

# Seminar on Financial Statements of Non-Corporate Entities

## 23<sup>rd</sup> April, 2025

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Organized by:

Accounting Standard Board

Hosted by :

Vapi Branch of WIRC of ICAI

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# Abbreviations

<b>Description</b>	<b>Abbreviation</b>
Guidance Note on Financial Statements of Non-Corporate Entities issued in August 2023	GN
Announcement regarding Revised Criteria Re Classification of Non-Company in August 2024	Revised Announcement
Non-Corporate Entities	NCE
Balance Sheet and Statement of Profit and Loss	Financial Statements

# Introduction

- The Guidance Note on Financial Statement of Non-Corporate Entities was issued in August 2023.
- Since then Council in its 433<sup>rd</sup> meeting in August 2024 considered the criteria for classification of Non-company entities for applicability of Accounting Standards to non-company entities. – Refer to the [Announcements in August 2024.pdf](#) revised classification.
- This Announcement supersedes the earlier Announcement of the ICAI on ‘Criteria for classification of Non-company entities for applicability of Accounting Standards issued in March 2021.
- This Announcement is not relevant for Non-company entities which may be required to follow Indian Accounting Standards (Ind AS) or Accounting Standards (AS) as per relevant regulatory requirements applicable to such entities

# Effective Date

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- This GN is effective for financial statements covering periods beginning on or after April 1, 2024 – thus applicable for FY 2024-25
- The Technical Guide on Financial Statements of Non-Corporate Entities stands superseded by this GN.

This Guidance Note is relevant for the purpose of preparation of the financial statements of the above mentioned Non-Corporate Entities unless any formats/principles are specifically prescribed by the relevant Statute or Regulator or any Authority, e.g., formats have been prescribed for Trusts under Maharashtra Public Trust Rules, 1951, Autonomous Bodies under Government of India are required to compile their accounts in a uniform format of accounts as prescribed by Government of India, Ministry of Finance, Guidance has been specifically given by ICAI (e.g., Educational Institutions, Political Parties, NPOs, etc.).

# Authority of the Guidance Note

- The Guidance Note is issued by ICAI's Accounting Standards Board (ASB) – carries authoritative weight under Clause (9) of Part I of Second Schedule of CA Act, 1949.
- Though not “mandatory” like Standards Notified under Sec 133 of Companies Act, it is:
  - Authoritative for ICAI members
  - Prescriptive when no statute mandates otherwise
  - Mandatory for audits (if no law prescribes alternative format)

# Objective and Scope of Guidance Note

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- **Non-Corporate Entities – A wide spectrum of entities**
- All Business or Professional Entities, other than Companies incorporated under Companies Act and Limited Liability Partnerships incorporated under Limited Liability
- Partnership are considered to be Non-Corporate entities.

# Non Corporate Entities

- (a) Sole proprietorship firms
- (b) Hindu Undivided Family
- (c) Partnership Firms
  - i) Registered Partnership Firms
  - ii) Unregistered Partnership Firms
- (d) Association of Persons
  - i) Partnership firms not covered above
  - ii) Body of Individuals
  - iii) Resident welfare Association
- (e) Society registered under any law for the time being in force
- (f) Trust (private or public) registered under any law for the time being in force or unregistered.
- (g) Statutory Corporations, Autonomous bodies and Authorities.
- (h) Any form of organisation that is engaged fully or partially in any Business or Professional activities.

## Salient features of the format – only for Financial Statements

1. Vertical format of Balance Sheet and Statement of Profit and Loss .
2. No format for statement of Cash Flow.
3. Name of the Profit and Loss Account – changed to Statement of Profit and Loss
4. Figures of Comparatives , unless in the first year.
5. Property Plant and Equipment and Intangible Assets full reconciliation of the figures for the current and previous year. [no one line item of previous year]
6. Statement of Profit and Loss – presents – Exceptional and extraordinary Items.
7. Rounding of the numbers,, not mandatory though,  
Linked to Total Income.

