

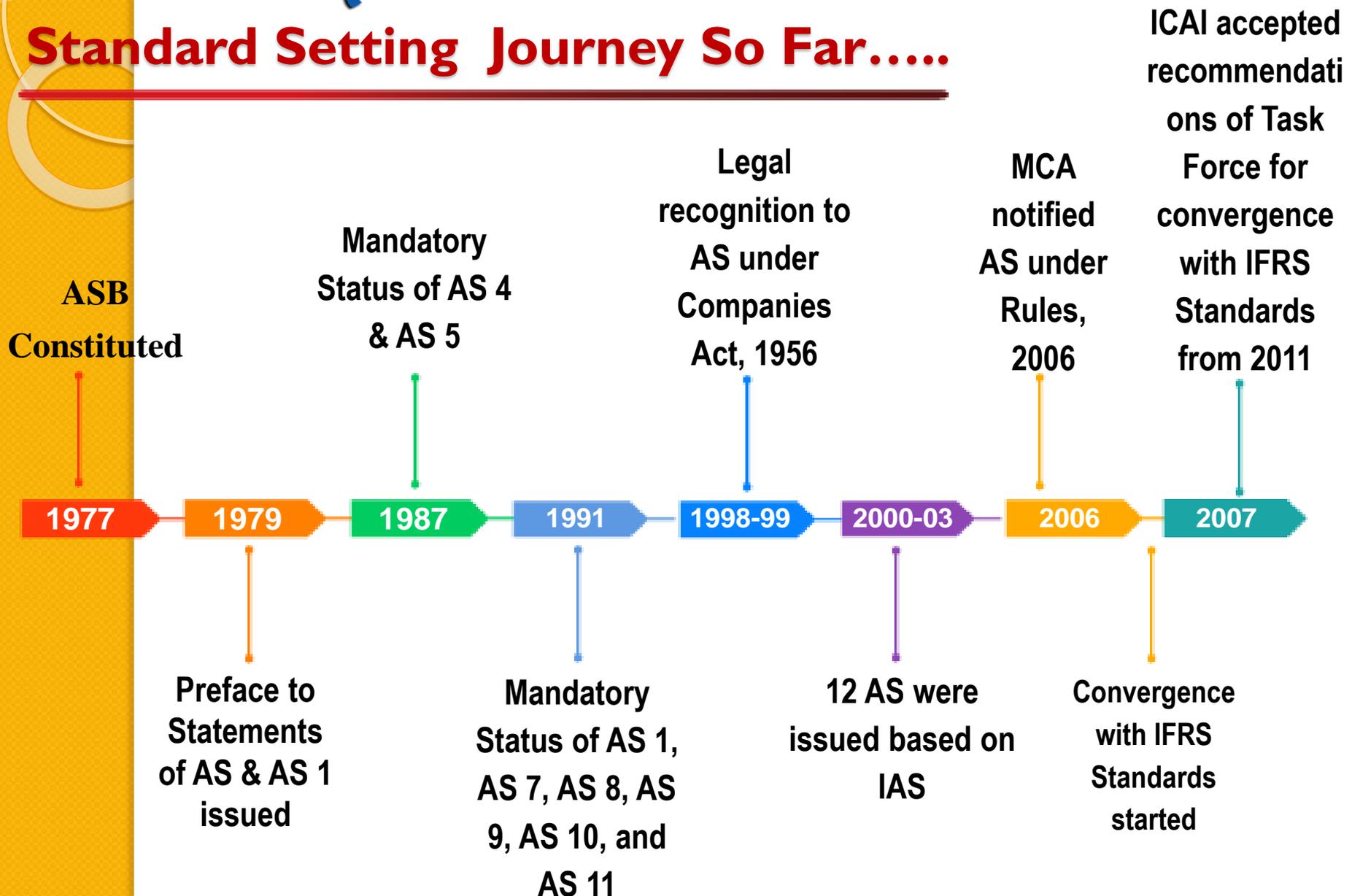
Basics of Accounting Standards for Corporates & Non-Corporates



**ICAI – ASB – Gurugram
Branch (NIRC)
29th March 2024**

CA. PRAMOD JAIN
FCA, FCS, FCMA, LL.B, MIMA, DISA, IP

Standard Setting Journey So Far.....





