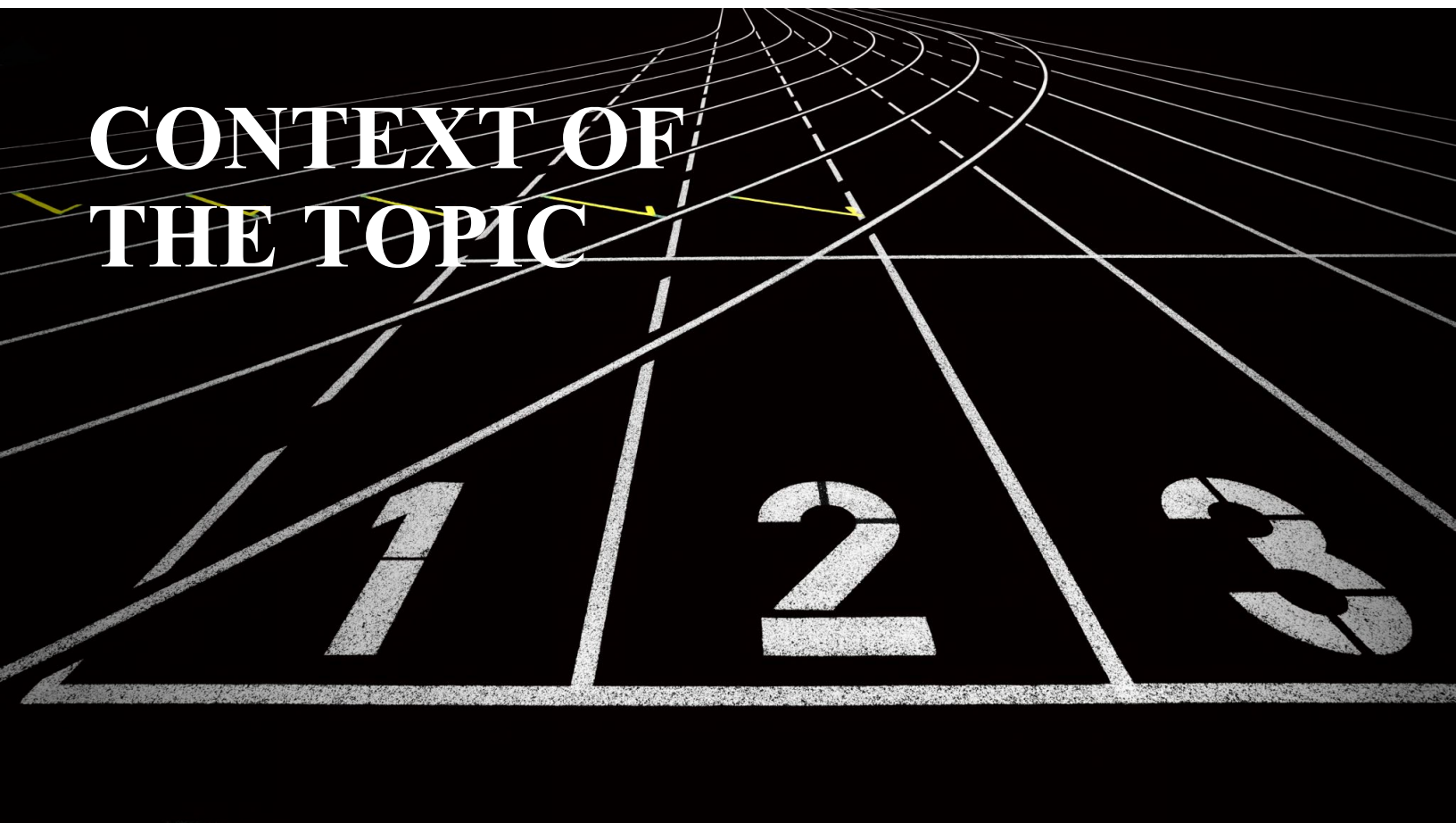


# ACCOUNTING STANDARDS FOR NON-CORPORATE ENTITIES

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Balan & Co, Chartered Accountants, Kochi



## CONTEXT OF THE TOPIC

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## Forming audit opinion – Practical scenario

A business entity, which is into **textile trading business** has presented its financial statements for FY 2023-24 for audit.

	FY 2023-24	FY 2022-23
Turnover	₹ 12.50 Crores	₹ 9.15 Crores
Profit before tax	₹ 1.10 Crores	₹ 0.82 Crores
Borrowings	₹ 3.50 Crores	--

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## Forming audit opinion – Practical scenario

The preliminary observations by the auditor included –

- 1) Format of financial statement was in conventional T – form, with both Trading Account and Profit and Loss accounts are presented separately.
- 2) The entity had paid a commission of ₹ 5 lakhs to its promoter CEO, which was not separately disclosed in the financial statement.

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## Forming audit opinion – Practical scenario

3) It had made an export of goods worth \$ 100,000 on 15-12-2023 and received the consideration on 15-02-2024, and the amount credited to the bank was ₹ 82.50 lakhs. The entity recognised sales revenue of ₹ 82.50 lakhs.

As the auditor, how will you deal with the above issues, assuming the entity is a –

- a) Private Limited Company
- b) Partnership Firm
- c) Proprietorship Firm

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## Forming audit opinion – Practical scenario

We will discuss the solution to the scenario after the presentation.

