lower of fair value and the present value of the minimum lease payments from the standpoint of the lessee	• Finance Charge - part of lease payment • Depreciation on leased asset

- For calculating present value of minimum lease payments, discount rate implicit in the lease or, if is not practicable to determine the same, the lessee's incremental borrowing rate should be used.
- Finance charge should be allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.
- Initial direct costs are included as part of the amount recognised as an asset under the lease.
- Depreciation policy for a leased asset should be consistent with that for depreciable assets owned.
- If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset should be fully depreciated over the lease term or its useful life, whichever is shorter.

Operating Leases



Lease payments exclude costs for services such as insurance and maintenance.

Accounting Treatment in the Financial Statements of Lessors

Finance Leases

- The lessor should recognise assets given under a finance lease in its balance sheet as a receivable at an amount equal to the net investment in the lease.
- Finance income is allocated over the lease term in a manner that return on net investment outstanding for various periods is constant.

- Lease payments are reduced from both principal and unearned finance income.
- Initial direct costs are either recognised immediately in the Statement of Profit and Loss or allocated against the finance income over the lease term.

Operating Leases

- The lessor should present an asset given under operating lease in its balance sheet under fixed assets and recognise associated costs, including depreciation, as expense. Depreciation of leased assets should be on a basis consistent with normal depreciation policy of the lessor for similar assets.
- Lease income from operating leases (excluding receipts for services provided such as insurance and maintenance) should be recognised in the Statement of Profit and Loss on a straight line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefit derived from the use of the leased asset is diminished.
- Initial direct cost incurred specifically to earn revenues from an operating lease are either deferred and allocated to income over the lease term in proportion to the recognition of rent income or are recognised as an expense in the Statement of Profit and Loss in the period in which they are incurred.

Sale and Leaseback Transactions

A sale and leaseback transaction involves the sale of an asset by the vendor and the leasing of the same asset back to the vendor.

- Sale and leaseback transaction resulting in a finance lease

  Any excess or deficiency of sales proceeds over the carrying amount should be deferred and amortised over the lease term in proportion to the depreciation of the leased asset.

- Sale and leaseback transaction resulting in an operating lease
  - Sale price = Fair value: Profit or loss is recognised immediately.
  - Sale price > Fair value: Excess amount is deferred and amortised over expected period of use of the asset.

- Sale price < Fair value: If loss is compensated by future lease payments at below market price, then it is deferred and amortised in proportion to lease payments over the expected period of use, otherwise, it should be recognised immediately.
- If the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, a loss equal to the amount of the difference between the carrying amount and fair value should be recognised immediately.

AS 22, Accounting for Taxes on Income

Micro Non-company entities (Level IV entities) shall apply AS 22 for Current tax requirements only (definition as per paragraph 4.4, recognition as per paragraph 9, measurement as per paragraph 20, and presentation and disclosure as per paragraphs 27-28).

Current tax is the amount of income tax determined to be payable (recoverable) in respect of the taxable income (tax loss) for a period.

Recognition

- Current tax, should be included in the determination of the net profit or loss for the period.

Measurement

- Current tax should be measured at the amount expected to be paid to (recovered from) the taxation authorities, using the applicable tax rates and tax laws.

Presentation

- An enterprise should offset assets and liabilities representing current tax if the enterprise has a legally enforceable right to set off the recognised amounts and intends to settle the asset and the liability on a net basis.

Transitional requirements

- On the first occasion when a Non-company entity gets classified as Micro non-company entity (Level IV), the accumulated deferred tax asset/liability appearing in the financial statements of immediate previous accounting period, shall be adjusted against the opening revenue reserves.

AS 26, Intangible Assets

AS 26 prescribes the accounting treatment for intangible assets.

Intangible asset is an identifiable non-monetary asset, without physical substance, held for use in the production or supply of goods or services, for rental to others, or for administrative purposes.

Scope Exclusions	Financial assets
	Intangible assets covered by other AS
	Intangible assets arising in insurance enterprises from contracts with policy holders
	Mineral rights and expenditure on the exploration for, or development and extraction of, minerals, oil, natural gas and similar non-regenerative resources
	Expenditure in respect of termination benefits

Initial Recognition

An intangible asset should be recognised in the financial statements as an intangible asset if it meets the definition of intangible asset and it meets the recognition criteria as specified in the Standard.

Recognition Criteria	Probable that future economic benefits will flow to the enterprise
	Costs can be reliably measured

Measurement

An intangible asset should be measured initially at cost.

Direct Purchase	Purchase price, including non-refundable import duties and other taxes, net of any trade discounts and rebates, and any directly attributable expenditure on making the asset ready for its intended use
Exchange of asset	In accordance with AS 10 as above
Issue of securities	Fair value of securities issued or of asset acquired

	whichever is clearly evident
Acquisition by way of government grant	Nominal value or acquisition cost as per AS 12 plus any expenditure that is directly attributable making the asset ready for its intended use
Research & Development expenses	Research expenses- Expensed off in P/L Development expenses- Capitalise if certain criteria are met
Internally generated Goodwill	Not to be recognised

Recognition as Expense

Expenditure on an intangible item should be recognised as an expense when it is incurred unless:

a) it forms part of the cost of an intangible asset that meets the recognition criteria.

Expenditure on an intangible asset that was initially recognised as an expense in previous annual financial statements should not be recognised as part of the cost of an intangible asset at a later date.

Subsequent expenditure

An expenditure that has been incurred on an intangible asset subsequent to its purchase or completion may be added to the cost of the asset provided:

- it is probable that the expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance
- the expenditure can be measured and attributed to the asset reliably.

Subsequent Measurement

After recognition, an intangible asset should be carried at its cost less any accumulated amortisation.

Amortisation:

- The depreciable amount should be allocated on a systematic basis over the best estimate of its useful life. Method of amortisation should be based on the pattern of consumption of asset's economic benefits.

- There is a rebuttable presumption that the useful life of an intangible asset will not exceed ten years.
- Amortisation should commence when the asset is available for use.
- If control over future economic benefits from an intangible asset is achieved through legal rights that have been granted for a finite period, the useful life of the intangible asset should not exceed the period of legal rights, unless (a) the legal rights are renewable and (b) renewal is virtually certain.
- Amortisation period & method should be reviewed at least at each financial year end. Changes should be accounted for in accordance with AS 5.
- The residual value of an intangible asset should be assumed to be zero unless:
  - (a) there is a commitment by a third party to purchase the asset at the end of its useful life; or
  - (b) there is an active market for that asset and:
    - (i) residual value can be determined by reference to that market; &
    - (ii) it is probable that such a market will exist at the end of the asset's useful life.