Contd...

IFRS converged Ind AS hosted on MCA website

2011

2015

2016

2017

2018

2019

2020

2021

2022

MCA notified 39 Ind AS & issued roadmap for convergence with IFRS Standards

MCA notified revision in AS 2, AS 4, AS 10, AS 13, AS 14, AS 21, AS 29

MCA notified Amendments to Ind AS 102 and Ind AS 7

MCA notified Ind AS 115 and Amendments to various Ind AS

MCA notified Ind AS 116 and Amendments to various Ind AS

- ICAI Issued Conceptual Framework for Financial Reporting under Ind AS
- MCA notified amendments to Ind AS

- MCA notified AS Rules, 2021
- ICAI issued Announcement for revision in Criteria for classification of non-company entities.

Convergence with IFRS Standards and revising of existing notified AS continues

Recognition of Accounting Standards by Regulators

1999

Legal recognition to Accounting Standards issued by the ICAI under Companies Act

2001

SEBI mandated all listed companies to mandatorily comply with AS

2002

IRDAI required insurance companies to comply with AS

2003

Reserve Bank of India issued guidelines for Bank for strict compliance of AS



ASB also engages with the Regulators on various accounting issues and support their capacity building initiatives.

AS

- **Companies (Accounting Standards) Rules, 2021 notified vide notification dated 23.06.2021**
- **These have replaced Companies (Accounting Standards) Rules, 2006**
- **Effective for accounting periods commencing on or after 1st April, 2021**

Companies Act 2013

- **FS has to be AS compliant (S. 129(5)):**
 - **FS to disclose deviation from AS**
 - **Reason for deviation**
 - **Financial effect arising of deviation**
- **Non- compliance**
 - **MD,**
 - **WTD in charge of finance**
 - **CFO**
 - **Any other person charged by Board**
 - **If no one – all directors**
 - **Imprisonment upto 1 yr or Fine – 50k to 500k or both**

AS APPLICABILITY FOR COMPANIES

Conditions	SMC		Other than SMC	
	Existing	Revised	Existing	Revised
Turnover (excluding other Income) in PY	< 50 Cr	< 250 Cr	> 50 Cr	> 250 Cr
Borrowing (including public deposit)	< 10 Cr	< 50 Cr	> 10 Cr	> 50 Cr

SMC Disclosure

- **From 1.4.2021** - “The Company is a **Small and Medium Sized Company (SMC)** as defined in the **Companies (Accounting Standards) Rules, 2021** notified under the **Companies Act, 2013**. Accordingly, the Company has complied with the **Accounting Standards** as applicable to a **Small and Medium Sized Company.**”
- **Two year wait period if change from Non-SMC to SMC**

???

- **Are Financial Statements Audited during Tax audit of Prop. Partnership?**
- **Are Notes to accounts prepared for Non-Corporates?**
- **Are Accounting Standards applicable to Non-corporates?**
- **What if there is non-compliance?**
- **Where to Report such non-compliance?**