Once a unit is used the same should used uniformly in entire Financial Statements

## Salient features of the format – only for Financial Statements

8. The terms used in the format are as per the applicable accounting standards.
9. Terminology may be changed to suit the NCE, e.g. Association of Persons may use “member’s funds” instead of “owners funds”.
10. Disclosures in the GN are over and above the required by any statues.
11. Trade receivables outstanding more then 6 months and after six months.
12. Presentation of Profit from continued an discontinued operations.

## Presentation and disclosures requirements of Financial Statements are all inclusive?

No, they are not exhaustive. These are minimum requirements.

GN set-outs the minimum requirements for disclosure on the face of the Financial Statements and Notes.

Line-items, sub-line items and sub-totals shall be presented as an addition or substitution on the face of the Financial Statements when such presentation is relevant to an understanding of the Non-Corporate entity's financial position or performance or to cater to industry/sector-specific disclosure requirements or when required for compliance with the amendments to the relevant statutes or under the Accounting Standards.

## Rounding off and Comparatives

<b>Total Income</b>	<b>Rounding off</b>
(a) less than one hundred crore rupees	To the nearest hundreds, thousands, lakhs or millions, or decimals thereof.
(b) one hundred crore rupees or more	To the nearest lakhs, millions or crores, or decimals thereof.

Except in the case of the first Financial Statements prepared by the Non- Corporate entity (after its incorporation) the corresponding amounts (comparatives) for the immediately preceding reporting period for all items shown in the Financial Statements including notes shall also be given.

# Current and Non-current format for Balance Sheet

# Current Assets

An asset shall be classified as current when it satisfies any of the following criteria:

- (a) it is expected to be realized in, or is intended for sale or consumption in, the company's normal operating cycle;
- (b) it is held primarily for the purpose of being traded;
- (c) it is expected to be realized within twelve months after the reporting date; or
- (d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

**All other assets shall be classified as non-current.**

# Current Assets – Classification & Examples

Clause	Criteria	Illustration 1	Illustration 2
(a)	Expected to be realized in or consumed in normal operating cycle	Inventory of raw materials in a textile mill	Work-in-progress in a furniture workshop
(b)	Held primarily for trading	Shares held by a stockbroker for trading	Mobile phones in retail business
(c)	Expected to be realized within 12 months after the reporting period.	Loan receivable within 12 months from balance sheet date	Short-term deposits maturing in 6 months
(d)	Cash or cash equivalent (unless restricted >12 months)	Cash in hand and at bank	Fixed deposit maturing in 2 months (not under lien)

# Cash Equivalents – Based on Original Maturity (Not Reporting Date)

Scenario	Treatment	Reasoning
Entity invests in a 6-month fixed deposit on 1st January 2025. Reporting date is 31st March 2025. Remaining maturity is 3 months.	✗ Not a Cash Equivalent	Original maturity > 3 months → not a cash equivalent even if less than 3 months remaining as on reporting date.
Entity invests ₹10 lakhs in 2-month Treasury Bill on 15th March 2025. Reporting date is 31st March 2025.	✓ Cash Equivalent	Original maturity ≤ 3 months → meets cash equivalent definition despite only 15 days held till reporting date.

# Chart: Classification of Bank Deposits Based on Maturity & Restrictions

Type of Deposit	Original Maturity / Restriction	Classification	Disclosure / Notes
FD maturing in >3M but ≤12M	No restriction / lien	Current Asset	Disclose under Cash and Bank Balances B Other bank balances
FD maturing in >12M	No restriction	Non-Current Asset	Disclose under 'Other Non-Current Assets'
Earmarked Balance	Set aside for specific purpose (e.g., unclaimed dividend)	Non-Current or Current based on use – Mostly current	Disclose separately as 'Earmarked Balances with Banks'
Margin Money FD	Under lien with bank (e.g., for LC/Bank Guarantee)	Non-Current or Current based on maturity	Disclose separately as 'Margin Money or Deposits Under Lien'