Retirements and Disposals

- An intangible asset should be derecognised on disposal or when no future economic benefits are expected from its use and subsequent disposal.
- Gain or loss arising from the retirement or disposal is the difference between the net disposal proceeds and the carrying amount of the asset.
- Gain or loss should be recognised as income or expense in the Statement of Profit and Loss.

AS 29, Provisions, Contingent Liabilities and Contingent Assets

The objective of AS 29 is to ensure that appropriate recognition criteria and measurement bases are applied to provisions and contingent liabilities and that sufficient information is disclosed in the notes to the financial statements to enable users to understand their nature, timing and amount. The objective of this Standard is also to lay down appropriate accounting for contingent assets.

Scope

AS 29 prescribes accounting for provisions and contingent liabilities and in dealing with contingent assets, except:

Scope Exclusions	those resulting from financial instruments that are carried at fair value
	those resulting from executory contracts, except where the contract is onerous
	those covered by another AS
	those arising in insurance enterprises from contracts with policy holders

- **Provision is a liability which can be measured only by using substantial degree of estimation.**
- **Liability is a present obligation of the enterprise arising from past events, the settlement of which is expected to result in an outflow from the enterprise of resources embodying economic benefits.**
- **Contingent Liability is**
- **a possible obligation arising from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise; or**
- **a present obligation that arises from past events but is not recognised because it is not probable that an outflow of**

resources embodying economic benefits will be required to settle the obligation or a reliable estimate of the amount of obligation cannot be made.

- **Contingent Asset is a possible asset that arises from past events the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise.**
- **Present obligation- An obligation is a present obligation if, based on the evidence available, its existence at the balance sheet date is considered probable, i.e., more likely than not.**
- **An obligation is a possible obligation if, based on the evidence available, its existence at the balance sheet date is considered not probable.**

Provisions, Contingent Assets & Liabilities-Recognition, Measurement and Review

	Recognition	**Measurement**	**Review**
Provision	A provision should be recognised when: a) Enterprise has a present obligation as a result of a past event b) It is probable that an outflow of resources embodying economic benefits will be required to settle the	- Best estimate of the expenditure required to settle the present obligation at the Balance Sheet date - <u>Other factors for consideration</u> a) Risks and uncertainties should be considered. b) Future events should be considered when there is sufficient objective evidence	- Reviewed at each balance sheet date and adjusted to reflect the current best estimate. - Reversed, if appropriate.

	obligation c) Reliable estimate can be made of the amount of the obligation	that they will occur c) No discounting except in the case of decommissioning, restoration and similar liabilities that are recognised as cost of PPE d) Gains from expected disposal of assets should not be considered. e) Reimbursements by another party should be considered if it is virtually certain that reimbursement will be received if the enterprise settles the obligation f) The reimbursement should be treated as a separate asset. g) Amount recognised for the reimbursement should not exceed the amount of provision h) In the Statement of Profit and Loss,	

		the expense relating to a provision may be presented as net of the amount recognised for reimbursement.	
Contingent Liabilities	- Not to be recognised. - Only disclosure is required, unless the possibility of an outflow of resources embodying economic benefits is remote.	-	Assessed continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable, contingent liability is recognised as provision.
Contingent Assets	- Not to be recognised. - Disclosure is usually made in the report of the approving authority when an inflow of economic benefits is	-	Assessed continually and if it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised.

	probable and not in the financial statements.		

A provision should be used only for expenditures for which the provision was originally recognised.

Part–II Disclosures Checklist under Accounting Standards – Applicable to Micro Non-company Entities

GUIDE TO USE THE CHECKLIST

The following points may please be noted before using the Checklist:

1. This is only a Disclosure Checklist.
2. The Checklist contains disclosure requirements of the following pronouncements of the Institute of Chartered Accountants of India:
   (i) Accounting Standards
   (ii) Announcements on Accounting Standards so far as disclosure requirements are concerned.

   The above categories have been appropriately mentioned in the Checklist.
3. The Checklist may be used to assist in considering compliance with the disclosure requirements of the relevant pronouncements. It is not a substitute for an understanding of the relevant pronouncements themselves and the exercise of judgement.
4. Users of the Checklist are presumed to have a thorough understanding of the relevant pronouncements and should refer to the text of the pronouncements, as necessary, in considering particular items in the Checklist.
5. The Checklist points generally require a "Yes", "No" or "N/A" response. Depending on the response, further action may be needed. A "Yes" response does not necessarily result in full compliance with the relevant pronouncement.
6. The disclosure checklist table provides reference of the paragraph number of the respective Accounting Standard providing that disclosure requirement. Example, 1.26 indicates paragraph 26 of AS 1, etc.
7. Effective date of applicability of the relevant pronouncements should

be kept in mind while using the Checklist.

8. The Checklist may require modifications/additions/deletions in the light of subsequent developments taking place from time to time such as new accounting standards, new professional pronouncements and new legal requirements relevant for Micro Non-company entities.

While utmost care has been taken in preparing this Checklist, it is intended for general guidance only. It is stressed that the original pronouncements must be referred to for the exact and complete requirements. The ICAI does not accept any responsibility for loss occasioned to any person acting or refraining from action as a result of any material contained in this Checklist.

AS 1 (1979) – Disclosure of Accounting Policies

S. No.	Ref.	Disclosure	Yes	No	N/A
1	1.24	Whether all the significant accounting policies adopted in the preparation and presentation of financial statements have been disclosed?			
2	1.25	Whether the disclosure of the significant accounting policies as such forms part of the financial statements?			
3	1.25	Whether all the significant accounting policies have been disclosed at one place?			
4	1.26	Whether the change in the accounting policies which has a material effect in the current period has been disclosed?			
5	1.26	Where the change in the accounting policies is reasonably expected to have a material effect in later periods, whether the fact of such change has been appropriately disclosed in the period of adoption of change?			
6	1.26	In the case of a change in accounting policies which has a material effect in the current period: (i) Whether the amount by which any item in the financial statements is affected by such change has been ascertained and disclosed? (ii) Where such amount is not ascertainable, wholly or in part,			

		whether such fact has been indicated?			
7	1.27	(i) Where the fundamental accounting assumption of 'going concern' has not been followed, whether the fact has been disclosed? (ii) Where the fundamental accounting assumption of 'consistency' has not been followed, whether the fact has been disclosed? (iii) Where the fundamental accounting assumption of 'accrual' has not been followed, whether the fact has been disclosed?			

AS 2 (revised 2016) – Valuation of Inventories

S. No.	Ref.	Disclosure	Yes	No	N/A
1.	2.26 & 2.27	Whether the financial statements disclose: (i) The accounting policies adopted in measuring inventories? (ii) Cost formula used in measuring inventories? (iii) Total carrying amount of inventories? (iv) Classification of inventories appropriate to the enterprise (such as raw materials and components, work-in-progress, finished goods, stores and spares, loose tools)? (v) Carrying amount of each classification of inventories? **(vi)** Extent of the changes in the assets held in different classifications?			

