

# Accounting Standards for Non-Corporates



**Kalbadevi, CPE Study Circle  
of WIRC of ICAI**

**21<sup>st</sup> June 2021**



**CA. PRAMOD JAIN**

**FCA, FCS, FCMA, LL.B, MIMA, DISA, IP**

# APPLICABILITY

- **Are Accounting Standards applicable to Non-corporates?**
- **If Yes, which AS?**
- **What if there is non-compliance?**
- **Where to Report such non-compliance?**

# **Main Objective of Audit**

- **To express an opinion on Financial Statement (FS)**
- **FS should be prepared as per applicable AS and statutory requirements**
- **Responsibility of FS, AS,...**

# Accounting Standards



**Entities that  
are to follow  
AS**

**Companies**

**Other than  
Companies**

**Companies  
(Accounting  
Standards)  
Rules, 2006**

**Ind AS**

**ICDS**

**AS issued  
by ICAI**

**ICDS**

# **AS Disclosures**

- **Levels II, III, IV**
- **AS I – Policies**
- **Are Notes to A/c prepared in Non-corporates?**
- **Comparative figures !!**

## SMC Disclosure

- **“The Company is a Small and Medium Sized Company (SMC) as defined in the General Instructions in respect of Accounting Standards 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**

# **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**



## 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 (Large)	> 50 Cr	> 250 Cr		> 10 Cr	> 50 Cr
II (Medium)	1-50Cr	50-250 Cr		1-10 Cr	10-50 Cr
III (Small)	< 1 Cr	10-50 Cr		< 1 Cr	2-10 Cr
IV (Micro)		< 10 Cr			< 2 Cr



# 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)**

# AS- Classification

- Disclosure
  - AS 1, 3, 17, 18, 20, 21, 23, 24, 27
- Recognition & Measurement
  - AS 2, 10, 12, 13, 16, 26, 28
- Capital or Revenue
- Expenses/ Income relating to which year- Principle of prudence applied
  - AS 4, 5, 9, 11, 15, 22, 29
- Specific
  - AS 7, 14, 19, 25

# **Relaxations / Exemptions**

- **AS-10 – Para 87 – (Exemption to L III & IV) - encouraged to disclose:**
  - **carrying amount of temporarily idle PPE**
  - **gross carrying amount of any fully depreciated PPE that is still in use**
  - **for each revalued class of PPE, the carrying amount that would have been recognised had the assets been carried under the cost model**
  - **carrying amount of PPE retired from active use and not held for disposal**

# **Relaxations / Exemptions**

- **AS-11 - Para 44 (Exemption to L III & IV) - encouraged disclosures of an enterprise's foreign currency risk management policy.**
- **AS 13 – Para 35(f) - (Exemption to L IV) – amounts included in PL for the disclosures as specifically required by the relevant statute governing the enterprise.**

# **Relaxations / Exemptions**

- **AS-15 - Exemption L II & III whose average number of persons employed during the year is 50 or more:**
  - Para 11 to 16 to the extent 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)
  - Para 46 & 139 which deal with discounting of amounts that fall due more than 12 months after the balance sheet date
  - Para 50 to 116 & presentation & disclosure requirements laid down in para 117 to 123 in respect of accounting for defined benefit plans. However, such entities should actuarially determine & provide for accrued liability in respect of defined benefit plans by using Projected Unit Credit Method & discount rate used should be determined by reference to market yields at B/S date on government bonds as per para 78. Such entities should disclose actuarial assumptions as per para 120(I)
  - Para 129 to 131 in respect of accounting for other long-term employee benefits. However, such entities should actuarially determine & provide for accrued liability in respect of other long-term employee benefits by using Projected Unit Credit Method & discount rate used should be determined by reference to market yields at B/S date on govt. bonds as per para 78.



