CLASSIFICATION OF AS AND THEIR APPLICABILITY

Accounting standards are classified into two types: (i) Accounting (ii) Disclosure

"Accounting" accounting standards cover accounting aspects such as recognition, measurement, presentation as well as disclosure. Disclosure is part of accounting.

"Disclosure" Accounting standards cover only the disclosure aspect of financial statement.

Accounting is so basic applicable to all levels of enterprises whereas, disclosure accounting standards are applicable predominantly to level 1 enterprises. The following list gives idea as which accounting standards are applicable to which level of enterprises:

AS No	Name	Type	Applicable
1	Disclosure of Accounting Policies	Accounting	All
2	Valuation of Inventories	Accounting	All
3	Cash Flow Statements	Disclosure	Level 1
4	Contingencies & Events Occurring after the Balance Sheet date	Accounting	All
5	Net Profit or Loss for the period, prior period items & Changes in Accounting Policies	Accounting	All
6	Depreciation Accounting	Accounting	All
7	Construction Contracts	Accounting	All
9	Revenue Recognition	Accounting	All
10	Accounting for Fixed Assets	Accounting	All
11	The Effects of changes in foreign Exchange Rates	Accounting	All
12	Accounting for Government Grants	Accounting	All
13	Accounting for Inventories	Accounting	All
14	Accounting for Amalgamations	Accounting	All
15	Employees Benefits (Revised)	Accounting	All
16	Borrowing Costs	Accounting	All
17	Segment Reporting	Disclosure	Level 1
18	Related Party Disclosures	Disclosure	Level 1
19	Leases	Accounting	All
20	Earnings per share	Disclosure	All
21	Consolidated Financial Statements	Disclosure	Level 1
22	Accounting for Taxes on Income	Accounting	All
23	Accounting for Investments in Associates in Consolidated Financial Statements	Disclosure	Level 1
24	Discontinuing Operations	Disclosure	Level 1

25	Interim Financial Reporting	Disclosure	Level 1
26	Intangible Assets	Accounting	All
27	Financial Reporting of Interests in Joint Ventures	Disclosure	Level 1
28	Impairment of Assets	Accounting	All
29	Provisions, Contingent Liabilities & Assets	Accounting	All

A careful analysis of the above table will reveal very interesting facts about Accounting standards in general. Accounting is a basic thing followed by all levels of enterprises therefore "Accounting" AS will be applicable to all the 3 levels of enterprises. Whereas Disclosure accounting standards are rather luxury for level 2 and level 3 enterprises, are applicable to only Level 1 enterprises.

However, it is to be understood that there are certain exceptions in the above understanding.

It becomes very easy for students, professionals and industrialist to find as which AS would be applicable to what type (level) of enterprises. The above analysis can be used to find not only for the existing AS but can be employed for any AS to be published in the future by ICAI.

Frequently Asked Question: [FAQ]

1. How AS 1 is an accounting AS?
   Disclosure of accounting policy is part of general-purpose financial statement. When disclosure of accounting policy is part of financial statement and anything concerned with financial statement is only part of accounting, this AS shall automatically be taken under "accounting" AS.

2. How AS 21, 23 and 27 are Disclosure AS?
   These accounting standards deal with the presentation and disclosure of Investments in subsidiaries, associates and joint ventures in consolidated financial statement. Since consolidation is a post SFS presentation for better disclosure of the performance of group as a whole, it serves no accounting thru these Accounting standards. Hence they can be classified as "disclosure" accounting standards

3. How AS 2 is an accounting AS?
   Finished goods are to be valued at cost or NRV whichever is lower, is a known fact. But the fact of cost shall be captured through stock records. With the presence of accounting of cost, either through FIFO, Weighted average

methods, the value of inventory at cost is ascertained. The process of booking all expenses to arrive at the cost is achieved through accounting. Therefore, AS 2 is accounting AS

4. Why AS 3 cannot be taken accounting AS?

   Cash flow preparation is not a must to all enterprises even though it can be argued as desirable. When cash flow statement is not a must like, disclosure of accounting policies, it cannot be regarded as accounting AS. Therefore it should be taken as "disclosure" AS

5. When AS 20 is disclosure AS, why it is applicable to all the three levels?

   AS 20 EPS is applicable to all the 3 levels even though it is a disclosure accounting standard because of the implication of companies act requirement of submission of annual return with EPS as an important information to be submitted to Registrar of companies. In the same AS, provisions of diluted EPS are not applicable to all the three levels of enterprises. Similarly certain paragraphs of some of the Accounting AS related to disclosure are relaxed for level 2 and level 3 enterprises.

Types of Enterprises

- **Level I**
- Level II
- **Level III**

Level I Enterprises:

Enterprises which fall in any one or more of the following categories, at any time during the accounting period, are classified as Level I enterprises:

a. Enterprises whose equity or debt securities are listed in India or outside India.

b. Enterprises, which are in the process of listing their equity or debt securities as evidenced by the board of directors' resolution in this regard.

c. Banks including co-operative banks.

d. Financial institutions.

e. Enterprises carrying on insurance business.

f. All commercial, industrial and business reporting enterprises, whose turnover for the immediately preceding accounting period on the basis of audited financial statements exceed Rs.50 crore. Turnover does not include 'other income'.

g. All commercial, industrial and business reporting enterprises having borrowings, including public deposits, in excess of Rs.10 crore at any time during the accounting period.

h. Holding and subsidiary enterprises of any one of the above at any time during the accounting period.

Level II Enterprises:

Enterprises which are not level I enterprises but fall in any one or more of the following categories are classified as level II enterprises:

a. All commercial, industrial and business reporting enterprises, whose turnover for the immediately preceding accounting period on the basis of audited financial statements exceed Rs.40 lakhs but does not exceed Rs.50 crores. Turnover does not include 'other income'.

b. All commercial, industrial and business reporting enterprises having borrowings, including public deposits, in excess of Rs.1 crore but not in excess of Rs. 10 crore at any time during the accounting period.

c. Holding and subsidiary enterprises of any one of the above at any time during the accounting period.

Level III Enterprises:

Enterprises, which are not covered under Level I and Level II, are considered as Level III enterprises.