Accounting Standards



**Entities that
are to follow
AS**

Companies

**Other than
Companies**

**Companies
(Accounting
Standards)
Rules, 2021
(27 Standards)**

**Ind AS
(39 Standards)**

**AS issued by
ICAI
(27 Standards)**

AS Applicability for Non-Corporates

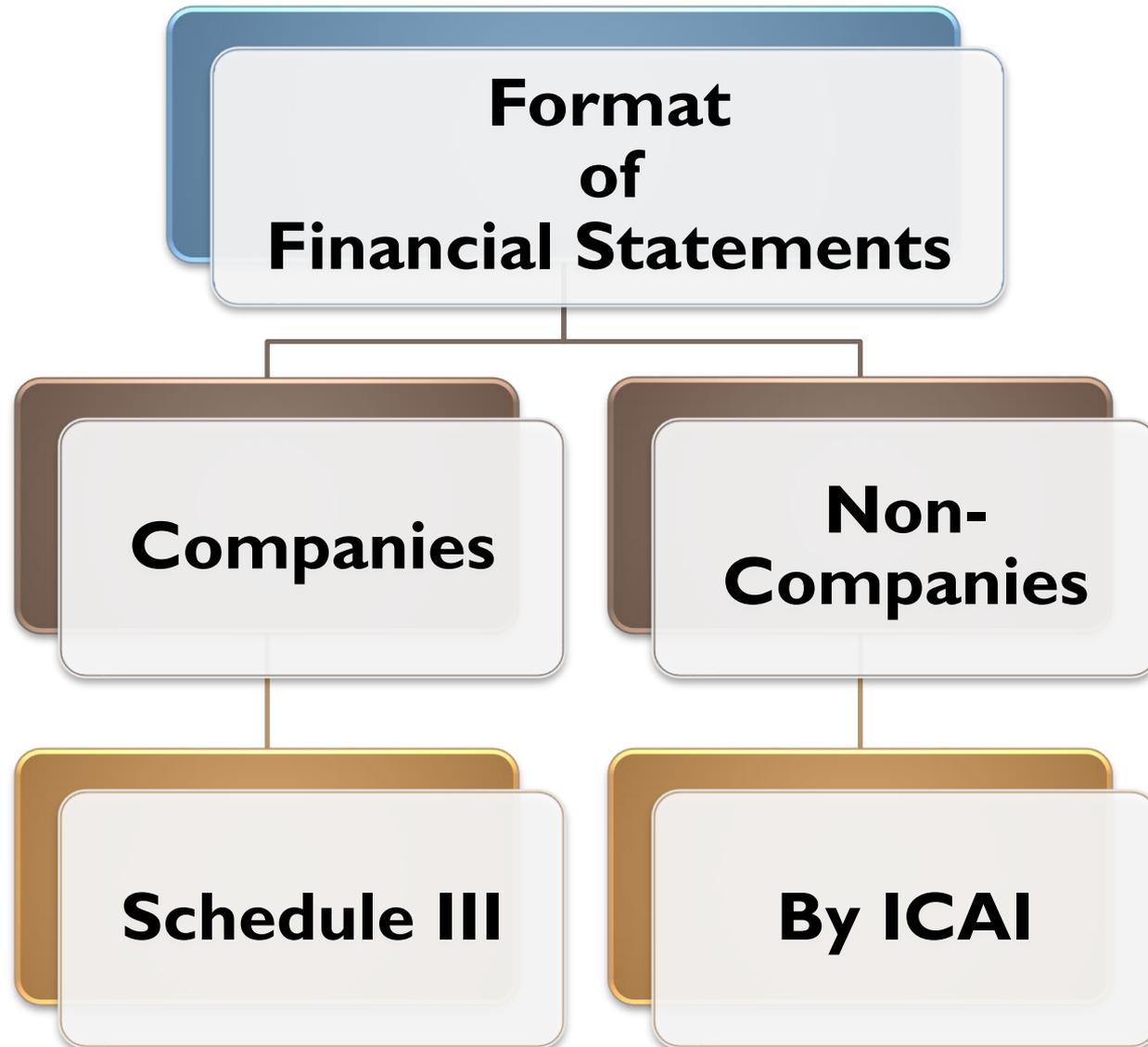
- **Effective for Accounting Periods from 1.4.2020**
- **Instead of 3 levels.. Now 4 levels**

Level	Turnover		Borrowing	
	Existing	Revised	Existing	Revised
I	> 50 Cr	> 250 Cr	> 10 Cr	> 50 Cr
II	1-50Cr	50-250 Cr	1-10 Cr	10-50 Cr
III	< 1 Cr	10-50Cr	< 1 Cr	2-10Cr
IV		< 10 Cr		< 2 Cr

MSME Disclosure

Non-Corporate

- **“The Entity is a Micro Small and Medium Sized Enterprise (MSME) as per the announcement made by ICAI and 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.”**
- **Two year wait period if change from Level I to II or II to III or III to IV**



Formats of Financial Statements for Non-corporate Entities

Proprietorship

Partnership

LLP

Balance Sheet

Name of the Non-Corporate Entity.....