# **Relaxations / Exemptions**

- **AS-15 - Exemption - L II & III whose average number of persons employed during the year is less than 50 & Level IV irrespective of number of employees:**
  - Para 11 to 16 to extent they deal with recognition & 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)
  - Para 46 & 139 which deal with discounting of amounts that fall due more than 12 months after the balance sheet date
  - Para 50 to 116 & presentation and disclosure requirements laid down in paragraphs 117 to 123 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
  - Para 129 to 131 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.

# Relaxations / Exemptions

- **AS-19 – Lease – Relating to disclosures:**
  - **Exemption L II, III & IV - Paras 22 (c),(e) and (f); 25 (a), (b) and (e); 37 (a) and (f); and 46 (b) and (d).**
  - **Exemption L III & IV – Additional Para 37 (g) and 46 (e).**
  - **Exemption L IV – Additional Para 38.**

# Relaxations / Exemptions

- **AS 22 – Relaxation for L IV:**
  - Shall apply for Current tax defined in paragraph 4.4, with recognition as per paragraph 9, measurement as per paragraph 20, and presentation and disclosure as per paragraphs 27-28 of AS 22.
  - Transitional requirements On the first occasion when an 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.
- **AS 26 Relaxation for L IV - Paras 90(d)(iii); 90(d)(iv) and 98 relating to disclosures are not applicable.**

# Relaxations / Exemptions

- **AS 28 - L II & III - 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.**
- **Need not disclose information required by para 121(g).**
- **L III - Paras 121(c)(ii); 121(d)(i); 121(d)(ii) and 123 relating to disclosures are not applicable**

# **Relaxations / Exemptions**

- **AS 29 - Paragraphs 66 and 67 relating to disclosures are not applicable to Level II, III & IV**

# **Certificates**

- **How are they issued?**
- **For what??**
- **Guidance Note on Reports or Certificates for Special Purposes**
- **UDIN**

## **GN Illustrations**

- 1. Turnover/Net Worth/Net Profit/Working Capital/similar engagement pursuant to a Tender requirement**
- 2. Annual Activity Certificate for Indian Branch Office/Liaison Office of Foreign Companies**
- 3. Manner of Utilization of Funds required under SEBI (LODR) Regulations, 2015**
- 4. Statement of Fixed Assets for the Last Two Years in Respect of One of the Project of an Entity**