# FAQ-Based Illustrations – Bank Deposits

FAQs	Response / Illustration
FD placed for 9 months, not under lien, maturing post year-end?	✔ Current Asset – Original maturity < 12 months, no restriction → classify under Bank Balances Other Than Cash & Cash Equivalents.
FD maturing in 2 months, but with lien for LC with bank?	✘ Not Cash Equivalent – Even if <3 months maturity, lien prevents free use → disclose as Margin Money (restricted).
12-month FD placed on 1 Jan, BS date is 31 Mar. Remaining 9 months. Is it cash equivalent?	✘ No – Original maturity >3 months → not cash equivalent even if 3 months or less remain.
FD placed for 2 months for tax purpose, no lien?	✔ Cash Equivalent – Original maturity ≤3 months, liquid, unrestricted.

# Closing Slide – Do's & Don'ts for Classification

Do's	Don'ts
✓ Check original maturity of deposit, not remaining duration	✗ Don't classify based on remaining maturity at BS date
✓ Identify lien, earmark or restriction on bank funds	✗ Don't include liened FDs as cash equivalents
✓ Disclose margin money separately	✗ Don't mix unrestricted and restricted balances
✓ Split loan liabilities into current & non-current	✗ Don't show entire long-term loan under one head

# Current Liability

# Current Liability

A liability shall be classified as current when it satisfies any of the following criteria:

- (a) it is expected to be settled in the company's normal operating cycle;
- (b) it is held primarily for the purpose of being traded;
- (c) it is due to be settled within twelve months after the reporting date; or
- (d) the Non-Corporate entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities shall be classified as non-current.

# Current Liabilities – Classification &

Clause	Criteria	Illustration 1	Illustration 2
(a)	Expected to be settled in normal operating cycle	Trade payables for raw material purchases	Contractual wages payable within one month
(b)	Held primarily for trading	Derivative liabilities (e.g., forward contract)	Payables on commodity futures
(c)	Due to be settled within 12 months after the reporting period.	Loan repayable in next 6 months	Interest payable on term loan due in next quarter
(d)	No unconditional right to defer settlement >12 months	Overdraft repayable on demand	Unsecured loan callable anytime by lender

## Case Study One on Clause (d) – No Unconditional Right to Defer Settlement for $\geq 12$ Months

ABC Enterprises (a non-corporate entity) has taken a ₹10 lakh loan from its director. The loan agreement states:

"The loan is repayable on demand by the lender at any time, without notice."

Answer: Even if the intention is to repay it after 12 months, the borrower does not have an unconditional right to defer.

The counterparty (lender) can demand repayment anytime.

Hence, it is classified as a Current Liability.

## Case Study two on Clause (d) : Convertible Loan Option Held by Counterparty

Facts: PQR Enterprises (a non-corporate entity) has a ₹15 lakh loan which states:

"The lender has the right, at any time, to convert this loan into equity shares of the enterprise."

Answer :Even though settlement could be via equity at the lender's option, the borrower does not control the right to defer settlement.

GN clarifies: *"Terms of a liability that could, at the option of the counterparty, result in settlement by issue of equity instruments do not affect its classification"*.

Hence, the possibility of equity settlement does not render it non-current.  
Therefore, this too is a Current Liability.

The **classification depends on the borrower's right**, not the lender's intention.

If the entity **cannot defer settlement unconditionally beyond 12 months**, the liability is **classified as current**, even if *expected* to be paid later.