AS 4 (revised 2016) - Contingencies and Events Occurring After the Balance Sheet Date

S. No.	Ref.	Disclosure	Yes	No	N/A
1		**<u>Contingencies</u>**			
	4.5.3	(i) If there is conflicting or insufficient evidence for estimating the amount of a contingent loss, whether the disclosure has been made of the existence and nature of the contingency?			
	4.5.4	(ii) A potential loss to an enterprise may be reduced or avoided because a contingent liability is matched by a related counter-claim or claim against a third party. In such cases, the amount of the provision is determined after taking into account the probable recovery under the claim if no significant uncertainty as to its measurability or collectability exists. Whether a suitable disclosure regarding the nature and gross amount of the contingent liability has been made?			
	4.5.5	(iii) Whether the existence and amount of guarantees, obligations arising from discounted bills of exchange and similar obligations undertaken by an enterprise have been disclosed in financial			

	`	statements by way of note, even though the possibility that a loss to the enterprise will occur, is remote?			
	4.16	(iv) If disclosure of contingencies is required by paragraph 11 of this Standard, whether the following information has been provided: (a) the nature of the contingency? (b) the uncertainties which may affect the future outcome? (c) an estimate of the financial effect, or a statement that such an estimate cannot be made?			
2		**<u>Events occurring after the balance sheet date</u>**			
	4.15	(i) Whether disclosure has been made in the report of the approving authority of those events occurring after the balance sheet date that represent material changes and commitments affecting the financial position of the enterprise?			
	4.17	(ii) If disclosure of events occurring after the balance sheet date in the report of the approving authority is required as mentioned in (i) above, whether the following information has been provided: (a) the nature of the event? (b) an estimate of the financial effect, or a statement that such an estimate cannot be made?			

	4.14	(iii) Whether the dividends declared after balance sheet date but before the financial statements are approved for issue have been disclosed in notes as per the provisions of paragraph 14? Note: As per an Announcement of the ICAI on Applicability of AS 4 to impairment of assets not covered by present Indian Accounting Standards, impairment of assets not covered by other accounting standards is covered by AS 4. For example, provision for bad and doubtful debts. However, there is no specific disclosure requirement under AS 4 for such provisions. Other provisions are covered by AS 29, 'Provisions, Contingent Liabilities and Contingent Assets'.			

AS 5 (revised 1997)- Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies

S. No.	Ref.	Disclosure	Yes	No	N/A
1	5.7	**Net profit or loss for the period:** Whether the following components have been disclosed on the face of the statement of profit and loss: (i) profit or loss from ordinary activities? (ii) extraordinary items?			
2	5.8	**Extraordinary items:** (i) Whether extraordinary items have been disclosed in the statement of profit and loss as part of net profit or loss for the period? (ii) Whether the nature and the amount of each extraordinary item have been separately disclosed in the statement of profit and loss in a manner that its impact on current profit or loss can be perceived?			
3	5.12	**Profit or loss from ordinary activities:** When the items of income and expense within profit or loss from ordinary activities are of such size, nature or incidence that their disclosure is relevant to explain the			

		performance of enterprise for the period, whether the nature and amount of such items have been disclosed separately (e.g. disposals of items of fixed assets, litigation settlements etc.)?			
4	5.15	**Prior period items:** Whether the nature and amount of prior period items have been separately disclosed in the statement of profit and loss in a manner that their impact on the current profit or loss can be perceived?			
5	5.27 5.27 5.22	**Change in accounting estimates:** (i) Whether the nature and the amount of a change in an accounting estimate which has a material effect in the current period; (a) have been disclosed? or (b) if it is impracticable to quantify the amount, whether that fact has been disclosed? (ii) Whether the nature and amount of a change in an accounting estimate which is expected to have a material effect in subsequent periods: (a) have been disclosed? or (b) if it is impracticable to quantify the amount, whether that fact has been disclosed? (iii) If an item of change is treated as a change in accounting estimate when it is difficult to distinguish			

		between a change in accounting policy and a change in accounting estimate, whether it has been appropriately disclosed?			
	5.25	(iv) Whether the effect of a change in accounting estimate has been classified using the same classification in the statement of profit and loss as was used previously for the estimate?			
6		**<u>Change in accounting policies:</u>**			
	5.32	(i) Whether the change in an accounting policy which has a material effect has been disclosed?			
		(ii) Whether the impact of and the adjustments resulting from such change, if material, have been shown in the financial statements of the period in which such change is made, to reflect the effects of such change?			
		(iii) Where the effects of such change are not ascertainable, wholly or in part, whether such fact has been indicated?			
		(v) If a change is made in the accounting policies which has no material effect on the financial statements for the current period but which is reasonably expected to have a material effect in later periods, whether the fact of such change has been appropriately disclosed in the periods in which the change is adopted?			

	5.33	(vi) Wherever a change in accounting policy consequent upon the adoption of an Accounting Standard has been made, whether disclosure of information required by (i) – (iv) above has been made unless the transitional provisions of any other Accounting Standard require alternative disclosures in this regard?			

AS 7 (revised 2002) - Construction Contracts

S. No.	Ref.	Disclosure	Yes	No	N/A
1	7.38	<u>**General:**</u> Whether the enterprise has disclosed the following: (i) the amount of contract/project revenue recognised as revenue in the period? (ii) the methods used to determine the contract/project revenue recognised in the period? (iii) the methods used to determine the stage of completion of contracts/projects in progress?			
2	7.39	**Contracts in progress at the reporting date:** Whether the enterprise has disclosed the following for contracts-in-progress at the reporting date: (i) the aggregate amount of costs incurred and recognised profits (less recognised losses) up to the reporting date? (ii) the amount of advance received? and (iii) the amount of retentions?			
3	7.41	<u>**Due to/from customers:**</u> Whether the enterprise has disclosed the following assets: (i) the gross amount due from customers for contract work as an			

		asset? And (ii) the gross amount due to customers for contract work as a liability?			
4	7.44	**<u>Contingencies:</u>** Whether the enterprise has disclosed any contingencies in accordance with AS 29, '*Provisions, Contingent Liabilities and Contingent Assets*'. e.g., warranty costs, penalties or possible losses?			