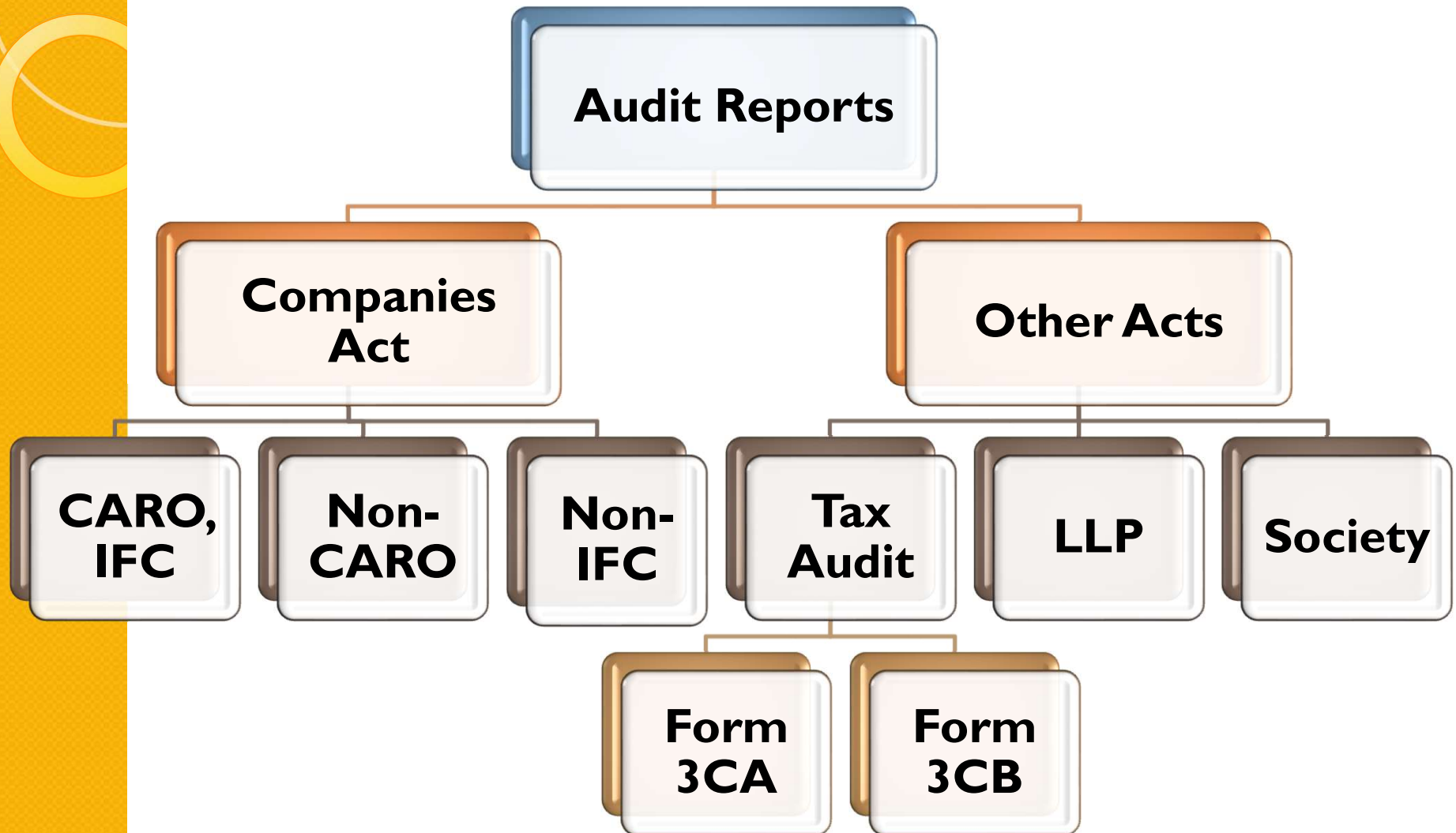


# **Certificate Format**

- **EL / Agreement**
- **Matter to be certified**
- **Management Responsibility**
- **Practitioner's Responsibility**
- **Opinion**
- **Restriction of Use**
- **Signatures with UDIN**