## Current Liability Classification – Clause (d) Spotlight

Aspect	Right to Defer (Controls Classification)	Intention to Defer (Not Relevant)
Definition	Entity has an unconditional right to defer settlement of liability for $\geq 12$ months.	Entity expects or plans to settle after 12 months, but lacks contractual right.
Outcome	Liability can be classified as Non-Current.	Liability must be classified as Current.
Example	Loan agreement explicitly allows repayment after 18 months with no early call option.	Director loan repayable on demand, but management intends to repay in 2 years.
Standard Insight	Control of timing = Right to defer = Non-current.	Expectation of timing $\neq$ Right = Current liability.

# Loan Classification Asset or Liability – Current and Non-Current Portions.

Concept	Illustration	Head of Classification
A single loan (asset or liability) may have portions repayable within and beyond 12 months. Hence, it is split into Current and Non-Current.	Loan of ₹20L taken on 1st April 2023, repayable in 5 equal annual installments of ₹4L each. As on 31st March 2024, ₹4L is due within 12 months → Current, and ₹16L → Non-Current.	Current portion: shown under 'Other Current Liabilities' <b>Non-Current</b> portion: shown under 'Long-term Borrowings'

# Visual Demo – Loan Classification in Balance Sheet

Presentation	Liabilities Section (Extract)
Before Classification (Incorrect)	Non-Current Liabilities: Long-Term Borrowings ..... ₹20,00,000  Current Liabilities: Other Current Liabilities ..... ₹—
After Classification (Correct)	Non-Current Liabilities: Long-Term Borrowings ..... ₹16,00,000 Current Liabilities: Current Maturity of Long-Term Loan ..... ₹4,00,000

## Summary – What to Remember While Classifying Items

Category	Golden Rule for Classification
Current Asset	Expected to be realized in operating cycle or within 12 months OR is cash/cash equivalent (unrestricted)
Non-Current Asset	Any asset not meeting current definition, including deposits maturing after 12 months
Current Liability	Settlement expected in operating cycle, or due within 12 months, or no unconditional right to defer
Non-Current Liability	Settlement beyond 12 months AND entity has full right to defer
Bank Deposit	Based on original maturity (not remaining duration) and whether under lien or earmarked
Loans Taken	Split into Current and Non-Current – current maturity shown separately
Cash Equivalent	Only if original maturity $\leq 3$ months AND not under restriction/lien
Disclosures	Show margin money, earmarked balances, and restricted cash separately

## Difference between Exceptional items and Extraordinary Items

Particular	Exceptional Items	Extraordinary Items
Definition	Significant items from ordinary activities	Items not from ordinary activities
Treatment	Presented before tax line, usually in P&L	Reported below profit before tax
Disclosure	Mandatory as per AS 5	Rarely permitted under current ICAI view
Examples	VRS expense - Loss on sale of asset - Legal settlements	Earthquake damage - Nationalisation of assets
	₹50 lakh loss due to fraud by employee (within business risks)	₹2 crore loss due to volcanic eruption affecting warehouse in Mauritius (not part of normal business risk)

# Classifications of certain items of Financial Statements

# Statement of Profit and Loss Classifications

Items	Classification
Sales Revenue	Revenue from Operations-Sale of products/goods/services – net of GST
Scrap Sales	Revenue from Operations- other operating revenue
Interest on Bank Loans	Other Income- Financial Income
Commission Income	Other income- miscellaneous income
Dividend Income	Other Income
Purchase of Raw material	Expenses- Cost of materials consumed

# Statement of Profit and Loss Classifications

Items	Classification
Salary and Wages	Expenses- Employee Benefit Expenses
Rent Expense	Expense-other expense- admin/operating expense
Depreciation on Fixed Assets	Expense- Depreciation and Amortization
Loss Due to earthquake	Expenses- Extraordinary Item
Loss due to business segment	Expenses- Exceptional Items
Loss on foreign exchange transactions and translations considered as finance cost (net)	Under Finance Cost and NOT Other expenses.

