# APPLICABILITY OF ACCOUNTING STANDARDS TO VARIOUS ENTERPRISES W.E.F. 01.04.2008

**AS PER ICAI :**

Enterprises are classified as Level-I, Level-II and Level-III Enterprises. Small & Medium Scale Enterprises (SMEs) are split up in two categories, i.e., Level-II and Level-III enterprises. Level-I is termed as "Other than SMEs".

**THE COMPANIES (ACCOUNTING STANDARDS) RULES, 2006 notified by Ministry of Corporate Affairs, w.e.f. 07.12.2006** has classified the enterprises in two categories only for the purpose of applicability of various accounting standards. There is no distinction between Level-II and Level-III. They are combined termed as Small & Medium Scale Companies (SMCs). Level-I is termed as "Other than SMCs". Thus, as per "The Companies (Accounting Standards) Rules, 2006" various accounting standards applies to **"Companies Only"** falling under Level-I. The Companies (Accounting Standard) Rules, 2006 provides certain exemptions / relaxations from the provisions of the certain Accounting Standards to SMCs. Additional exemption / relaxation from the provisions of the Accounting Standard which has been given by ICAI pertains to Non-Corporate Entities only.

Pursuant to that, to have harmonization, to the extent possible, in respect to relaxations etc, the ICAI has amended its applicability of various accounting standards, relaxations etc. w.e.f. 01.04.2008, though ICAI has retained categorization into Level-I, II & III enterprises. Some additional exemptions / relaxation may be available to non-corporate entities.

**The updated summary / a glance view of the applicability of all accounting standards, relaxations etc.** to various **enterprises, whether corporate or non-corporate entity is as under:**

| ACCOUNTING STANDARD | | APPLICABILITY TO LEVEL-I ENTERPRISES (Other than SMEs) | APPLICABILITY TO LEVEL-II ENTERPRISES (SMEs) | APPLICABILITY TO LEVEL-III ENTERPRISES (SMEs) |
|---|---|---|---|---|
| AS 1 | Disclosure of Accounting Policies | Yes | Yes | Yes |
| AS 2 | Valuation of Inventories | Yes | Yes | Yes |
| AS 3 | Cash Flow Statements | Yes | N.A. | N.A. |
| AS 4 | Contingencies & Events Occurring After the Balance Sheet Date | Yes | Yes | Yes |
| AS 5 | Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies | Yes | Yes | Yes |
| AS 6 | Depreciation Accounting | Yes | Yes | Yes |
| AS 7 | Construction Contracts | Yes | Yes | Yes |
| AS 8 | Accounting for Research & Development | Deleted | | |
| AS 9 | Revenue Recognition | Yes | Yes | Yes |
| AS 10 | Accounting for Fixed Assets | Yes | Yes | Yes |
| AS 11 | The Effects of Changes in Foreign Exchange Rates | Yes | Yes | Yes |
| AS 12 | Accounting for Government Grants | Yes | Yes | Yes |
| AS 13 | Accounting for Investments | Yes | Yes | Yes |
| AS 14 | Accounting for Amalgamation | Yes | Yes | Yes |

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|---|---|---|---|---|
| AS 15 | Employee Benefits | Yes | Yes | Yes |
| | | | *Level-II and Level-III enterprises entitled to conditional exemptions from (Para 11 to 16, 46, 50 to 116, 117 to 123, 129 to 131, 139)* | |
| AS 16 | Borrowing Costs | Yes | Yes | Yes |
| AS 17 | Segment Reporting | Yes | N.A. | N.A. |
| AS 18 | Related Party Disclosures | For Corporate Entities: | | |
| | | Yes | Yes | Yes |
| | | For Non-Corporate Entities: | | |
| | | Yes | Yes | N.A. |
| AS 19 | Leases | Yes | Yes | Yes |
| | | | *Level-II Corporate Entities exempt from: Para 22(c), 22 (e), 22(f), 25(a), 25(b), 25(e), 37(a), 37(f), 46(b), 46(d)*<br>*Level-II Non-Corporate Entities exempt from: "Same as above"* | *Level-III Corporate Entities exempt from: Para 22(c), 22 (e), 22(f), 25(a), 25(b), 25(e), 37(a), 37(f), 46(b), 46(d)*<br>*Level-III Non-Corporate Entities also exempt from: "As above" and Para 37(g) & 46(e)* |
| AS 20 | Earnings Per Share | Yes | Yes *(exempt from: Disclosure of Diluted EPS)* | Yes *(exempt from: Disclosure of Diluted EPS)* |
| AS 21 | Consolidated Financial Statements | Provisions of the standard are applicable only if Consolidated Financial Statements are prepared by an enterprise whether for<br>- Compliance of Statue<br>- Compliance of Regulator<br>- Voluntarily<br>(Presently the compulsion for preparing Consolidated Financial Statement is only as per SEBI under listing agreement. Therefore, the provisions are mandatory applicable only to certain Level-I enterprises) | | |
| AS 22 | Accounting for Taxes on Income | Yes | Yes | Yes |
| AS 23 | Accounting for Investments in Associates in Consolidated Financial Statements | Provisions of the standard are applicable only if Consolidated Financial Statements are prepared by an enterprise whether for<br>- Compliance of Statue<br>- Compliance of Regulator<br>- Voluntarily<br>(Presently the compulsion for preparing Consolidated Financial Statement is only as per SEBI under listing agreement. Therefore, the provisions are mandatory applicable only to certain Level-I enterprises) | | |