# AUDIT





# **Types of Audit Reports**

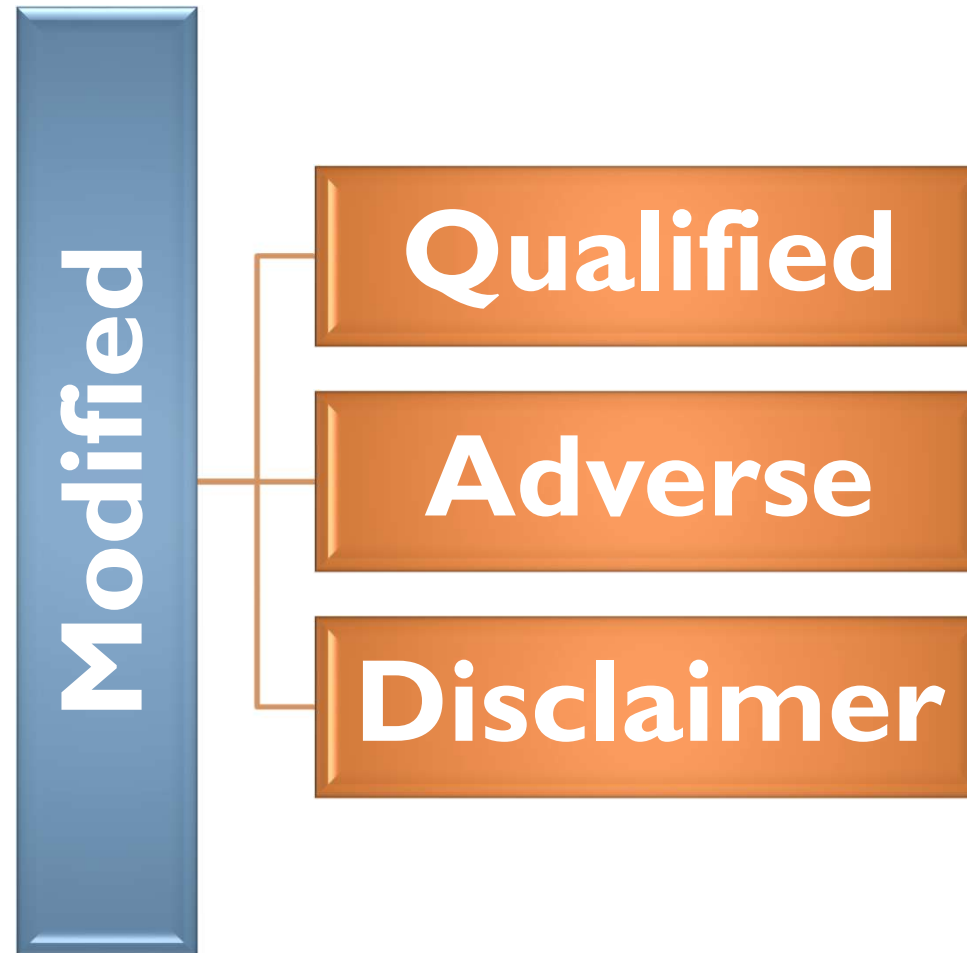


**Unmodified**



**Modified**

# Modified Audit Reports



# Modified Audit Reports

	Auditor's judgment about Pervasiveness of the matter	
Nature of Matter	Material but NOT Pervasive	Material AND Pervasive
Financial statements are Materially misstated	Qualified Opinion (...except for...)	Adverse Opinion (...do not present true & fair...)
Unable to obtain Sufficient Appropriate Audit Evidence	Qualified Opinion (...except for...)	Disclaimer of Opinion (...we do not express an opinion...)





## No. of Standards

Type of Standards	Abbreviation	Numerical Series	Nos.
Standards on Quality Control	SQC	01-99	1
Standards on Auditing	SA	100-999	38
Standards on Review Engagements	SRE	2000-2699	2
Standards on Assurance Engagements	SAE	3000-3699	3
Standards on Related Services	SRS	4000-4699	2

# Standards on Review Engagements

SRE No.	Sub-division
2400	Engagements to Review Financial Statements
2410	Review of Interim Financial Information Performed by the Independent Auditor of the Entity

# Standards on Assurance Engagements

SRE No.	Sub-division
3400	<b>The Examination of Prospective Financial Information</b>
3402	<b>Assurance Reports on Controls at a Service Organisation</b>
3420	<b>Assurance Engagements to Report on the Compilation of Pro Forma Financial Information included in a Prospectus</b>

# Standards on Related Services

<b>SRE No.</b>	<b>Sub-division</b>
<b>4400</b>	<b>Engagements to Perform Agreed-upon Procedures regarding Financial Information</b>
<b>4410</b>	<b>Engagements to Compile Financial Information</b>

# Legislation for AY 2021-22

## S. 44AB

- Business – exceeds Rs. 1 Crore / 5 Crores / 10 Crores
- Profession – exceeds Rs. 50 L
- Business u/s 44AE /44BB /44BBB; income < deemed profits;
- Profession u/s 44ADA; deemed profit < 50% & TI > MANCT
- Business u/s 44AD (4) & TI > MANCT

## Rule 6G

- Prescribing the Forms for Report u/s 44AB

## Form 3CA

- Report in case of a person who is required to get his A/cs audited under any law