## Statement of Profit and Loss Classifications

Items	Classification
Remuneration to Partners - not under Employee benefits expenses.	Not part of salary but a separate line item - before tax and after <b>profit</b> after extraordinary items. Page 30 of GN – Item X [after IX and before XI]
Finance Cost	Split the Finance cost as under: (a) interest expenses On bank loan On assets on finance lease (b) Interest on partners'/members' capital (c) Other borrowing cost- loan processing charges.

## Few Item's Balance Sheet Classifications Assets

Items	Classification
CENVAT Credit, VAT Credit and Service tax Credit receivable. Security Deposits, Balance with Government authorities.	Loans and Advances > Other Loans and Advances Item 13
Advances for PPE – Capital advances	Loans and Advances – Secured or Unsecured - Capital Advances – Non-Current Assets [Item 13]
Advance to Supplier for Goods	Other Current Assets- Loans and Advances
Advance Received from Customer	Other Current Liabilities- unearned revenue

## Few Item's Balance Sheet Classifications Assets

Item	Classification
Prepaid Expenses other item below	Other Current or Non current assets. Item 14.
Advance tax and tax deducted at source [Net of provision for income tax of Rs. ____ (previous year Rs. ____)]	Loans and Advances. - split into Non Current and Current
Investments in Partnership Firm -	Under the head – Investments – Non Current – Trade Investments – ideally it should be Unquoted note 12 . But supplemented by further details – refer the next slide
Reserves	Reserve connotes Capital Reserve - - (b) Revaluation Reserve - - (c) Other Reserve (Please specify) - - (d) Undistributed surplus (Balance from statement of profit and loss)

# Illustrative Disclosure – Investments in Partnership Firm

## Schedule of Investments:

Particulars	31 Mar 20XX	31 Mar 20XY
(a) Trade Investments – Quoted	-	-
(b) Investments in Partnership Firm*	-	-
(c) Investments in Preference Shares	-	-
(d) Investments in Equity Instruments	-	-
(e) Other Non-current Investments	-	-

Name of Partners	Share in Profit (%)
ABC	XX%
XYZ	XX%
Mr.A	XX%

**Total capital of the firm: ₹ X,XX,XXX**

## Balance Sheet Classifications

Item	classification
Provision for Current Tax	Current Liabilities- Provisions
Outstanding Salary	Other Current Liabilities- employee benefits payable
Provision for Electricity expenses	Current Liabilities- Provisions
Outstanding Rent	Other Current Liabilities

## Notes concerning PPE and Intangible Assets – Item 11

1. It mentions explicitly – owned assets – this presupposes that NCE must also give separate details for assets acquired under finance lease.

Which has to be given as separate line item under each class of asset.

2. Capital work in Progress is also part of PPE and must be presented and disclosed.

# Applicability of Accounting Standards to NCE

# Financial information needs of Non-Corporate Entities

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- Financial Statements form the backbone for financial planning, analysis, benchmarking and decision making.
- If Non-Corporate entities follow high quality reporting framework, its financial statements faithfully represent its transactions and are more reliable, complete and comparable.

# Present Accounting Standards

At present, there are three sets of Accounting Standards:

- (i) Indian Accounting Standards (Ind AS) for specified class of companies;
- (ii) Accounting Standards (AS) notified under Companies (Accounting Standards) Rules, 2021, for companies other than those following Ind AS;
- (iii) Accounting Standards (AS) prescribed by ICAI for entities other than companies

## Classification before Revised Classification

Level I

Level II

Level III

Level IV

## Classification after Revised Classification

Large Non  
Company Entities

Small MSMEs Non  
Company Entities

## Revised Classifications effective from 1<sup>st</sup> April,2024:

For the purpose of applicability of Accounting Standards, Non-company entities are classified into two categories, viz., Micro, Small and Medium Sized Entities (MSMEs) and Large entities [Large NCE]

1. Large NCE – Full compliances with all the standards.

***Large entity*** is a non-company entity that is not an MSME.

- 2 What is MSME ?