Balance Sheet as at

	Particulars	Note No	Figures as at the end of (Current reporting period) (in Rs.)	Figures as at the end of (Previous reporting period) (in Rs.)
			_____ (DD/MM/YYYY)	_____ (DD/MM/YYYY)
	1	2	3	4
I.	OWNERS' AND LIABILITIES			
	(1) Owners' Fund			
	(a) Owners Capital Account			
	(b)Reserves and surplus			
(2)	Non-current liabilities			
	(a) Long-term borrowings			
	(b) Deferred tax liabilities (Net)			

	Particulars	Note No	Figures as at the end of (Current reporting period) (in Rs.) _____ (DD/MM/YYYY)	Figures as at the end of (Previous reporting period) (in Rs.) _____ (DD/MM/YYYY)
	(c) Other Long Term Liabilities			
	Long-term provisions			
(3)	Current liabilities			
	(a) Short-term borrowings			
	(b) Trade payables			
	(c)Other current liabilities			
	(d)Short-term provisions			
	TOTAL			
II.	ASSETS			
(1)	Non-Current Assets			
	(a) Property, Plant and Equipment & Intangible assets			
	(i) Property, Plant and Equipment			
	(ii) Intangible assets			

	Particulars	Note No	Figures as at the end of (Current reporting period) (in Rs.)	Figures as at the end of (Previous reporting period) (in Rs.)
			_____ (DD/MM/YYYY)	_____ (DD/MM/YYYY)
	(iii) Capital work-in-progress			
	(iv) Intangible assets under development			
	(b) Non-current investment			
	(c) Deferred tax assets (net)			
	(d) Long-term loans and advances			
	(e) Other non-current assets			
(2)	Current assets			
	(a) Current investments			
	(b) Inventories			
	(c) Trade receivables			
	(d) Cash and bank balances			
	(e) Short-term loans and advances			
	(f) Other current assets			
	TOTAL			

STATEMENT OF PROFIT AND LOSS

Name of the Non-Corporate Entity..... **CA. Pramod Jain**

Statement of Profit and loss for the year ended

(Rupees in.....)

	Particulars	Note	Figures for the current reporting period (in rs.) From _____ (DD/MM/YYYY) To _____ (DD/MM/YYYY)	Figures for the previous reporting period (in Rs.) From _____ (DD/MM/YYYY) To _____ (DD/MM/YYYY)
	1	2	3	4
I.	Revenue from operations		xxx	Xxx
II.	Other income		xxx	Xxx
III.	Total Income (I + II)		xxx	Xxx
IV.	Expenses			
(a)	Cost of Goods Sold			
(b)	Employee benefits expense		xxx	Xxx
(c)	Depreciation and amortization expense		xxx	Xxx
(d)	Finance Cost		xxx	Xxx
(e)	Other expenses		xxx	xxx

	Particulars	Note	Figures for the current reporting period (in Rs.) From _____ (DD/MM/YYYY) To _____ (DD/MM/YYYY)	CA. Pramod Jain Figures for the previous reporting period (in rs.) From _____ (DD/MM/YYYY) To _____ (DD/MM/YYYY)
	Total expenses		xxx	xxx
V	Profit before exceptional and extraordinary items & tax (III-IV)		xxx	xxx
VI	Exceptional items		xxx	xxx
VII	Profit before extraordinary items and tax (V - VI)		xxx	xxx
VIII	Extraordinary Items		xxx	xxx
IX	Profit before tax (VII- VIII)		xxx	xxx
X	Tax expense:			
(i)	Current tax		xxx	xxx
(ii)	Deferred tax		xxx	xxx
XI	Profit (Loss) for the period from continuing operations (VII-VIII)		xxx	xxx
XII	Profit/(loss) from discontinuing operations		xxx	xxx
XIII	Tax expense of discontinuing operations		xxx	xxx
XIV	Profit/(loss) from Discontinuing operations (after tax) (XII-XIII)		xxx	xxx
XV	Profit/ (Loss) (XI + XIV)		xxx	xxx

Formats of Financial Statements for NPOs

Trusts

Societies

Balance Sheet

Name of the NPO.....