AS 9 (1985) - Revenue Recognition

S. No.	Ref.	Disclosure	Yes	No	N/A
1	9.14	Whether the enterprise has disclosed the circumstances in which revenue recognition has been postponed pending the resolution of significant uncertainties?			
2	9.14	Whether significant accounting policies relating to recognition of revenue have been disclosed in accordance with AS 1, '*Disclosure of Accounting Policies*'?			
3	9.10	(i) Whether the amount of turnover has been disclosed in the following manner on the face of the statement of profit and loss: Turnover (Gross) XX Less: Excise Duty XX Turnover (Net) XX (ii) Whether a note has been given in the Notes to accounts to explain the nature of two excise duty amounts viz. excise duty deducted from turnover and excise duty appearing as an expense in the statement of profit and loss (may be positive or negative) representing excise duty related to increase/decrease of finished goods.			

AS 10 (revised 2016) - Property, Plant and Equipment

S. No.	Ref.	Disclosure	Yes	No	N/A
1	10.81	For each class of property, plant and equipment, whether the entity has disclosed: (i) The measurement bases (i.e., cost model or revaluation model) used for determining the gross carrying amount? (ii) The depreciation methods used? (iii) The useful lives or the depreciation rates used? In case the useful live or the depreciation rates used are different from those specified in the statute governing the enterprise, whether a specific mention of that fact has been made? (iv) The gross carrying amount and the accumulated depreciation at the beginning and end of the period? (v) A reconciliation of the carrying amount at the beginning and end of the period showing: (a) Additions? (b) Assets retired from active use and held for disposal? (c) Increase or decrease resulting from revaluation			

		recognised or reserved directly in revaluation surplus? (d) Depreciation? (e) the net exchange differences arising on the translation of the financial statements of a non-integral foreign operation in accordance with AS 11? (f) Other changes?			
2	10.82	Whether the following information has been disclosed in Financial Statements: (i) The existence and amounts of restrictions on title, and property, plant and equipment pledged as security for liabilities? (ii) The amount of expenditures recognised in the carrying amount of an item of property, plant and equipment in the course of its construction? (iii) The amount of contractual commitments for the acquisition of property, plant and equipment? (iv) If it is not disclosed separately in the statement of profit and loss, the amount of compensation from third parties for items of property, plant and equipment that were, lost or given up that is included in statement of profit and loss? (v) The amount of assets retired from active use and held for disposal?			

3	10.83	Whether the following information has been disclosed in Financial Statements: (i) Depreciation whether recognised in the statement of profit and loss or as a part of the cost of other assets during a period? (ii) Accumulated depreciation at the end of the period?			
4	10.84	In accordance with AS 5, an enterprise discloses the nature and effect of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in subsequent periods. Whether the disclosures arising from changes in estimate with respect to following, have been given: (i) Residual value? (ii) the estimated cost of dismantling, removing or restoring items of property, plant and equipment? (iii) Useful lives? (iv) Depreciation methods?			
5	10.85	If items of property, plant and equipment are stated at revalued amounts, whether the following have been disclosed: (i) The effective date of the revaluation? (ii) Whether an independent valuer was involved? (iii) The methods and significant assumptions applied in estimating fair values of the			

		items? (iv) The extent to which fair values of the items were determined directly by reference to observable prices in an active market or recent market transaction on arm's length terms or were estimated using other valuation techniques? (v) The revaluation surplus, indicating the change for the period and any restriction on the distribution of the balance to shareholders?			

AS 11 (revised 2003) - The Effects of Changes in Foreign Exchange Rates

S. No.	Ref.	Disclosure	Yes	No	N/A
1	11.40	Whether the enterprise disclosed the following (i) the amount of exchange differences included in the net profit or loss for the period in accordance with AS 11? (ii) the net exchange differences accumulated in foreign currency translation reserve as a separate component of shareholders' funds in accordance with AS 11? (iii) reconciliation of the amount of exchange differences mentioned at (ii) above at the beginning of the period and end of the period?			
2	11.41	Where the reporting currency is different from the currency of the country in which the enterprise is domiciled, whether– (i) the reason for using a different currency has been disclosed? (ii) the reason for any change in the reporting currency has also been disclosed?			
3	11.42	When there is a change in the classification of a significant foreign operation, whether the enterprise has disclosed: (i) the nature of the change in			

		classification? (ii) the reason for the change? (iii) the impact of change in classification on shareholders' funds? (iv) the impact on net profit or loss for each prior period presented had the change in classification occurred at the beginning of the earlier period presented?			
4	11.46	For an enterprise, which has exercised the option under paragraph 46 of AS 11 (i.e., to defer/capitalise certain exchange differences arising on reporting of long-term foreign currency monetary items), whether the following disclosures have been made: (i) the fact of such exercise of such option? (ii) the amount remaining to be amortized in the financial statements of the period in which such option is exercised and in every subsequent period so long as any exchange difference remains unamortized?			
5	11.43	Whether the effect on foreign currency monetary items or on the financial statements of a foreign operation of a change in exchange rates occurring after the balance sheet date is disclosed in accordance with AS 4, *'Contingencies and Events Occurring After the Balance Sheet Date'*?			

AS 12 (1991) - Accounting For Government Grants

S. No.	Ref.	Disclosure	Yes	No	N/A
1	12.12	Whether the following has been disclosed: (i) The accounting policy adopted for government grants including the methods of presentation in the financial statements? (ii) (a) the nature of government grants recognised? (b) the extent of government grants recognised, including the grants of non-monetary assets given at a concessional rate or free of cost?			
2	12.18	Whether the government grants that are receivable as compensation for expenses or losses incurred in a previous accounting period or for the purpose of giving immediate financial support to the enterprise with no further related costs has been disclosed in the statement of profit and loss for the period in which they are receivable as an extraordinary item, if appropriate, in accordance with AS 5, *'Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies'*?			
3	12.14	If a grant related to a non-depreciable			

		asset requires the fulfilment of certain obligations and the grant is credited to income over the same period over which the cost of meeting such obligations is charged to income, whether such deferred income balance has been separately disclosed in the financial statements?			

AS 13 (revised 2016) - Accounting for Investments

S. No.	Ref.	Disclosure	Yes	No	N/A
1	13.35	**Accounting policy:** **Whether the accounting policies for the determination of carrying amount of investments have been disclosed?**			
2	 13.26 13.27 13.27	**<u>Classification of investments:</u>** (i) Whether the enterprise has disclosed the investments classified into current investments and long-term investments distinctly in its financial statements? (ii) Whether the current and long-term investments have been further classified as specified in the statute governing the enterprise? (iii) In the absence of a statutory requirement, whether investments have been further classified and disclosed, where applicable, as investments in – (a) Government or Trust securities? (b) Shares, debentures or bonds? (c) Investment properties? (d) Others (specifying nature)?			