MSME NCE - Eligible for few exemptions

*It may be clarified that Limited Liability Partnerships (LLPs) form of entities are scoped out of this Guidance Note.*

**Micro, Small and Medium Sized Entity (MSME)** means, a non-company entity:

- (i) whose equity or debt securities are not listed or are not in the process of listing on any stock exchange, whether in India or outside India;
- (ii) which is not a bank, financial institution or an insurance company;
- (iii) whose turnover (excluding other income) does not exceed two hundred and fifty crore rupees in the immediately preceding accounting year;
- (iv) which does not have borrowings in excess of fifty crore rupees at any time during the immediately preceding accounting year; and
- (v) which is not a holding or subsidiary of an entity which is not a micro, small and medium-sized entity.

**Explanation.-** For the purposes of this clause, a non-company entity shall qualify as a Micro, Small and Medium Sized entity, if the conditions mentioned therein are satisfied as at the end of the relevant accounting period.

*The terms 'Small and Medium Enterprise' and 'SME' used in Accounting Standards shall be read as 'Micro, Small and Medium size entity' and 'MSME', respectively. Further, the terms Level II, Level III and Level IV entities used in Accounting Standards shall be read as 'Micro, Small and Medium Sized Entity' and Level I entity shall be read as a 'Large' entity.- [Para 2 of the announcement.]*

# Summary :Applicability of Accounting Standards

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- Applicability of the Accounting Standards to Large Non- company entities- all standards without any exceptions or exemption.
- Large entity is a non-company entity that is not an MSME.
- Large entities are required to comply in full with all the Accounting Standards.
- Applicability of the Accounting Standards and exemptions/relaxations for Micro, Small and Medium sized Non-company entities

It may be noted that for the purpose of applicability of Accounting Standards (AS), entities are classified into four categories viz., Level I, Level II, Level III and Level IV non-company entities.

Level I non-company entities are required to comply fully with all the AS.

Level IV, Level III and Level II non-company entities are considered as Micro, Small and Medium Sized Entity (MSMEs) that have been granted certain exemptions/relaxations by the ICAI.

The applicability of AS and exemptions/relaxations thereof for MSMEs are given in ***Appendix A to the Announcement.***

## **Additional requirements**

- (1) An MSME which avails the exemptions or relaxations given to it shall disclose (by way of a note to its financial statements) the fact that it is an MSME and has complied with the Accounting Standards insofar as they are applicable to an MSME.
  
- (2) Where an MSME had qualified for any exemption or relaxation previously but no longer qualifies for the relevant exemption or relaxation in the current accounting period, the relevant standards or requirements become applicable from the current period and the figures for the corresponding period of the previous accounting period need not be revised merely by reason of its having ceased to be an MSME. The fact that it was an MSME in the previous period and it had availed of the exemptions or relaxations available to it shall be disclosed in the notes to the financial statements. The fact that previous period figures have not been revised shall also be disclosed in the notes to the financial statements.

- (1) An entity which was previously not an MSME and subsequently becomes an MSME, shall not be qualified for exemption/relaxation in respect of Accounting Standards available to an MSME until the entity remains an MSME for two consecutive years.
- (2) If an MSME opts not to avail of the exemptions or relaxations available to an MSME in respect of any but not all of the Accounting Standards, it shall disclose the Standard(s) in respect of which it has availed the exemption or relaxation.
- (3) If an MSME opts not to avail any one or more of the exemptions or relaxations available to it, it shall comply with the relevant requirements of the Accounting Standard.
- (4) An MSME may opt for availing certain exemptions or relaxations from compliance with the requirements prescribed in an Accounting Standard:  
Provided that such a partial exemption or relaxation and disclosure shall not be permitted to mislead users of financial statements.