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## *What do we cover today?*

- ❖ Accounting Standard applicability for Non-corporate Entities
- ❖ Format of Financial Statements – Brief
- ❖ Guidance note by ICAI on the Format for Financial Statements
- ❖ Reporting Requirements & Disciplinary issues



# AS FOR NON-CORPORATES – IS IT SOMETHING NEW?





# MEANING OF NON-COMP ANY ENTITY

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## Meaning of NCE – *for AS applicability*

- All **commercial, industrial or business entities**, other than those incorporated under the Companies Act. +  
•  
○
- Nature of activities carried on by the entity should be seen; not the overall object for which the entity is incorporated.

# Should we follow AS?

Sl No	Type of entity	Whether to follow AS?	Reason
1	Partnership Firm		
2	Proprietorship Firm		
3	Proprietorship / Partnership Firms – Professional Service entities		
4	Charitable / Religious Trusts		
5	Residents Welfare Associations		
6	Societies		

## Whether AS to be followed for Charitable and / or Religious Organizations?

- Preface to Statements on AS

*3.3 The Institute will issue Accounting Standards for use in the presentation of the general-purpose financial statements issued to the public by such commercial, industrial or business enterprises as may be specified by the Institute from time to time and subject to the attest function of its members.*

- AS applicable only to commercial, industrial or business enterprises.
- Reference to the ‘nature of activities carried on by the enterprises’, not the object of the entity.
- AS will be applicable to Charitable and Religious Organisations, even if, a small portion of their activity is commercial, industrial or business. For others, AS is not applicable.





# CLASSIFICATION OF NON-COMPANY ENTITIES

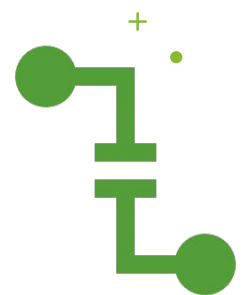
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- **Classification prior to 31-03-2021**

- 3 level classification – Level I, Level II, Level III

- **Classification after 31-03-2021**

- 4 level classification – **Level I, II, III & IV**
- Classification in the light of new MSME classification
  - Level I – **Large** Entities
  - Level II – **Medium** Entities
  - Level III – **Small** Entities
  - Level IV – **Micro** Entities
- Applicability for new classification – **from FY 2020-21** onwards (retrospective applicability)



# Thresholds for classification

	Micro	Small	Medium	Large
	Level IV	Level III	Level II	Level I
Annual turnover (not exceeding)	10 Cr	50 Cr	250 Cr	> 250 Cr
Borrowing	2 Cr	10 Cr	50 Cr	> 50 Cr
Listing status	--	--	--	Yes
Banks, FI, Insurance etc.	--	--	--	Yes
Holding & Subsidiary of above	Yes	Yes	Yes	Yes

## Criteria explained

- **Listing status**

- Entities whose securities are listed or are in the process of listing on any stock exchange, whether in India or outside India

- **Special business entities**

- Banks, financial institutions or entities carrying on insurance business
- Co-operative banks are also included



# Criteria explained


- Turnover criteria

- Turnover as per the **immediately preceding accounting year**

- Borrowing criteria

- Borrowings **at any time** during the **immediately preceding accounting year**
- Includes – public deposits, director loans etc.

ACCOUNTING  
STANDARDS  
FOR NCE

A white calculator and a pen are resting on a document with a table of numbers. The calculator is in the foreground, and the pen is behind it. The document has a table with columns of numbers, including 114811, 114811, 114922, 114922, 114940, 114940, 115029, 115029, 183912, 211550, 186708, and 091349. The text 'ACCOUNTING STANDARDS FOR NCE' is overlaid on the image in yellow.

# AS applicability



	Micro	Small	Medium	Large
	Level IV	Level III	Level II	Level I
Total AS applicable	27	27	27	27
AS entirely applicable	8	12	16	27
AS applicable with exemptions	1	1	1	--
AS applicable with specific provisions	1	--	--	--
AS applicable with Disclosure exemptions	6	5	3	--
AS not applicable	11	9	7	--

## Disclosures to be made...

- If an entity avail exemption from any AS
- Based on its classification
- Disclose in the notes -
  - The fact that its an MSME
  - The Level category applicable
  - That it has applied all the AS applicable to its level category
- Applicable to Level II, III and IV entities

## Change in level category

Moved up to a  
Higher-level  
category

Moved down to a  
Lower-level  
category

### Moved up -

Mandatorily apply all the AS applicable to the new level

Transitional provisions – as per individual standards

Should you revise the comparative figures?

- No
- However, make a disclosure that –
  - It was in a lower level category in the preceding year
  - It had availed certain exemptions as applicable to such lower level
  - It has not revised the comparative figures disclosed in the financials for the current period

# Moved down -



Wait for 2 years



Should be in the lower category for 2 consecutive years, before the exemptions are availed.



Avail exemption thereafter and disclose the fact in the notes.

## Entity opting not to avail the exemptions / relaxations?

- Disclose those standards in which it has availed 'exemptions / relaxations'.



## Entity opting not to avail the exemptions / relaxations?

- Applicable for Level II, III and IV
- Disclose those standards in which it has availed ‘exemptions / relaxations’
- Comply with ALL the requirements of the AS for which such exemptions / relaxations are NOT availed. Selective application of a part of a AS is not permitted.