## Form 3CB

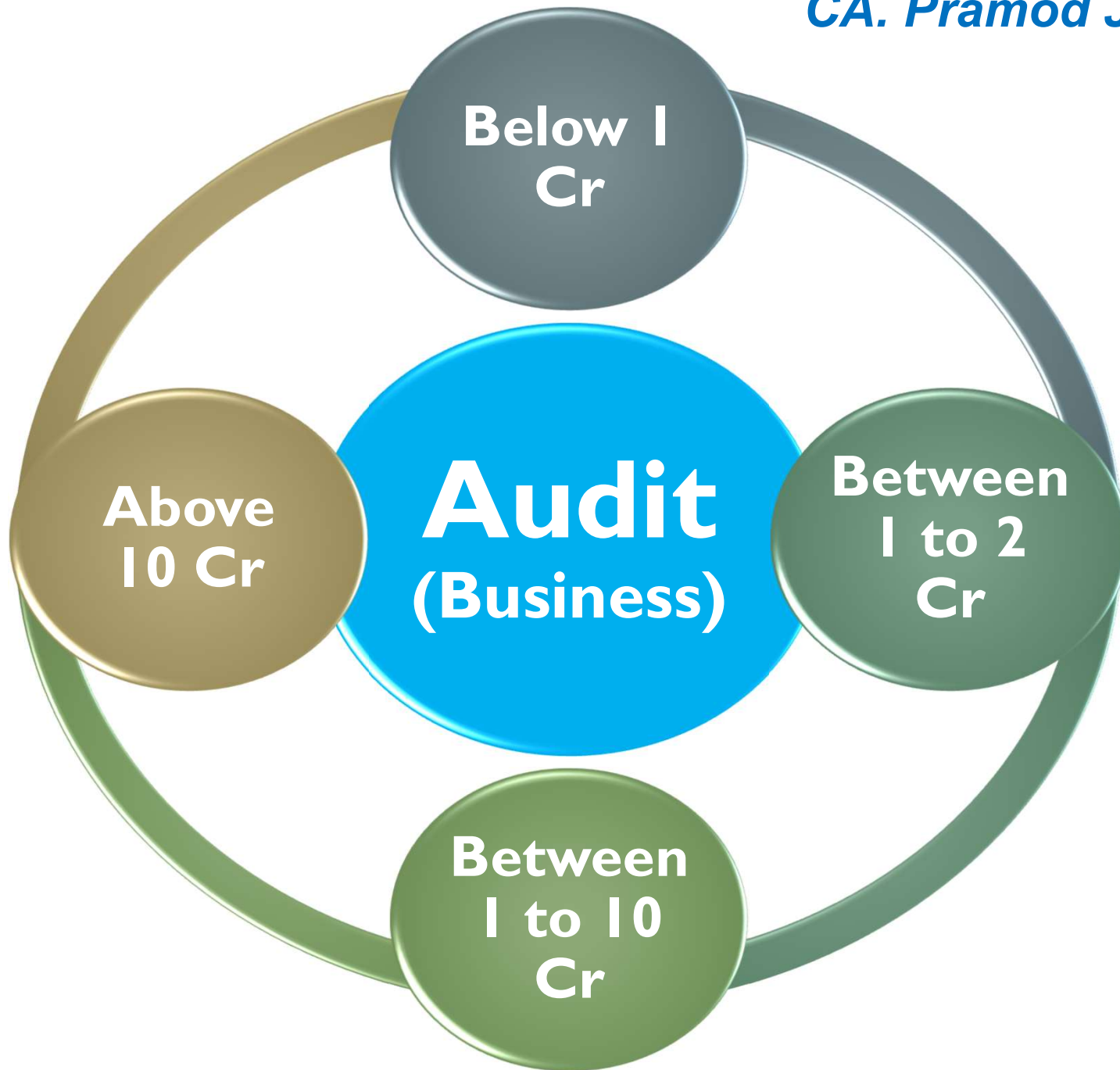
- Report in any other case

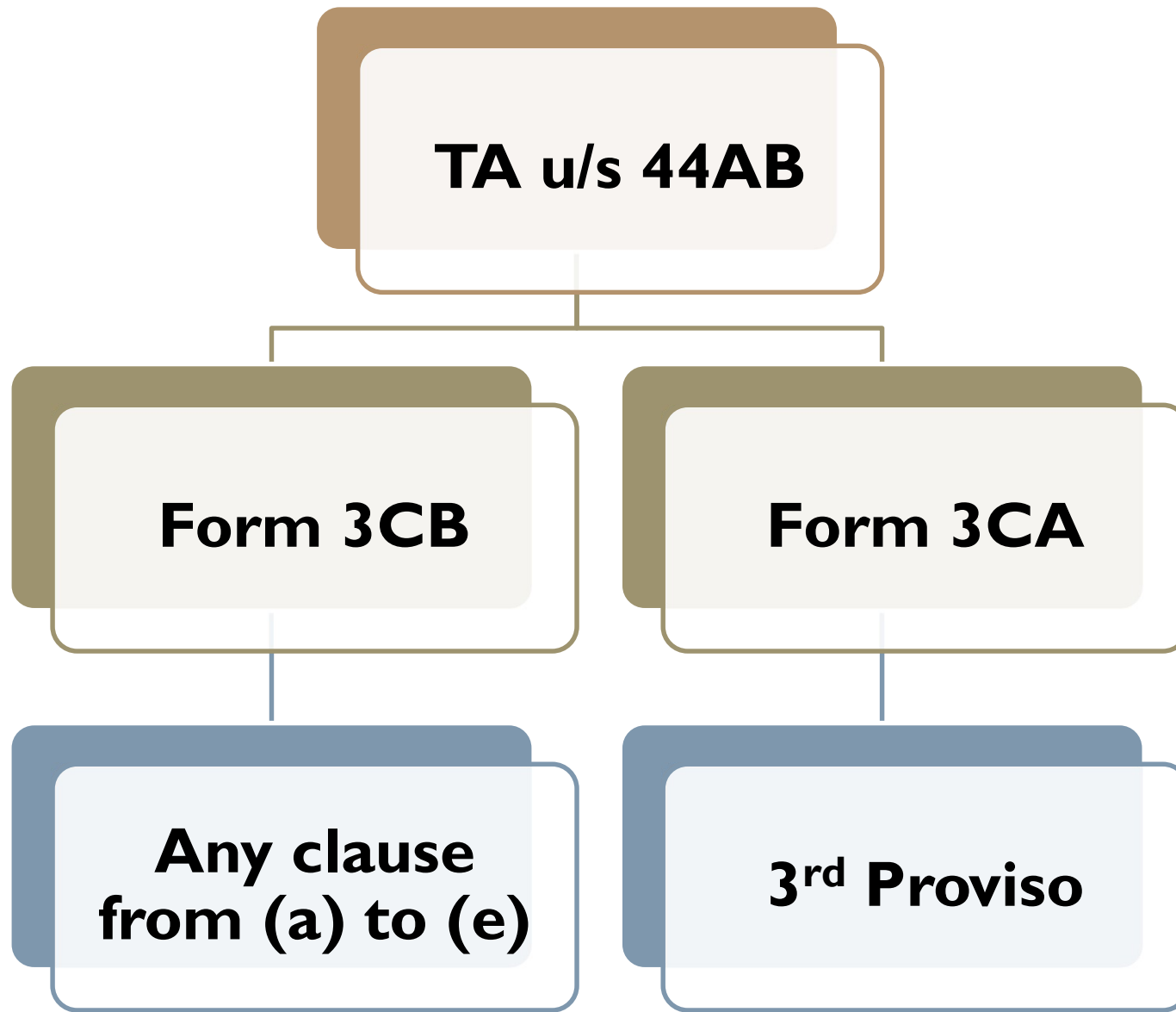
## Form 3CD

- Particulars as required in Form 3CA or Form 3CB

## S. 271B

- Penalty ½% maximum Rs. 1.50 L







# **Form 3CA**

- **Total 3 Paras**
- **Examination of books by auditor included before giving opinion**
- **Opinion to be given subject to observations / qualifications, no annexures ... Para 3**