3	13.35 (c)	**Statement of Profit and Loss:** (i) Whether gross income by way of interest, dividends, and rentals on investments has been stated separately for (a) long-term investments? (b) current investments? (iv) Whether income tax deducted at source, if any, has been included under 'Advance Taxes Paid'? (v) Whether the profits and losses with regard to investments have been disclosed as under: (a) profits and losses on disposal of current investments? (b) profits and losses on changes in the carrying amount of current investments? (c) profits and losses on disposal of long-term investments? (d) profits and losses on changes in the carrying amount of long-term investments?			
4	13.35 (d)	**Significant restrictions:** Whether significant restrictions of the following with regard to investments have been disclosed: (i) right of ownership of investments? (ii) realizability of investments? (iii) remittance of income on investments? (iv) remittance of proceeds of disposals?			

5	13.35 (e)	Quoted and unquoted Investments: (i) Whether the aggregate amount of quoted investments has been disclosed? (ii) Whether the aggregate market value of quoted investments has been disclosed? (iii) Whether the aggregate amount of unquoted investments has been disclosed?			

AS 15 (revised 2005) Employee Benefits

S. No.	Ref.	Disclosure	Yes	No	N/A
1	15.23	**<u>Short–term Employee Benefits</u>**: Where other Accounting Standards require disclosure, whether such disclosures have been made?			
2	15.47	**<u>Defined Contribution Plans</u>:** Whether the enterprise has disclosed the amount recognised as an expense for defined contribution plans?			
3	15.120	**<u>Defined Benefit Plans</u>:** Whether the enterprise has disclosed the following information about defined benefit plans: (I) the principal actuarial assumptions used as at the balance sheet date, including, where applicable: (a) the discount rates? (b) the expected rates of return on any plan assets for the periods presented in the financial statements? (c) the expected rates of return for the periods presented in the financial statements on any reimbursement right recognised as an asset under paragraph 103 of AS 15)? (d) medical cost trend rates? (e) any other material actuarial			

		assumptions used? (f) an assertion under the actuarial assumptions to the effect that estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market?			
4	15.125	When required by AS 29, *'Provisions, Contingent Liabilities and Contingent Assets'*, whether the enterprise discloses information about contingent liabilities arising from post–employment benefit obligations?			
5	15.132	**Other Long-term Employees Benefits:** Where other accounting standards require specific disclosures about other long-term employee benefits, whether such disclosures have been made? (e.g., AS 5 , *Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies*,).			
6 	 15.140	**Termination benefits:** (a) Where there is uncertainty about the number of employees who will accept an offer of termination benefit, whether the enterprise has disclosed information about the contingent liability unless the possibility of outflow in settlement is remote? (AS 29, *'Provisions, Contingent*			

		Liabilities and Contingent Assets') (b) Where termination benefit is of such size, nature or incidence that its disclosure is relevant to explain the performance of the enterprise for the period, whether termination benefits have been disclosed appropriately? (AS 5, '*Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies'*)?			

AS 16 (2000) - Borrowing Costs

S. No.	Ref.	Disclosure	Yes	No	N/A
1	16.23	Whether the financial statements have disclosed the accounting policy adopted for borrowing costs?			
2	16.23	Whether the amount of borrowing costs capitalised during the period has been disclosed in the financial statements?			

AS 19 (2001)- Leases

S. No.	Ref.	Disclosure	Yes	No	N/A
1	 19.22 19.14	**Lessee: Finance leases:** (i) Whether the lessee, in addition to the requirements of AS 10, '*Property, Plant and Equipment'* and the governing statue, has made the following disclosures for a finance lease including assets acquired on hire-purchase basis: (a) assets acquired under finance lease as segregated from the assets owned? (b) for each class of assets, the net carrying amount at the balance sheet date? (c) contingent rents recognised as expense in the statement of profit and loss for the period? (ii) Whether the lessee has presented separately the liability for the leased asset as a current liability or long-term liability as the case may be, without deducting the same from leased asset?			
2	 19.25	**Lessee: Operating leases:** Whether the lessee has made the following disclosures for operating leases? (i) lease payments recognised in the statement of profit and loss for the period, with separate amounts for			

		minimum lease payments and contingent rents? (ii) sub-lease payments received (or receivable) recognised in the statement of profit and loss for the period?			
3	 19.37	**Lessor: Finance leases:** Whether the lessor has made the following disclosures for finance leases: (i) unearned finance income? (ii) the unguaranteed residual values accruing to the benefit of the lessor? (iii) the accumulated provision for uncollectible minimum lease payments receivable? (iv) contingent rents recognised in the statement of profit and loss for the period?			
4	 19.39 19.46	**Lessor: Operating leases:** (i) Whether the lessor has presented an asset given under operating lease in its balance sheet under fixed assets? (ii) Whether the lessor, in addition to the requirements of AS 10, *'Property, Plant and Equipment'* and the governing statute, has made the following disclosures for operating leases: (a) for each class of assets, the gross carrying amount, and the accumulated depreciation at the balance sheet date; and			

		(b) the depreciation recognised in the statement of profit and loss for the period? (c) total contingent rents recognised as income in the statement of profit and loss for the period?			
5	19.54	**Sale and leaseback: Lessor:** Whether the disclosure requirements for normal leases are made for sale and leaseback transactions?			
6	19.54	**Sale and leaseback: Lessee:** Whether the disclosure requirements for normal leases are made for sale and leaseback transactions?			
7	19.38	**Useful disclosures (Non-mandatory):** Gross investment less unearned income in new business added during the accounting period, after deducting the relevant amounts for cancelled leases.			

AS 22 (2001) – Accounting for Taxes on Income

S. No.	Ref.	Disclosure	Yes	No	N/A
1	22.27	(i) Where the enterprise has a legally enforceable right to set off current tax assets and current tax liabilities and intends to settle those assets and liabilities on a net basis, whether the enterprise has offset those assets and liabilities in the balance sheet?			

AS 26 (2002)- Intangible Assets

S. No.	Ref.	Disclosure	Yes	No	N/A
1	26.90	Whether the financial statements have disclosed the following for each class of intangible assets, distinguishing between internally generated intangible assets and other intangible assets: (i) the useful lives or the amortisation rates used? (ii) the amortisation methods used? (iii) the gross carrying amount and the accumulated amortisation at the beginning and the end of the period? (iv) a reconciliation of the carrying amount at the beginning and the end of the period showing: (a) additions, indicating separately those from internal development? (b) retirements and disposals? (c) amortisation recognised during the period? And (d) other changes in the carrying amount during the period?			
2	26.93	Whether the change in an accounting estimate or accounting policy such as that arising from changes in the amortisation method, the amortisation period or estimated residual values, in accordance with AS 5, *Net Profit or*			

		Loss for the Period, Prior Period Items and Changes in Accounting Policies, have been disclosed by the enterprise?			
3	26.94	Whether the financial statements also disclosed the following: (i) (a) if an intangible asset is amortised over more than ten years, the reasons why it is presumed that the useful life of an intangible asset will exceed ten years from the date when the asset is available for use? (b) in giving the reasons mentioned in (a) above, whether the enterprise has described the factor(s) that played a significant role in determining the useful life of the asset? (ii) a description, the carrying amount and remaining amortisation period of any individual intangible asset that is material to the financial statements of the enterprise as a whole? (iii) the existence and carrying amounts of intangible assets whose title is restricted and the carrying amounts of intangible assets pledged as security for liabilities? and (iv) the amount of commitment for the acquisition of intangible assets?			
4	26.96	Whether the financial statements have			

		disclosed the aggregate amount of research and development expenditures recognised as an expense during the period?			