## Accounting standards – applicable provisions

- Depending on the category, certain standards –
  - **Entirely Applicable**
  - **Applicable with Disclosure Exemptions**
  - **Applicable with Exemptions**
  - **Applicable for Specific Provisions**
  - **Applicable in Specific scenarios**
  - **Not Applicable**

# Accounting standards – applicable provisions

## Applicability Chart

	Entirely applicable
	Applicable with Disclosure Exemptions
	Applicable with Exemptions
	Applicable for specific clauses
	Applicable only in specific scenarios
	Not Applicable

# Accounting standards – applicable provisions

AS	Level I	Level II	Level III	Level IV
AS 1 Disclosure of Accounting Policies				
AS 2 Valuation of Inventories				
AS 3 Cash Flow Statements				
AS 4 Contingencies & Events Occurring After the BS Date				
AS 5 Net P/L for the Period, PP Items & Changes in AP				
AS 7 Construction Contracts				
AS 9 Revenue Recognition				
AS 10 Property, Plant and Equipment				
AS 11 The Effects of Changes in Foreign Exchange Rates				
AS 12 Accounting for Government Grants				
AS 13 Accounting for Investments				
AS 14 Accounting for Amalgamations				
AS 15 Employee Benefits				
AS 16 Borrowing Costs				
AS 17 Segment Reporting				
AS 18 Related Party Disclosures				
AS 19 Leases				



# Accounting standards – applicable provisions

AS	Level I	Level II	Level III	Level IV
AS 20 Earnings Per Share	Green	Red	Red	Red
AS 21 Consolidated Financial Statements	Green	Grey	Grey	Grey
AS 22 Accounting for Taxes on Income	Green	Green	Green	Brown
AS 23 Accounting for Investments in Associates in CFS	Green	Grey	Grey	Grey
AS 24 Discontinuing Operations	Green	Green	Red	Red
AS 25 Interim Financial Reporting	Green	Grey	Grey	Grey
AS 26 Intangible Assets	Green	Green	Green	Yellow
AS 27 Financial Reporting of Interests in Joint Ventures	Green	Grey	Grey	Grey
AS 28 Impairment of Assets	Green	Yellow	Yellow	Red
AS 29 Provisions, Conti. Liabilities & Contingent Assets	Green	Yellow	Yellow	Yellow

## Statistics

Levels	I	II	III	IV
<b>Total AS Applicable</b>	<b>27</b>	<b>27</b>	<b>27</b>	<b>27</b>
Fully applicable to the category	27	16	12	8
Disclosure exemptions	0	3	5	6
Applicable with exemptions - AS 15	0	1	1	1
Applicable for specific provisions - AS 22	0	0	0	1
Total AS Applicable	27	20	18	16
<b>% of applicability</b>	<b>100%</b>	<b>74%</b>	<b>67%</b>	<b>59%</b>

# Statistics explained

- Exemption for all Level II, III & IV
  - ✓ AS 3 – Cash Flow Statement
  - ✓ AS 17 – Segment Reporting
  - ✓ AS 20 – Earnings per share
  - ✓ AS 21, 23, 25 & 27 – Generally not applicable, unless the entities chooses to apply
- Exemptions for only Level III & IV
  - ✓ AS 18 – Related Party Transactions
  - ✓ AS 24 – Discontinuing operations
- Exemptions only for Level IV
  - ✓ AS 28 – Impairment of assets
  - ✓ AS 14 – To be applied only if there are any such transactions

## Specific AS

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AS 3	Applicable to Level I Not applicable to Level II, III & IV
AS - 10	Disclosure exemptions are available for Level III & IV Para 87 – Encouraged Disclosures - is exempt
AS - 11	Disclosure exemptions are available for Level III & IV Para 44 – Encouraged Disclosures - is exempt

## Specific AS



AS 13	Disclosure exemptions are available for Level IV entities. Para 35 (f) of the Disclosure is exempt.
AS 15	Separately discussed
AS 19	Disclosure exemptions are available for Level II, III & IV

## Specific AS



AS 22	Level IV entities should follow AS 22 only to the extent of 'current tax provisions'. Transitional provisions for first time adoption – for Level IV entities
AS 26	Disclosure exemptions are available for Level IV Paragraphs 90(d)(iii); 90(d)(iv) and 98
AS 28	Level II and Level III Non-company entities 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

## Specific AS

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AS 29	Disclosure exemptions are available for Level II, III and IV entities.
AS 14, 27, 25	Level IV are generally exempted from the application of these standards. However, if there are any such transactions, these entities shall apply the requirements of the relevant standard.
AS 21, 23, 27 & 25	These standards are NOT generally applicable to non-corporate entities. 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.

## AS – 15 Employee Benefits

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Aspect	Level II & III with no. of employees 50 or more	Level II & III with no. of employees less than 50 (+) Level IV entities (irres. No. of employees)
Short-term accumulating compensated absences – if <b>non-vesting</b>	Exempted	Exempted
Benefits falling due more than 12 months from the BS date	Exempted from discounting	Exempted from discounting
Defined benefit plans & Other long term benefits	Exempted from the extensive reporting framework applicable. However, Actuarial valuation using PUCM Is mandatory & assumptions should be stated	Exempted from the extensive reporting framework applicable. Actuarial valuation <b>not mandatory</b> . Any other rational method may be used



# FINANCIAL STATEMENTS - FORMAT

- Recommended format
- Excel format available in [www.icai.org](http://www.icai.org)  
<https://www.icai.org/post/list-of-guidance-notes-on-accounting-aspects>
- Format is similar to that of Schedule III – ‘vertical format’
- Nomenclatures may be changed to suit the nature of entity

# General guidelines

- Format of financials – in vertical form
- In line with Schedule III format
- Comparative figures for the previous year to be given
- Figures may be rounded off to nearest 00s or above.
- Adequate disclosures to be given in accordance with applicable AS
- Background of the entity & Significant Accounting Policies – are mandatory
- Permission to change the nomenclature of items as required

