**Applicability of Accounting Standards to Non-company Entities**

**The Accounting Standards issued by the ICAI are:**

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| 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**

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| **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 Equipments  
    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.
* (C) 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.
* (D) 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