AS 29 (revised 2016) - Provisions, Contingent Liabilities and Contingent Assets

S. No.	Ref.	Disclosure	YES	NO	N/A
1	29.68	Unless the possibility of any outflow in settlement is remote, whether the enterprise has disclosed for each class of contingent liability at the balance sheet date a brief description of the nature of the contingent liability and, where practicable: (i) an estimate of its financial effect, measured under paragraphs 35-45 of AS 29?			
	29.69	(ii) an indication of the uncertainties relating to any outflows? and (iii) the possibility of any reimbursement? Note: In determining which contingent liabilities may be aggregated to form a class, it is necessary to consider whether the nature of the item is sufficiently similar for a single statement about them to fulfill the requirements of (i) and (ii) above.			
2	29.70	Where a provision and a contingent liability arise from the same set of circumstances whether the enterprise has made the disclosures in para 29.68in a way that shows the link between the provision and the contingent liability?			
3	29.71	Where any of the information required			

		by para 29.68 is not disclosed because it is not practicable to do so, whether that fact has been stated?			
4	29.72	In extremely rare cases, where disclosure of some or all of the information required by para 29.68 can be expected to prejudice seriously the position of the enterprise in a dispute with other parties on the subject matter of the provision or contingent liability and accordingly no disclosure of same is made, whether the enterprise has disclosed the following: (i) general nature of the dispute? (ii) the fact that the information has not been disclosed? (ii) the reason why the information has not been disclosed?			

General

S. No.	Ref.	Disclosure	Yes	No	N/A
1		**Announcement on Disclosures in cases where a Court/Tribunal makes an order sanctioning an accounting treatment which is different from that prescribed by an Accounting Standard** If an item in the financial statements is treated differently pursuant to an Order made by the Court/Tribunal, as compared to the treatment required by an AS, whether the following disclosures have been made in the financial statements of the year in which different treatment has been given: (i) A description of the accounting treatment made along with the reason that the same has been adopted because of the Court/Tribunal Order? (ii) Description of the difference between the accounting treatment prescribed in the Accounting Standard and that followed by the Company? (iii) The financial impact, if any, arising due to such a difference? Notes: (i) The above disclosures are recommended for non-corporate entities also.			

Appendix 1

Announcement

Criteria for classification of Non-company entities for applicability of Accounting Standards

The Council, at its 400th meeting, held on March 18-19, 2021, considered the matter relating to applicability of Accounting Standards issued by The Institute of Chartered Accountants of India (ICAI), to Non-company entities (Enterprises). The scheme for applicability of Accounting Standards to Non-company entities shall come into effect in respect of accounting periods commencing on or after April 1, 2020.

1. For the purpose of applicability of Accounting Standards, Non-company entities are classified into four categories, viz., Level I, Level II, Level III and Level IV.

   Level I entities are large size entities, Level II entities are medium size entities, Level III entities are small size entities and Level IV entities are micro entities. Level IV, Level III and Level II entities are referred to as Micro, Small and Medium size entities (MSMEs). The criteria for classification of Non-company entities into different levels are given in Annexure 1.

   The terms 'Small and Medium Enterprise' and 'SME' used in Accounting Standards shall be read as 'Micro, Small and Medium size entity' and 'MSME' respectively.

2. Level I entities are required to comply in full with all the Accounting Standards.

3. Certain exemptions/relaxations have been provided to Level II, Level III and Level IV Non-company entities. Applicability of Accounting Standards and exemptions/relaxations to such entities are given in Annexure 2.

4. This Announcement supersedes the earlier Announcement of the ICAI on '**Harmonisation of various differences between the Accounting Standards issued by the ICAI and the Accounting Standards notified by the Central Government'** issued in February 2008, to the

extent it prescribes the criteria for classification of Non-company entities (Non-corporate entities) and applicability of Accounting Standards to non-company entities, and the Announcement '**Revision in the criteria for classifying Level II non-corporate entities**' issued in January 2013.

5. This Announcement is not relevant for Non-company entities who may be required to follow Ind AS as per relevant regulatory requirements applicable to such entities.

6. The changes arising from this Announcement will be incorporated in the Accounting Standards while publishing the updated Compendium of Accounting Standards.

Annexure 1

Criteria for classification of Non-company Entities as decided by the Institute of Chartered Accountants of India

Level I Entities

Non-company entities which fall in any one or more of the following categories, at the end of the relevant accounting period, are classified as Level I entities:

(i) Entities whose securities are listed or are in the process of listing on any stock exchange, whether in India or outside India.

(ii) Banks (including co-operative banks), financial institutions or entities carrying on insurance business.

(iii) All entities engaged in commercial, industrial or business activities, whose turnover (excluding other income) exceeds rupees two-fifty crore in the immediately preceding accounting year.

(iv) All entities engaged in commercial, industrial or business activities having borrowings (including public deposits) in excess of rupees fifty crore at any time during the immediately preceding accounting year.

(v) Holding and subsidiary entities of any one of the above.

Level II Entities

Non-company entities which are not Level I entities but fall in any one or more of the following categories are classified as Level II entities:

(i) All entities engaged in commercial, industrial or business activities, whose turnover (excluding other income) exceeds rupees fifty crore but does not exceed rupees two-fifty crore in the immediately preceding accounting year.

(ii) All entities engaged in commercial, industrial or business activities having borrowings (including public deposits) in excess of rupees ten crore but not in excess of rupees fifty crore at any time during the immediately preceding accounting year.

(iii) Holding and subsidiary entities of any one of the above.

Level III Entities

Non-company entities which are not covered under Level I and Level II but fall in any one or more of the following categories are classified as Level III entities:

(i) All entities engaged in commercial, industrial or business activities, whose turnover (excluding other income) exceeds rupees ten crore but does not exceed rupees fifty crore in the immediately preceding accounting year.