Name of the Non-Corporate Entity .....				
Balance Sheet as at .....				
		(Amount in Rs. XX)		
	Particulars	Note	31 March 20XX	31 March 20XX
<b>I</b>	<b>EQUITY AND LIABILITIES</b>			
<b>1</b>	<b>Owners' Funds</b>			
(a)	Owners' Capital Account	3	-	-
(b)	Reserves and surplus	4	-	-
			-	-
<b>2</b>	<b>Non-current liabilities</b>			
(a)	Long-term borrowings	5	-	-
(b)	Deferred tax liabilities (Net)	6	-	-
(c)	Other long-term liabilities	7	-	-
(d)	Long-term provisions	8	-	-
			-	-
<b>3</b>	<b>Current liabilities</b>			
(a)	Short-term borrowings	5	-	-
(b)	Trade payables			
(c)	Other current liabilities	10	-	-
(d)	Short-term provisions	8	-	-
			-	-
	<b>Total</b>		-	-



<b>II</b>	<b>ASSETS</b>			
<b>1</b>	<b>Non-current assets</b>			
(a)	Property, Plant and Equipment and Intangible assets			
(i)	Property, Plant and Equipment	11	-	-
(ii)	Intangible assets	11	-	-
(iii)	Capital work in progress	11	-	-
(iv)	Intangible asset under development	11	-	-
(b)	Non-current investments	12	-	-
(c)	Deferred tax assets (Net)	6	-	-
(d)	Long Term Loans and Advances	13	-	-
(e)	Other non-current assets	14	-	-
			-	-
<b>2</b>	<b>Current assets</b>			
(a)	Current investments	12	-	-
(b)	Inventories	15	-	-
(c)	Trade receivables	16	-	-
(d)	Cash and bank balances	17	-	-
(e)	Short Term Loans and Advances	13	-	-
(f)	Other current assets	18	-	-
			-	-
	<b>Total</b>		-	-
	Brief about the Entity	<b>1</b>		
	Summary of significant accounting policies	<b>2</b>		
	The accompanying notes are an integral part of the financial statements			

## Balance sheet

- Cross reference to schedules to be given mandatorily
- Balance sheet to be divided into – (a) Equity, (b) Liabilities; and (c) Assets
- Equity is disclosed as ‘owners funds or members funds’ as the case may be.
- Assets and liabilities to be classified as – current and non-current
- Deferred tax asset or liability to be disclosed in Balance Sheet
- Assets and liabilities should be classified in accordance with their nature.

# Balance sheet

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- Balance sheet to be divided into – (a) Equity, (b) Liabilities; and (c) Assets
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- Deferred tax asset or liability to be disclosed in Balance Sheet
- Assets and liabilities should be classified in accordance with their nature.

Name of the Non-Corporate Entity .....  
Statement of Profit and Loss for the year ended .....

(Amount in Rs.)				
	Particulars	Note	31 March 20XX	31 March 20XX
I	Revenue from operations	19	-	-
II	Other Income	20	-	-
III	<b>Total Income (I+II)</b>		-	-
IV	<b>Expenses:</b>			
(a)	Cost of goods sold	21	-	-
(b)	Employee benefits expense	22	-	-
(c)	Finance costs	23	-	-
(d)	Depreciation and amortization expense	24	-	-
(e)	Other expenses	25	-	-
	<b>Total expenses</b>		-	-
V	<b>Profit/(loss) before exceptional and extraordinary items, partners' remuneration and tax (III- IV)</b>		-	-
VI	Exceptional items (specify nature & provide note/delete if none)		-	-
VII	<b>Profit/(loss) before extraordinary items, partners' remuneration and tax (V-VI)</b>		-	-
VIII	Extraordinary Items (specify nature & provide note/delete if none)		-	-
IX	<b>Profit before, partners' remuneration and tax (VII-VIII)</b>		-	-

X	Partners' remuneration*			
XI	Profit before tax (IX- X)			
XII	Tax expense:			
(a)	Current tax		-	-
(b)	Excess/ Short provision of tax relating to earlier years			
(c)	Deferred tax charge/ (benefit)	6	-	-
			-	-
XIII	Profit/(Loss) for the period from continuing operations (IXI-XII)		-	-
XIVII	Profit/(loss) from discontinuing operations		-	-
XVIII	Tax expense of discontinuing operations		-	-
XIVI	Profit/(loss) from discontinuing operations (after tax) (XIVII-XVIII)		-	-
XVII	Profit/(Loss) for the year (XIII+XIVI)		-	-
	The accompanying notes are an integral part of the financial statements			

\* wherever applicable

## Statement of Profit and Loss

- Its not Profit and Loss Account; it is Statement of Profit and Loss
- Format similar to Schedule III
- Trading account and Gross Profit – not disclosed separately.
- Expenses are segregated, classified and presented in accordance with their nature.
- Exceptional items, extra-ordinary items to be shown separately
- Partner's remuneration, tax provision etc. to be shown separately
- Profit / Loss to be segregated between – discontinuing operations & continuing operations

Name of the Entity

Notes forming part of the Financial Statements for the year ended, 31st March, 20XX

Note - 1 Brief about the entity

Note - 2 Significant Accounting Policies

Note - 3 Owners' Capital Account

(Amount in Rs.)

Sr. No.	Name of Partner/ Proprietor/ Owner	Share of profit/ (loss) (%)	As at 1st April 20XX (Opening Balance)	Capital Introduced/cont ributed during the year	Remuneration for the year	Interest for the year	Withdrawals during the year	Share of Profit / Loss for the year	As at 31st March 20XX (Closing Balance)
1									-
2									-
3									-
4									-
			-	-	-	-	-	-	-
Previous Year (PY)			-	-	-	-	-	-	-

## Notes forming part of financial statements

- Brief background of the entity & significant accounting policies to be disclosed as Note 1 and 2.
- Owner's capital account & current account to be shown separately disclosing the nature of additions and deletions in each account.