# **Form 3CB**

- **Total 5 Paras**
- **Same as Form 3CA except examination of books**
- **Opinion subject to observations / qualifications to be given:**
  - **Financial Statements – 3(a)**
  - **Form 3CD – 5**
- **SA 700?**

# SA 700 – para 3

- **Assessee's Responsibility for the Financial Statements and the Statement of Particulars in Form 3CD**
  1. The **assessee is responsible for the preparation and fair presentation of the financial statements** in accordance with the **Accounting Standards** issued by the **ICAI**, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
  2. In preparing the financial statements, management is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

# SA 700 para 3

- **Tax Auditor's Responsibility**
- Our objectives are to **obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement**, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is **not a guarantee** that an audit conducted in accordance with SAs will always **detect a material misstatement** when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on

# **SA 700 para 3**

- **As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit.**
- **We also:**
  - **Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.**

# **SA 700 para 3**

- **Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.**
- **Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.**
- **Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company**

# **SA 700 para 3**

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- **We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.**
- **We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.**



# SA 700 – Para 5

2. **The assessee is responsible for the preparation of the statement of particulars required to be furnished under section 44AB of the Income-tax Act, 1961 annexed herewith in Form No. 3CD read with Rule 6G(1)(b) of Income Tax Rules, 1962 that give true and correct particulars as per the provisions of the Income-tax Act, 1961 read with Rules, Notifications , circulars etc that are to be included in the Statement.**



# SA 700 – Para 5

- **We are also responsible for verifying the statement of particulars required to be furnished under section 44AB of the Income-tax Act, 1961 annexed herewith in Form No. 3CD read with Rule 6G (1) (b) of Income-tax Rules, 1962. We have conducted my/our verification of the statement in accordance with Guidance Note on Tax Audit under section 44AB of the Income-tax Act, 1961, issued by the Institute of Chartered Accountants of India.**

# A one stop place where all your Queries can be answered by various Experts throughout the Country

## www.expertspanel.in

ExpertsPanel.in

Questions



Questions Categories Experts Ask a Question Sign Up Login

### A Place to Share Knowledge

for and by Professionals in Law, Tax, Accounts, Finance

Recent Questions

Articles

Presentations

Videos

Notifications

#### All Categories

Goods and Services  
Tax (GST)

(6,618)

Income Tax

(5,254)

Corporate  
Matters/LLP

(1,904)

Audit & Assurance and  
Accounting Standards

(208)

Bank / Insurance /  
Stock / Debtors Audit

(60)

#### Recent Questions

Question added **5 minutes** ago [Income Tax](#) By [jabir contractor](#), CA, mumbai

1

answer

**Q. Rate of TDS on Car lease charges**

Answered By [CA PRAMOD JAIN](#)

5 views

Question added **1 hour** ago [Income Tax](#) By [Vijay Kumar](#), CA, New delhi

0

answers

**Q. How I file income tax return**

11 views

Ask a question:

Next

Concept by  
[CA Pramod Jain](#)



**This Presentation would be  
available on  
[www.lunawat.com](http://www.lunawat.com)**

**Also may download free mobile  
app**

**“LUNAWAT”**

**For all updates & Ready to use  
Charts since year 2007**

Thank You!

**STAY SAFE**  
**AND STAY**  
**POSITIVE**

**CA. Pramod Jain**  
[pramodjain@lunawat.com](mailto:pramodjain@lunawat.com)  
**+91 9811073867**



© 2021 **CA. Pramod Jain, Lunawat & Co.**