(ii) All entities engaged in commercial, industrial or business activities having borrowings (including public deposits) in excess of rupees two crore but does not exceed rupees ten crore at any time during the immediately preceding accounting year.

(iii) Holding and subsidiary entities of any one of the above.

Level IV Entities

Non-company entities which are not covered under Level I, Level II and Level III are considered as Level IV entities.

Additional requirements

(1) An MSME which avails the exemptions or relaxations given to it shall disclose (by way of a note to its financial statements) the fact that it is an MSME, the Level of MSME and that it has complied with the Accounting Standards insofar as they are applicable to entities falling in Level II or Level III or Level IV, as the case may be.

(2) Where an entity, being covered in Level II or Level III or Level IV, had qualified for any exemption or relaxation previously but no longer qualifies for the relevant exemption or relaxation in the current accounting period, the relevant standards or requirements become applicable from the current period and the figures for the corresponding period of the previous accounting period need not be revised merely by reason of its having ceased to be covered in Level II or Level III or Level IV, as the case may be. The fact that the entity was covered in Level II or Level III or Level IV, as the case may be, in the previous period and it had availed of the exemptions or relaxations available to that Level of entities shall be disclosed in the notes to the financial statements. The fact that previous period figures have not been revised shall also be disclosed in the notes to the financial statements.

(3) Where an entity has been covered in Level I and subsequently, ceases to be so covered and gets covered in Level II or Level III or Level IV, the entity will not qualify for exemption/relaxation available to that Level, until the entity ceases to be covered in Level I for two consecutive years. Similar is the case in respect of an entity, which has been covered in Level II or Level III and subsequently, gets covered under Level III or Level IV.

(4) If an entity covered in Level II or Level III or Level IV opts not to avail of the exemptions or relaxations available to that Level of entities in respect of any but not all of the Accounting Standards, it shall disclose the Standard(s) in respect of which it has availed the exemption or relaxation.

(5) If an entity covered in Level II or Level III or Level IV opts not to avail any one or more of the exemptions or relaxations available to that Level of entities, it shall comply with the relevant requirements of the Accounting Standard.

(6) An entity covered in Level II or Level III or Level IV may opt for availing certain exemptions or relaxations from compliance with the requirements prescribed in an Accounting Standard:

Provided that such a partial exemption or relaxation and disclosure shall not be permitted to mislead any person or public.

(7) In respect of Accounting Standard (AS) 15, *Employee Benefits*, exemptions/ relaxations are available to Level II and Level III entities, under two sub-classifications, viz., (i) entities whose average number of persons employed during the year is 50 or more, and (ii) entities whose average number of persons employed during the year is less than 50. The requirements stated in paragraphs (1) to (6) above, mutatis mutandis, apply to these sub-classifications.

Annexure 2

Applicability of Accounting Standards to Non-company Entities

The Accounting Standards issued by the ICAI, as on April 1, 2020, and such standards as issued from time-to-time are applicable to Non-company entities subject to the relaxations and exemptions in the announcement. The Accounting Standards issued by ICAI as on April 1, 2020, are:

AS 1	**Disclosure of Accounting Policies**
AS 2	Valuation of Inventories
AS 3	Cash Flow Statements
AS 4	Contingencies and Events Occurring After the Balance Sheet Date
AS 5	Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies
AS 7	Construction Contracts
AS 9	Revenue Recognition
AS 10	Property, Plant and Equipment
AS 11	The Effects of Changes in Foreign Exchange Rates
AS 12	Accounting for Government Grants
AS 13	Accounting for Investments
AS 14	Accounting for Amalgamations
AS 15	Employee Benefits
AS 16	Borrowing Costs
AS 17	Segment Reporting
AS 18	Related Party Disclosures
AS 19	Leases
AS 20	Earnings Per Share
AS 21	Consolidated Financial Statements

AS 22	Accounting for Taxes on Income
AS 23	Accounting for Investments in Associates in Consolidated Financial Statements
AS 24	Discontinuing Operations
AS 25	Interim Financial Reporting
AS 26	Intangible Assets
AS 27	Financial Reporting of Interests in Joint Ventures
AS 28	Impairment of Assets
AS 29	Provisions, Contingent Liabilities and Contingent Assets

(1) Applicability of the Accounting Standards to Level 1 Non-company entities.

Level I entities are required to comply in full with all the Accounting Standards.

(2) Applicability of the Accounting Standards and exemptions/relaxations for Level II, Level III and Level IV Non-company entities

***(A) Accounting* Standards applicable to Non-company entities**

AS	**Level II Entities**	**Level III Entities**	**Level IV Entities**
AS 1	Applicable	Applicable	Applicable
AS 2	Applicable	Applicable	Applicable
AS 3	**Not Applicable**	**Not Applicable**	**Not Applicable**
AS 4	Applicable	Applicable	Applicable
AS 5	Applicable	Applicable	Applicable
AS 7	Applicable	Applicable	Applicable
AS 9	Applicable	Applicable	Applicable
AS 10	Applicable	Applicable with disclosures exemption	Applicable with disclosures exemption

AS 11	Applicable	Applicable with disclosures exemption	Applicable with disclosures exemption
AS 12	Applicable	Applicable	Applicable
AS 13	Applicable	Applicable	Applicable with disclosures exemption
AS 14	Applicable	**Applicable**	**Not Applicable (Refer note 2(C))**
AS 15	Applicable with exemptions	Applicable with exemptions	Applicable with exemptions
AS 16	Applicable	Applicable	Applicable
AS 17	**Not Applicable**	**Not Applicable**	**Not Applicable**
AS 18	Applicable	**Not Applicable**	**Not Applicable**
AS 19	Applicable with disclosures exemption	Applicable with disclosures exemption	Applicable with disclosures exemption
AS 20	**Not Applicable**	**Not Applicable**	**Not Applicable**
AS 21	**Not Applicable (Refer note 2(D))**	**Not Applicable (Refer note 2(D))**	**Not Applicable (Refer note 2(D))**
AS 22	Applicable	Applicable	Applicable only for current tax related provisions (Refer note 2(B)(vi))
AS 23	**Not Applicable (Refer note 2(D))**	**Not Applicable (Refer note 2(D))**	**Not Applicable (Refer note 2(D))**
AS 24	Applicable	**Not Applicable**	**Not Applicable**
AS 25	**Not Applicable (Refer note 2(D))**	**Not Applicable (Refer note 2(D))**	**Not Applicable (Refer note 2(D))**
AS 26	Applicable	Applicable	Applicable with disclosures exemption

AS 27	**Not Applicable (Refer notes 2(C) and 2(D))**	**Not Applicable (Refer notes 2(C) and 2(D))**	**Not Applicable (Refer notes 2(C) and 2(D))**
AS 28	Applicable with disclosures exemption	Applicable with disclosures exemption	**Not Applicable**
AS 29	Applicable with disclosures exemption	Applicable with disclosures exemption	Applicable with disclosures exemption

(B) Accounting Standards in respect of which relaxations/exemptions from certain requirements have been given to Level II, Level III and Level IV Non-company entities:

(i) Accounting Standard (AS) 10, Property, Plant and Equipment

Paragraph 87 relating to encouraged disclosures is not applicable to Level III and Level IV Non-company entities.