**Name of the Entity**

**Notes forming part of the Financial Statements for the year ended 31st March, 20XX**

(Amount in Rs.)

		31 March 20XX	31 March 20XX
<b>4</b>	<b>Reserves and surplus</b>		
(a)	Capital Reserve	-	-
(b)	Revaluation Reserve	-	-
(c)	Other Reserve (Please specify)	-	-
(d)	Undistributed Surplus (Balance from statement of profit and loss)	-	-
	<b>Total</b>	-	-

5	Borrowings	Long Term		Short Term	
		31 March 20XX	31 March 20XX	31 March 20XX	31 March 20XX
	<b>Secured</b>				
(a)	<b>Term loans</b>				
	from banks	-	-	-	-
	from other parties	-	-	-	-
(b)	<b>Loans repayable on demand</b>				
	from banks	NA	NA	-	-
	from other parties	NA	NA	-	-
(c)	Deferred payment liabilities	-	-	-	-
(d)	Loans and advances from related parties	-	-	-	-
(e)	Long term/current maturities of finance lease obligation	-	-	-	-
(f)	Other loans advances (specify nature)	-	-	-	-
	<b>Total (A)</b>	-	-	-	-
	<b>Unsecured</b>				
(a)	<b>Term loans</b>				
	from banks	-	-	-	-
	from other parties	-	-	-	-
(b)	<b>Loans repayable on demand</b>				
	from banks	NA	NA	-	-
	from other parties	NA	NA	-	-
(c)	Deferred payment liabilities	-	-	-	-
(d)	Loans and advances from related parties	-	-	-	-
(e)	Long term/current maturities of finance lease obligation	-	-	-	-
(f)	Other loans advances (specify nature)	-	-	-	-
	<b>Total (B)</b>	-	-	-	-
	<b>Total (A) + (B)</b>	-	-	-	-
	<b>Foot Note:</b>				
	(i) Nature of the Security to be specified separately.				
	(ii) Terms of repayment of terms loans and other loans shall be stated.				
	(iii) Where loans guaranteed by partners/proprietors/owners aggregate of such amount under each head shall be disclosed.				

# Notes forming part of financial statements

- In case of borrowings -
  - Nature of borrowings, security & terms of repayments – to be disclosed separately similar to that of Schedule III
  - Borrowings to be classified as ‘long term borrowings’ and ‘short term borrowings’
  - Current maturity of long term borrowings – **need not be separately disclosed.**

6	Deferred tax liabilities/(asset) (Net)	31 March 20XX	Charge/ (benefit) for the year	31 March 20XX
	<b>Deferred tax asset</b>			
	Expenses provided but allowable in Income Tax on payment basis	-	-	-
	Provision for doubtful debts	-	-	-
	Difference between book depreciation & tax depreciation	-	-	-
	Others (please specify)	-	-	-
	<b>Gross deferred tax asset (A)</b>	-	-	-
	<b>Deferred tax liability</b>			
	Difference between book depreciation & tax depreciation	-	-	-
	Others (please specify)	-	-	-
	<b>Gross deferred tax liability (B)</b>	-	-	-
	<b>Net deferred tax liability/(asset) (B-A)</b>	-	-	-



Name of the Entity

Notes forming part of the Financial Statements for the year ended 31st March, 20XX

(Amount in Rs.)

		31 March 20XX	31 March 20XX
<b>7</b>	<b>Other long-term liabilities</b>		
	Advance from customers	-	-
	Others (please specify)	-	-
	<b>Total Other long-term liabilities</b>	-	-
<b>8</b>	<b>Provisions</b>		
		<b>Long term</b>	<b>Short term</b>
		<b>31 March 20XX</b>	<b>31 March 20XX</b>
		<b>31 March 20XX</b>	<b>31 March 20XX</b>
<b>(a)</b>	<b>Provision for employee benefits</b>		
	Provision for gratuity	-	-
	Provision for Leave Encashment	-	-
<b>(b)</b>	<b>Other provisions</b>		
	Provision for Income tax [net of advance tax of Rs.____ (previous year Rs.____)]	-	-
	Other Provisions (Please Specify - eg/ - Provision for warranties / Provision for Sales Return)	-	-
	Other (specify nature)	-	-
	<b>Total Provisions</b>	-	-

		31 March 20XX	31 March 20XX
<b>#REF!</b>	<b>Trade payables</b>		
<b>(a)</b>	Total outstanding dues of micro, small and medium enterprises	-	-
<b>(b)</b>	Total outstanding dues of creditors other than micro, small and medium enterprises	-	-
	<b>Total Trade payables</b>	-	-
Disclosure relating to suppliers registered under MSMED Act based on the information available with the entity Company:			
	<b>Particulars</b>	<b>31 March 20XX</b>	<b>31 March 20XX</b>
	<b>(a)</b> Amount remaining unpaid to any supplier at the end of each accounting year:		
	Principal	-	-
	Interest	-	-
	<b>Total</b>	-	-
	<b>(b)</b> The amount of interest paid by the buyer in terms of section 16 of the MSMED Act, along with the amount of the payment made to the supplier beyond the appointed day during each accounting year.	-	-
	<b>(c)</b> The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act.	-	-
	<b>(d)</b> The amount of interest accrued and remaining unpaid at the end of each accounting year.	-	-
	<b>(e)</b> The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the MSMED Act.	-	-
<b>10</b>	<b>Other current liabilities</b>		
	<b>(a)</b> Current maturities of finance lease obligations	-	-
	<b>(b)</b> Interest accrued but not due on borrowings	-	-
	<b>(c)</b> Interest accrued and due on borrowings	-	-
	<b>(d)</b> Income received in advance	-	-
	<b>(e)</b> Unearned revenue	-	-
	<b>(f)</b> Goods and Service tax payable	-	-
	<b>(g)</b> TDS payable	-	-
	<b>(h)</b> Other payables (specify nature)	-	-
	<b>Total Other current liabilities</b>	-	-