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| AS 24 | Discontinuing Operations | For Corporate Entities: | | |
| | | Yes | Yes | Yes |
| | | For Non-Corporate Entities: | | |
| | | Yes | Yes | N.A. |
| AS 25 | Interim Financial Reporting | Provisions of the standard are applicable only if Interim Financial Statements are prepared by an enterprise whether for<br>- Compliance of Statue<br>- Compliance of Regulator<br>- Voluntarily<br>(Presently the compulsion for preparing Interim Financial Statement is only as per SEBI under listing agreement. Therefore, the provisions are mandatory applicable only to certain Level-I enterprises) | | |
| AS 26 | Intangible Assets | Yes | Yes | Yes |
| AS 27 | Financial Reporting of Interests in Joint Ventures | Provisions of the standard relating to Consolidated Financial Statements are applicable only if Consolidated Financial Statements are prepared by an enterprise whether for<br>- Compliance of Statue<br>- Compliance of Regulator<br>- Voluntarily<br>(Presently the compulsion for preparing Consolidated Financial Statement is only as per SEBI under listing agreement. Therefore, the provisions of AS : 27 relating to Consolidated Financial Statements are mandatory applicable only to certain Level-I enterprises) | | |
| AS 28 | Impairment of Assets | Yes | Yes<br>*(Except Para 121(g) & paras relating to PV technique, if reasonable estimate is used)* | Yes<br>*(Except Para 121(g) & paras relating to PV technique, if reasonable estimate is used)* |
| AS 29 | Provisions, Contingent Liabilities and Contingent Assets | Yes | Yes<br>(Except Para 66, 67) | Yes<br>(Except Para 66, 67) |

**Note :**
AS:30, AS:31 and AS:32 are recommendatory in nature w.e.f. accounting period commencing on or after 01.04.2009 and mandatory in nature w.e.f. accounting period commencing on or after 01.04.2011. These are:

*AS:30 – Financial Instruments : Recognition and Measurement*

*AS:31 – Financial Instruments : Presentation*

*AS:32 – Financial Instruments : Disclosures*

The list depicting coverage of various enterprises in Level-I, Level-II Level-III enterprises is as under:

| **Level-I Enterprises** | **Level-II Enterprises (SMEs)** | **Level-III Enterprises (SMEs)** |
|---|---|---|
| • Enterprises whose equity or debt securities are listed whether in India or outside India | — | |
| • Enterprises which are in the process of listing their equity or debt securities whether in India or outside India | — | |
| • Banks including co-operative banks | — | |
| • Financial Institutions | — | |
| • Enterprises carrying on Insurance business | — | |
| • All commercial, industrial and business reporting enterprises, whose turnover (excluding other income) **exceeds** Rs. 50 crores in the **immediately preceding** accounting year | • All commercial, industrial and business reporting enterprises, whose turnover (excluding other income) **exceeds** Rs. 40 lacs but does not exceed Rs. 50 crore in the **immediately preceding** accounting year | Enterprises which are not covered under Level-I and Level-II are considered as Level-III Enterprises |
| • All commercial, industrial and business reporting enterprises, having borrowings (including public deposits) in **excess** of Rs. 10 crore at any time during the immediately preceding accounting year | • All commercial, industrial and business reporting enterprises, having borrowings (including public deposits) in **excess** of Rs. 1 crore but does not exceed Rs. 10 crore at any time during the immediately preceding accounting year | |
| • Holding and Subsidiary enterprises of above | • Holding and Subsidiary enterprises of above | |

| ***Special Points:*** | | |
|---|---|---|
| (a) | Enterprises not disclosing certain information pursuant to relaxation/exemptions to Level-II or Level-III | Enterprises should disclose the fact in notes to accounts. |

| (b) | Shifting to lower category | |
|---|---|---|
| | Enterprises covered under Level-I, subsequently ceases to be covered under Level-I | Such enterprise continues to be considered as Level-I enterprise for compliance of accounting standards unless cessation in for 2 consecutive years |
| | Similar rule for Level-II enterprises | If subsequently moves to lower level, will continue to be considered as Level-II enterprise, unless cessation is for 2 consecutive years. |

| (c) | Shifting to higher category | |
|---|---|---|
| | Enterprises not covered under Level-I, subsequently covered | Compliance as Level-I enterprise becomes mandatory from **current period**. However, previous year figures need not be disclosed. |
| | Similar rule for Level-II enterprises | |