CA. Pramod Jain

Balance Sheet as at

(Rs. in.....)

	Particulars	Note	31 March 20XX	31 March 20XX
I	Sources of Funds			
I	NPO Funds	3	0	0
(a)	Unrestricted Funds			
(b)	Restricted Funds			
2	Non-current liabilities			
(a)	Long-term borrowings	4	-	
(b)	Other long-term liabilities	5	-	-
(c)	Long-term provisions	6	-	-
3	Current liabilities			
(a)	Short-term borrowings	4	-	-
(b)	Payables	7		
(c)	Other current liabilities	8	-	-
(d)	Short-term provisions	6	-	-
	Total		-	-

Name of the NPO.....

Balance Sheet as at

	Particulars	Note	31 March 20XX	31 March 20XX
II	Application of Funds			
1	Non-current assets			
(a)	Property, Plant and Equipment and Intangible assets	9		
(i)	Property, Plant and Equipment			
(ii)	Intangible assets			
(iii)	Capital work in progress			
(iv)	Intangible asset under development			
(b)	Non-current investments	10	-	-
(c)	Long Term Loans and Advances	11	-	-
(d)	Other non-current assets (specify nature)	12	-	-
2	Current assets			
(a)	Current investments	10	-	-
(b)	Inventories			
(c)	Receivables	13	-	-
(d)	Cash and bank balances	14	-	-
(e)	Short Term Loans and Advances	11	-	-
(f)	Other current assets	15	-	-
	Total			

Income & Expenditure A/c

Name of the Non-Corporate Entity.....

Statement of Profit and loss for the year ended

(Rupees in.....)

	Particulars	Note	31 March 20XX			31 March 20XX		
			Unrestr icted funds	Restri cted funds	Total	Unres tricted funds	Restri cted funds	Total
I	Income							
(a)	Donations and Grants							
(b)	Fees from Rendering of Services							
(c)	Sale of Goods							
II	Other Income	16					-	-
III	Total Income (I+II)						-	-

	Particulars	Note	31 March 20XX			31 March 20XX		
			Unrestr icted funds	Restri cted funds	Total	Unres tricted funds	Restri cted funds	Total
IV	Expenses:							
(a)	Material consumed/distributed	17					-	-
(b)	Donations/contributions paid							
(c)	Employee benefits expense	18					-	-
(d)	Depreciation and amortization expense	19					-	-
(e)	Finance costs	20					-	-
(f)	Other expenses	21					-	-
(g)	Religion/charitable expenses							
(h)	Other Expenses (specify nature)							
	Total expenses						-	-
V	Excess of Income over Expenditure for the year before exceptional and extraordinary items (III- IV)						-	-

	Particulars	Note	31 March 20XX			31 March 20XX		
			Unrestr icted funds	Restri cted funds	Total	Unres tricted funds	Restri cted funds	Total
VI	Exceptional items (specify nature & provide note/delete if none)						-	-
VII	Excess of Income over Expenditure for the year before extraordinary items (V-VI)						-	-
VIII	Extraordinary Items (specify nature & provide note/delete if none)						-	-
IX	Excess of Income over Expenditure for the year (VII-VIII)						-	-
	Appropriations Transfer to funds, e.g., Building fund							
	Transfer from funds							
	Balance transferred to General Fund							

Disclosures in Notes

- **AS I – Policies**
- **Notes wordings**
- **Do List of Crs, Drs, Loans, etc form part of notes?**
- **MSMED 2006**
- **Contingent Liabilities**

AS Applicability

AS No.	Short Title	Companies		Non - Companies			
		Non-SMC	SMC	L - I	L- II	L - III	L - IV
1	Accounting Policies	Y	Y	Y	Y	Y	Y
2	Inventories	Y	Y	Y	Y	Y	Y
3	Cash Flow	Y	N/Y	Y	N	N	N
4	Events after Balance Sheet date	Y	Y	Y	Y	Y	Y
5	Prior Period Items & Policies	Y	Y	Y	Y	Y	Y
6	Depreciation (Omitted w.e.f. 30.3.16)	NA	NA	NA	NA	NA	NA
7	Construction	Y	Y	Y	Y	Y	Y
9	Revenue	Y	Y	Y	Y	Y	Y
10	Property, Plant & Equipment	Y	Y	Y	Y	Partly	Partly
11	Foreign Exchange	Y	Y	Y	Y	Partly	Partly
12	Government Grants	Y	Y	Y	Y	Y	Y
13	Investments	Y	Y	Y	Y	Y	Y
14	Amalgamations	Y	Y	Y	Y	Y	N
15	Employee Benefits	Y	Partly	Y	Partly	Partly	Partly