# Notes forming part of financial statements

- In case of PPEs-
  - Disclosure to be given similar to Schedule III
  - Separate accounting of ‘Gross Block’ and ‘Depreciation Blocks’
  - Depreciation method – cannot be same as ‘rates as per income tax act’; but as per AS – 10
  - Block concepts as per IT Act  cannot be adopted as per AS – 10
- In case of ‘intangible assets’ –
  - Same disclosures as that of PPEs
  - Amortization expenses – instead of depreciation expense.

12	Investments - Non Current and Current (valued at historical cost unless stated otherwise)	As at 31 March 20XX			As at 31 March 20XX		
		Face Value	Numbers/ Units/ Shares	Book Value	Numbers/ Units/ Shares	Book Value	
	<b>Trade Investments - Quoted</b>						
(a)	Investments in Other Entities			-			-
	Less: Provision for diminution in value of investments			-			-
(b)	Investments in partnership firm (Refer footnote 1)			-			-
	<b>Other Investments</b>						
(c)	Investments in preference shares			-			-
(d)	Investments in equity instruments			-			-
(e)	Investments in government or trust securities			-			-
(f)	Investments in debentures or bonds			-			-
(g)	Investments in mutual funds			-			-
(h)	Investments property			-			-
(i)	Other non-current investments (specify nature)			-			-
	<b>Total Investments</b>			-			-
	<b>Trade Investments - Unquoted</b>						
(a)	Investments in Other Entities			-			-
	Less: Provision for diminution in value of investments			-			-
(b)	Investments in partnership firm (Refer footnote 1)			-			-
	<b>Other Investments</b>						
(c)	Investments in preference shares			-			-
(d)	Investments in equity instruments			-			-
(e)	Investments in government or trust securities			-			-
(f)	Investments in debentures or bonds			-			-
(g)	Investments in mutual funds			-			-
(h)	Other non-current investments (specify nature)			-			-
(i)	Investments property			-			-
	<b>Total Investments</b>			-			-
	<b>Aggregate market value as at the end of the year:</b>						
	Aggregate amount of quoted investments and market value thereof.			-			-
	Aggregate amount of Un-quoted investments.			-			-
	Aggregate Provision for diminution in value of investments.			-			-
	<b>Footnote 1: Details of investment in partnership firm</b>						
	<b>Name of partner with % share in profits of such firm</b>						
	ABC			-			-
	XYZ			-			-
	Mr. A			-			-
	<b>Total capital of the firm (Amount in Rs.)</b>			-			-

Current Investments	Face Value	As at 31 March 20XX		As at 31 March 20XX	
		Numbers/ Units/ Shares	Book Value	Numbers/ Units/ Shares	Book Value
<b>Trade (valued at lower of cost or market value) - Quoted</b>					
(a) Current maturities of long-term investments			-		-
(b) Investments in equity instruments			-		-
(c) Investments in preference shares			-		-
(d) Investments in government or trust securities			-		-
(e) Investments in debentures or bonds			-		-
(f) Investments in mutual funds			-		-
(g) Other Short-term investments (specify nature)			-		-
<b>Net current investments</b>			-		-
<b>Trade (valued at lower of cost or market value) - Unquoted</b>					
(a) Current maturities of long-term investments			-		-
(b) Investments in equity instruments			-		-
(c) Investments in preference shares			-		-
(d) Investments in government or trust securities			-		-
(e) Investments in debentures or bonds			-		-
(f) Investments in mutual funds			-		-
(g) Other Short-term investments (specify nature)			-		-
<b>Net current investments</b>			-		-
<b>Grand Total</b>			-		-
Aggregate value of quoted investments and market value thereof.			-		-
Aggregate value of quoted investments.			-		-
Aggregate Provision for diminution in value of investments.			-		-

## Notes forming part of financial statements

- In case of Investments -
  - To be classified as ‘current’ and ‘non-current’
  - Provision to be made for ‘diminution in value, otherwise than temporary in nature’
  - To be classified according to their nature
  - If quoted, fair market value to be disclosed.

	Long Term		Short Term	
	31 March 20XX	31 March 20XX	31 March 20XX	31 March 20XX
<b>13 Loans and advances</b>				
<b>A (Secured)</b>				
(a) <b>Capital advances</b>				
Considered good	-	-	-	-
Doubtful	-	-	-	-
Less: Provision for doubtful advances	-	-	-	-
(b) Loans advances to partners or relative of partners	-	-	-	-
(c) Other loans and advances (specify nature)				
Prepaid expenses	-	-	-	-
Advance tax and tax deducted at source [Net of provision for income tax of Rs. ____ (previous year Rs. ____)]	-	-	-	-
CENVAT credit receivable	-	-	-	-
VAT credit receivable	-	-	-	-
Service tax credit receivable	-	-	-	-
GST input credit receivable	-	-	-	-
Security Deposits	-	-	-	-
Balance with government authorities	-	-	-	-
<b>Total (a)-(b) (A)</b>	-	-	-	-
<b>B Loans and advances (Unsecured)</b>				
(a) <b>Capital advances</b>				
Considered good	-	-	-	-
Doubtful	-	-	-	-
Less: Provision for doubtful advances	-	-	-	-
(b) Loans advances to partners or relative of partners	-	-	-	-
(c) Other loans and advances (specify nature)				
Prepaid expenses	-	-	-	-
Advance tax and tax deducted at source [Net of provision for income tax of Rs. ____ (previous year Rs. ____)]	-	-	-	-
CENVAT credit receivable	-	-	-	-
VAT credit receivable	-	-	-	-
Service tax credit receivable	-	-	-	-
GST input credit receivable	-	-	-	-
Security Deposits	-	-	-	-
Balance with government authorities	-	-	-	-
<b>Total (a)-(b) (B)</b>	-	-	-	-
<b>Total (A + B)</b>	-	-	-	-