## **Applicability of the Accounting Standards and exemptions/relaxations for Micro, Small and Medium sized Non-company entities**

***Accounting Standards not applicable to Micro, Small and Medium sized entity (MSME) in their entirety*** Accounting Standards not applicable to all MSMEs in their entirety:

*AS 3, Cash Flow Statements*

*AS 17, Segment Reporting*

*AS 20, Earnings per Share*

*AS 24, Discontinuing Operations*

*AS 18, Related Party Disclosures* and *AS 28, Impairment of Assets* not applicable in their entirety to MSMEs :

- A. whose turnover (excluding other income) does not exceed rupees fifty crore in the immediately preceding accounting year;
- B. which does not have borrowings in excess of rupees ten crore at any time during the immediately preceding accounting year; and
- C. which is not a Holding and subsidiary of an MSME not covered above

## **Relaxations/exemptions from certain requirements of Accounting Standards to Micro, Small and Medium sized Entities (MSMEs)**

- (i) Accounting Standard (AS) 10, *Property, Plant and Equipment*- MSMEs may not comply with paragraph 87 relating to encouraged disclosures.
- (ii) AS 11, *The Effects of Changes in Foreign Exchange Rates*- MSMEs may not comply with paragraph 44 relating to encouraged disclosures.
- (iii) AS 15, *Employee Benefits*
  - (I) MSMEs may not comply with 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.

(iv) AS 19, *Leases*

MSMEs may not comply with 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.

(v) AS 22, *Accounting for Taxes on Income*

- A. MSMEs shall comply with 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 an MSME avails this exemption, the accumulated deferred tax asset/liability appearing in the financial statements of immediate previous accounting period, shall be adjusted against the opening revenue reserves/owner's funds.

(vi) AS 26, *Intangible Assets*

MSMEs may not comply with paragraphs 90(d)(iii); 90(d)(iv) and 98 relating to disclosures.

(vii) *AS 28, Impairment of Assets*

- a. MSMEs that are otherwise not exempted from applying this standard [refer note 2(A)(ii)] 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 such MSME 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. MSMEs that are otherwise not exempted from applying this standard [refer note 2(A)(ii)] may not comply with paragraphs 121(c)(ii); 121(d)(i); 121(d)(ii) and 123 relating to disclosures.

(viii) *AS 29, Provisions, Contingent Liabilities and Contingent Assets*

MSMEs may not comply with paragraphs 66 and 67 relating to disclosures.

In case of Micro, Small and Medium sized 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 Micro, Small and Medium size Non-company entities. However, if there are any such transactions, these entities shall apply the requirements of the relevant standard.

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.

### **Quiz Q1: Applicability**

**Q:** Which of the following is TRUE about the Guidance Note on FS of NCEs?

- A)** It is mandatory only for companies.
- B)** It is applicable only if audit is under Income Tax Act.
- C)** It is binding on ICAI members conducting audits of NCEs.
- D)** It is optional for all entities

### **Quiz Q2: Presentation Format**

**Q:** Where would "GST Refund Receivable" be shown as per GN on FS of NCE?

- A)** Loans & Advances
- B)** Other Non-Current Assets
- C)** Other Current Assets
- D)** Trade Receivables

### Quiz Q3: Classification Insight

Q: Income Tax Refund should be shown under:

- A) Trade Receivables
- B) Investments
- C) Other Current/Non-Current Assets
- D) Cash Equivalents

### Quiz Q4: Conceptual Understanding

Q: Which of the following is an **Exceptional Item** but NOT **Extraordinary**?

- A) Earthquake damage to warehouse
- B) VRS Compensation
- C) Loss from theft due to riot
- D) Government acquisition of business

### **Quiz Q5: Practical Focus**

**Q:** In the absence of a statutory mandate, if a CA audits an NCE and does NOT follow the GN, what should be done?

- A)** Nothing
- B)** Disclose in notes
- C)** Mention in Basis for Qualified Opinion
- D)** Report to ICAI

Question	Answer
Q1	C
Q2	C
Q3	C
Q4	B
Q5	C

*Thank You*

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