AS Applicability

AS No.	Short Title	Companies		Non - Companies			
		Non-SMC	SMC	L - I	L- II	L - III	L - IV
16	Borrowing Cost	Y	Y	Y	Y	Y	Y
17	Segment	Y	N	Y	N	N	N
18	Related Party	Y	Y	Y	Y	N	N
19	Leases	Y	Partly	Y	Partly	Partly	Partly
20	Earning Per Share	Y	Partly	N	N	N	N
21	Consolidation	N/Y	N/Y	(listed)	N	N	N
22	Deferred Taxes	Y	Y	Y	Y	Y	Partly
23	Consolidated Statements	N/Y	N/Y	(listed)	N	N	N
24	Discontinuing Operation	Y	Y	Y	Y	N	N
25	Interim Reporting	Y (listed)	N**	N**	N**	N**	N
26	Intangible Assets	Y	Y	Y	Y	Y	Partly
27	Interest in Joint Ventures	N/Y	N/Y	(listed)	N	N	N
28	Impairment	Y	Partly	Y	Partly	Partly	N
29	Contingency	Y	Partly	Y	Partly	Partly	Partly

RELATED PARTY

Accounting Standards

AS 18

Companies Act

S. 2(76)

S. 184

S. 188

Income Tax

40A(2)(b)

Cash System

- **AS 1 – accrual system**
- **ICAI – 1991 announcement**
 - **In cases where the statute governing the enterprise requires the preparation and presentation of financial statements on accrual basis but the financial statements have not been so prepared, the auditor should qualify his report.**
 - **On the other hand, where there is no statutory requirement for preparation and presentation of financial statements on accrual basis, and the financial statements have been prepared on a basis other than ‘accrual’ the auditor should describe in his audit report, the basis of accounting followed, without necessarily making it a subject matter of a qualification.**

Cash System

- **Disclosure in the audit report:**
- **“It is the policy of the enterprise to prepare its financial statements on the cash receipts and disbursements basis. On this basis revenue and the related assets are recognised when received rather than when earned, and expenses are recognised when paid rather than when the obligation is incurred.**
- **In our opinion, the financial statements give a true and fair view of the assets and liabilities arising from cash transactions of at and of the revenue collected and expenses paid during the year then ended on the cash receipts and disbursements basis as described in Note X.”**

Cash System

- **Revenue** - In case, revenue has not been received in cash, however, TDS made and deposited by the payer, in that case, revenue shall be recognised equivalent to the amount of TDS.
- **Borrowing:**
 - Interest on Loans - to be paid
 - Capitalisation of borrowing costs shall commence when expenditure for acquisition, construction or production of a qualifying asset is paid & all activities necessary to prepare qualifying asset for its intended use or sale are in progress.
 - Borrowing costs paid after substantial completion of all activities necessary to prepare qualifying asset for its intended use or sale shall be expensed off.

Cash System

- **Depreciation** - Recognise depreciation and impairment of assets as expense in PL so that the periodic net result of operations of the entity reflects the use of the asset.
- **Inventories** - Difference arising on valuation of inventories at lower of cost and net realisable value, shall also be recognised in the PL.
- **Taxes** - Tax paid for FY shall be recognised as expense in PL. In case, entity has paid tax more than current tax for FY, and it is reasonably certain that additional tax paid will be received as refund, then it shall expense off amount in PL to the extent of actual current tax and recognise the balance amount as 'tax refund receivable' in the B/s

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CA. Pramod Jain

www.caprmodjain.com

pramodjain@lunawat.com

+91 9811073867



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