<b>14 Other non-current assets</b>	<b>31-March-20XX</b>	<b>31-March-20XX</b>
(a) Security Deposits	-	-
(b) Prepaid expenses	-	-
(c) Others (Specify nature)	-	-
<b>Total other non-current other assets</b>	-	-
<b>15 Inventories</b>	<b>31-March-20XX</b>	<b>31-March-20XX</b>
(a) Raw materials	-	-
(b) Work-in-progress	-	-
(c) Finished goods	-	-
(d) Stock-in-trade	-	-
(e) Stores and spares	-	-
(f) Loose Tools	-	-
(g) Others (Specify nature)	-	-
[Goods in transit to be disclosed under relevant sub-head of inventories]	-	-
<b>Total</b>	-	-
<b>16 Trade receivables</b>	<b>31-March-20XX</b>	<b>31-March-20XX</b>
Outstanding for a period less than 6 months from the date they are due for receipt		
(a) Secured Considered good	-	-
(b) Unsecured Considered good	-	-
(c) Doubtful	-	-
Less: Provision for doubtful receivables	-	-
Outstanding for a period exceeding 6 months from the date they are due for receipt		
(a) Secured Considered good	-	-
(b) Unsecured Considered good	-	-
(c) Doubtful	-	-
Less: Provision for doubtful receivables	-	-
Unbilled receivables	-	-
<b>Total</b>	-	-

		31-March-20XX	31-March-20XX
<b>17</b>	<b>Cash and Bank Balances</b>		
<b>A</b>	<b>Cash and cash equivalents</b>		
(a)	On current accounts	-	-
(b)	Cash credit account (Debit balance)	-	-
(c)	<b>Fixed Deposits</b>		
	Deposits with original maturity of less than three months	-	-
(d)	Cheques, drafts on hand	-	-
(e)	Cash on hand	-	-
	<b>Total</b>		
		(I)	
<b>B</b>	<b>Other bank balances</b>		
(a)	Bank Deposits		
(i)	Earmarked Bank Deposits	-	-
	Deposits with original maturity for more than 3 months but less than 12 months from reporting date	-	-
(ii)	Margin money or deposits under lien	-	-
(iii)	Others (specify nature)	-	-
(iv)		-	-
	<b>Total other bank balances</b>		
	<b>Total Cash and bank balances</b>		
		(II)	
		(I+II)	
<b>18</b>	<b>Other current assets</b>	<b>31-March-20XX</b>	<b>31-March-20XX</b>
	(Specify nature)		
	(This is an all-inclusive heading, which incorporates current assets that do not fit into any other asset categories)		
(a)	Interest accrued but not due on deposits	-	-
(b)	Interest accrued and due on deposits	-	-
	<b>Total</b>		

		31 March 20XX	31 March 20XX
<b>19</b>	<b>Revenue from operations</b>		
(a)	Sale of products	-	-
(b)	Sale of services	-	-
(c)	Grants or donations received	-	-
(d)	Other operating revenue	-	-
	Revenue from operations (Gross)	-	-
	Less: Excise duty	-	-
	Revenue from operations (Net)	-	-
<b>20</b>	<b>Other income</b>	<b>31 March 20XX</b>	<b>31 March 20XX</b>
(a)	Interest income	-	-
(b)	Dividend income	-	-
(c)	Net gain on sale of investments	-	-
(d)	Other non-operating income (Please specify)	-	-
	<b>Total other income</b>		
<b>21</b>	<b>Cost of goods sold (Delete whatever is not applicable)</b>	<b>31 March 20XX</b>	<b>31 March 20XX</b>
(A)	<b>Cost of raw material consumed</b>		
	<b>Raw material consumed</b>		
(i)	Inventory at the beginning of the year	-	-
(ii)	Add: Purchases during the year	-	-
(iii)	Less: Inventory at the end of the year	-	-
	<b>Cost of raw material consumed</b>	(I)	
	<b>Packing material consumed (if considered as part of raw material)</b>		
(i)	Inventory at the beginning of the year	-	-
(ii)	Add: Purchases during the year	-	-
(iii)	Less: Inventory at the end of the year	-	-
	<b>Cost of packing material consumed</b>	(II)	
	<b>Other materials (purchased intermediates and components)</b>		
(i)	Inventory at the beginning of the year	-	-
(ii)	Add: Purchases during the year	-	-
(iii)	Less: Inventory at the end of the year	-	-
	<b>Cost of other material consumed</b>	(III)	
	<b>Total raw material consumed (A)</b>	(I+II+III)	