(ii) AS 11, The Effects of Changes in Foreign Exchange Rates (revised 2018)

Paragraph 44 relating to encouraged disclosures is not applicable to Level III and Level IV Non-company entities.

(iii) AS 13, Accounting for Investments

Paragraph 35(f) relating to disclosures is not applicable to Level IV Non-company entities.

(iv) Accounting Standard (AS) 15, Employee Benefits (revised 2005)

(1) Level II and Level III Non-company entities whose average number of persons employed during the year is 50 or more are exempted from the applicability of the following paragraphs:

(a) paragraphs 11 to 16 of the standard to the extent they deal with recognition and measurement of short-term accumulating compensated absences which are non-vesting (i.e., short-term accumulating compensated absences in respect of which employees are not entitled to cash payment for unused entitlement on leaving);

(b) paragraphs 46 and 139 of the Standard which deal with discounting of amounts that fall due more than 12 months after the balance sheet date;

(c) recognition and measurement principles laid down in paragraphs 50 to 116 and presentation and disclosure requirements laid down in paragraphs 117 to 123 of the Standard in respect of accounting for defined benefit plans. However, such entities should actuarially determine and provide for the accrued liability in respect of defined benefit plans by using the Projected Unit Credit Method and the discount rate used should be determined by reference to market yields at the balance sheet date on government bonds as per paragraph 78 of the Standard. Such entities should disclose actuarial assumptions as per paragraph 120(l) of the Standard; and

(d) recognition and measurement principles laid down in paragraphs 129 to 131 of the Standard in respect of accounting for other long-term employee benefits. However, such entities should actuarially determine and provide for the accrued liability in respect of other long-term employee benefits by using the Projected Unit Credit Method and the discount rate used should be determined by reference to market yields at the balance sheet date on government bonds as per paragraph 78 of the Standard.

(2) Level II and Level III Non-company entities whose average number of persons employed during the year is less than 50 and Level IV Non-company entities irrespective of number of employees are exempted from the applicability of the following paragraphs:

(a) paragraphs 11 to 16 of the standard to the extent they deal with recognition and measurement of short-term accumulating compensated absences which are non-vesting (i.e., short-term accumulating compensated absences in respect of which employees are not entitled to cash payment for unused entitlement on leaving);

(b) paragraphs 46 and 139 of the Standard which deal with discounting of amounts that fall due more than 12 months after the balance sheet date;

(c) recognition and measurement principles laid down in paragraphs 50 to 116 and presentation and disclosure requirements laid down in paragraphs 117 to 123 of the Standard in respect of accounting for defined benefit plans. However, such entities may calculate and account for the accrued liability under the defined benefit plans by reference to some other rational method, e.g., a method based on the assumption that such benefits are payable to all employees at the end of the accounting year; and

(d) recognition and measurement principles laid down in paragraphs 129 to 131 of the Standard in respect of accounting for other long-term employee benefits. Such entities may calculate and account for the accrued liability under the other long-term employee benefits by reference to some other rational method, e.g., a method based on the assumption that such benefits are payable to all employees at the end of the accounting year.

(v) AS 19, Leases

(a) Paragraphs 22 (c),(e) and (f); 25 (a), (b) and (e); 37 (a) and (f); and 46 (b) and (d) relating to disclosures are not applicable to Level II Non-company entities.

(b) Paragraphs 22 (c),(e) and (f); 25 (a), (b) and (e); 37 (a), (f) and (g); and 46 (b), (d) and (e) relating to disclosures are not applicable to Level III Non-company entities.

(c) Paragraphs 22 (c),(e) and (f); 25 (a), (b) and (e); 37 (a), (f) and (g); 38; and 46 (b), (d) and (e) relating to disclosures are not applicable to Level IV Non-company entities.

(vi) AS 22, Accounting for Taxes on Income

(a) Level IV Non-company entities shall apply the requirements of AS 22, Accounting for Taxes on Income, for Current tax defined in paragraph 4.4 of AS 22, with recognition as per paragraph 9, measurement as per paragraph 20 of AS 22, and presentation and disclosure as per paragraphs 27-28 of AS 22.

(b) Transitional requirements

On the first occasion when a Non-company entity gets classified as Level IV entity, the accumulated deferred tax asset/liability appearing in the financial statements of immediate previous accounting period, shall be adjusted against the opening revenue reserves.

(vii) AS 26, Intangible Assets

Paragraphs 90(d)(iii); 90(d)(iv) and 98 relating to disclosures are not applicable to Level IV Non-company entities.

(viii) AS 28, Impairment of Assets

(a) Level II and Level III Non-company entities are allowed to measure the 'value in use' on the basis of reasonable estimate thereof instead of computing the value in use by present value technique. Consequently, if Level II or Level III Non-company entity chooses to measure the 'value in use' by not using the present value technique, the relevant provisions of AS 28, such as discount rate etc., would not be applicable to such an entity. Further, such an entity need not disclose the information required by paragraph 121(g) of the Standard.

(b) Also, paragraphs 121(c)(ii); 121(d)(i); 121(d)(ii) and 123 relating to disclosures are not applicable to Level III Non-company entities.

(ix) AS 29, Provisions, Contingent Liabilities and Contingent Assets (revised 2016)

Paragraphs 66 and 67 relating to disclosures are not applicable to Level II, Level III and Level IV Non-company entities.

(A) In case of Level IV Non-company entities, generally there are no such transactions that are covered under AS 14, Accounting for Amalgamations, or jointly controlled operations or jointly controlled assets covered under AS 27, Financial Reporting of Interests in Joint Ventures. Therefore, these standards are not applicable to Level IV Non-company entities. However, if there are any such transactions, these entities shall apply the requirements of the relevant standard.

(B) AS 21, Consolidated Financial Statements, AS 23, Accounting for

Investments in Associates in Consolidated Financial Statements, AS 27, Financial Reporting of Interests in Joint Ventures (to the extent of requirements relating to Consolidated Financial Statements), and AS 25, Interim Financial Reporting, do not require a Non-company entity to present consolidated financial statements and interim financial report, respectively. Relevant AS is applicable only if a Non-company entity is required or elects to prepare and present consolidated financial statements or interim financial report.