<b>B Purchases of stock-in-trade</b>	<b>31 March 20XX</b>	<b>31 March 20XX</b>
(i) ...	-	-
(ii) ...	-	-
(iii) ...	-	-
<b>Total (B)</b>	-	-
<b>C Changes in inventories of finished goods, work in progress and stock-in trade</b>	<b>31 March 20XX</b>	<b>31 March 20XX</b>
<b>Inventories at the beginning of the year:</b>		
(i) Stock-in-trade	-	-
(ii) Work in progress	-	-
(iii) Finished goods	-	-
	(I) -	-
<b>Inventories at the end of the year:</b>		
(i) Stock-in-trade	-	-
(ii) Work in progress	-	-
(iii) Finished goods	-	-
	(II) -	-
<b>(Increase)/decrease in inventories of finished goods, work-in-progress and stock-in-trade (C)</b>	-	-
<b>Total (A+B+C)</b>	-	-
<b>22 Employee benefits expense</b>	<b>31 March 20XX</b>	<b>31 March 20XX</b>
(Including contract labour)		
(a) Salaries, wages, bonus and other allowances	-	-
(b) Contribution to provident and other funds	-	-
(c) Gratuity expenses	-	-
(d) Staff welfare expenses	-	-
<b>Total Employee benefits expense</b>	-	-

<b>23 Finance cost</b>	<b>31 March 20XX</b>	<b>31 March 20XX</b>
(a) Interest expense (other than interest on partners' capital/member' capital)	-	-
(i) On bank loan	-	-
(ii) On assets on finance lease	-	-
(b) Interest on partners' capital/member' capital	-	-
(c) Other borrowing costs	-	-
(d) Loss on foreign exchange transactions and translations considered as finance cost (net)	-	-
<b>Total Finance cost</b>	-	-
<b>24 Depreciation and amortization expense</b>	<b>31 March 20XX</b>	<b>31 March 20XX</b>
(a) on tangible assets (Refer note 11)	-	-
(b) on intangible assets (Refer note 11)	-	-
<b>Total Depreciation and amortization expense</b>	-	-
<b>25 Other Expenses</b>	<b>31 March 20XX</b>	<b>31 March 20XX</b>
(a) Consumption of stores and spare parts	-	-
(b) Power and fuel	-	-
(c) Rent	-	-
(d) Repairs and maintenance - Buildings	-	-
(e) Repairs and maintenance - Machinery	-	-
(f) Insurance	-	-
(g) Rent, Rates and taxes, excluding, taxes on income	-	-
(h) Labour charges	-	-
(i) Travelling expenses	-	-
(j) Auditor's remuneration	-	-
(k) Printing and stationery	-	-
(l) Communication expenses	-	-
(m) Legal and professional charges	-	-
(n) Advertisement and publicity	-	-
(o) Business promotion expenses	-	-
(p) Commission	-	-
(q) Clearing and forwarding charges	-	-
(r) Loss on sale of Property, Plant and Equipment	-	-
(s) Loss on foreign exchange transactions (net)	-	-
(t) Loss on cancellation of forward contracts	-	-
(u) Loss on sale of investments (net)	-	-
(v) Provision for diminution in value of investments	-	-
(w) Provision for doubtful debts	-	-
(x) Miscellaneous expenses	-	-
<b>Total</b>	-	-



# Authority for implementation

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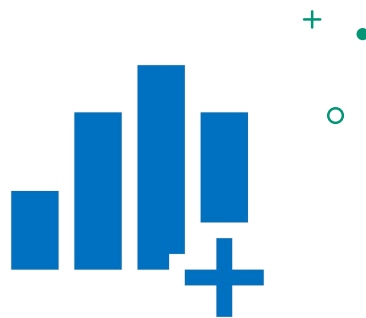
## Authority attached to Documents issued by ICAI

- Clarification regarding Authority Attached to Documents Issued by the Institute – *refer to the initial pages of Compendium of AS issued by ICAI*
- Statements – referred for Accounting Standards & Standards on Auditing – are **mandatory**
- Guidance Notes – primarily for giving guidance to members – recommendary in nature



# Compliance with AS in *financial statements* – Role of auditor

- Compliance of AS by Companies – mandated by Companies Act
- Compliance of AS by Non-company entities – not mandated by any specific act.
  - ✓ True and fair – reporting on audit
  - ✓ How to determine the accounts are ‘true and fair’?
    - Only if they are prepared in accordance with the applicable Accounting Standards. If not, the auditor should disclose it in his report.
    - Issue? How can the AS issued by the ICAI can be made mandatory for the financial statements prepared by a NCE?



The ‘Preface to the Statements of Accounting Standards’ Page 23 issued by the Institute in 1979 states (paragraphs 6.1 and 6.2):

“6.1 While discharging their attest function, it will be the duty of the members of the Institute to ensure that the Accounting Standards are implemented in the presentation of financial statements covered by their audit reports. In the event of any deviation from the Standards, it will be also their duty to **make adequate disclosures** in their reports so that the users of such statements may be aware of such deviations.”

## Compliance with AS in *financial statements* – Role of auditor

# Role of CA w.r.t Guidance Notes

- Guidance Notes – recommendatory in nature
- Primarily designed to provide guidance to members on matters which may arise in the course of their professional work and on which they may desire assistance in resolving issues which may pose difficulty.
- A member should ordinarily follow recommendations in a guidance note relating to an auditing matter except where he is satisfied that in the circumstances of the case, it may not be necessary to do so.
- A member should examine whether the recommendations in a guidance note relating to an accounting matter have been followed or not. If the same have not been followed, the member should consider whether keeping in view the circumstances of the case, **a disclosure in his report is necessary.**



THOUGHT  
FOR THE  
DAY?

## Professional decision – *refusal to comply by client?*

- Partnership
- Category Level – I
- Refuses to follow the AS disclosures & formats
- Contends that they are NOT bound by ICAI Guidance Note / recommendations
- Objects CA proposal for adequate disclosure in Form 3CB
  
- Professional decision?



# THANK YOU

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