

Applicability of Accounting Standards (AS)

Applicability of Accounting Standards (AS) - Companies vs. Other Entities

Category	Corporate Entity	Other than Company (Non-corporate Entity)
Type	Company	Non-corporate Company (e.g., Partnership firm, Limited Liability Partnership (LLP), Mutual Undivided Family (HUF), Co-operative Societies, Sole proprietorship, Trust etc.)

Applicability of AS to Corporate Entities

1. Non Small and Medium Sized Company (Non-SMC) (Big Company)

- **AS Applicability:** Apply All Accounting Standards (AS).
- **Specifics:** Indian Accounting Standards (Ind AS) (AS 1 to AS 29) are applicable.

2. Small and Medium Sized Company (SMC)

- **AS Applicability:** Apply All Accounting Standards (AS), but a few exemptions and relaxations are available.
- **Note:** AS 6 and AS 8 are deleted.
- **Exemption (Full AS Maaf):**
 - Full exemption from AS 17.
- **Relaxation (AS ke kuch parts / concepts se chutti):**
 - Relaxation available for AS 15, AS 19, AS 20, AS 28, and AS 29.
 - AS 25 applies only if the company elects to apply it (else it is exempt to SMC).

Definition of Small and Medium Sized Company (SMC)

A company is considered an SMC if it meets **All** of the following conditions:

1. It should **not** be listed, nor should it be in the process of listing, on any stock exchange.
 - (e.g., Non-Banking Financial Company (NBFC), Mutual Fund, Bank, Insurance Company, Financial Institution).
2. It should **not** be a Bank, Insurance Company, Financial Institution.
3. Turnover (excluding other income) does **not** exceed ₹250 crores in the Previous Financial Year.
4. Borrowings does **not** exceed ₹250 crores in the Previous Financial Year.
5. It should **not** be a holding or Subsidiary Company of a Non-SMC (Big Company).

Definition of Non-SMC

Companies **not** falling within the definition of SMC are considered to be Non-SMCs.

Important Note for Existing Companies: An existing Company which was previously a Non-SMC can become an SMC **only** if it meets the Definition of SMC for **2 Consecutive Years**.

Applicability of Accounting Standards (AS) to Other than Company (Non-corporate Entity)

Non-corporate entities are categorized into four levels (Level I, Level II, Level III, and Level IV) based on the following criteria:

Criteria for Classification of Non-corporate Entities

Particular	Level I	Level II	Level III	Level IV
① Turnover (Revenue) (excluding Other Income) in Previous Financial Year	Exceeds ₹50 crores	Exceeds ₹10 crores but upto ₹50 crores	Exceeds ₹1 crore but upto ₹10 crores	Upto ₹1 crore
② Borrowings in Previous Financial Year	Exceeds ₹50 crores	Exceeds ₹10 crores but upto ₹50 crores	Exceeds ₹2 crores but upto ₹10 crores	Upto ₹2 crores
③ Holding / Subsidiary Condition	If any entity is holding or subsidiary of Level I, then it also becomes a Level I entity.	If any entity is holding or subsidiary of Level II, then it also becomes a Level II entity.	Same	Same
④ Other conditions	Banking/Insurance, Financial Institution (e.g., Co-operative Banks), Listed/Listing process on any stock exchange.	-	-	-
AK's Note: Ideally this condition should not be there in non-corporate entity.				

Exemptions & Relaxations to Non-corporate Entities

Sr. No.	Particulars	Level I	Level II	Level III	Level IV
1	Full Exemption (i.e., Apply All AS)	None (i.e., Apply All AS)	AS 9, 17, 20, 21, 23, 25, 27	AS 3, 17, 18, 20, 21, 23, 24, 25, 27	AS 3, 14, 17, 18, 20, 21, 23, 24, 26, 27, 28
2	Relaxation (Partial Exemption) (i.e., Apply All AS)	None (i.e., Apply All AS)	AS 15, 19, 28, 29	AS 10, 11, 15, 19, 28, 29	AS 10, 11, 13, 15, 19, 22, 26, 29

Note on Charitable Organisations:

- If the organization is **100% charitable**, there is **no need to follow** Accounting Standards (AS).
- Even if **1% business activities** are commercial, the organization must **Follow AS on full organization**.

Extra Part - Indian Accounting Standards (Ind AS) Applicability

Indian Accounting Standards (Ind AS) Applicability to Normal Companies (Mandatory Basis)

	Phase I (01.04.16)	Phase II (01.04.17)
Applicability	All Listed/Unlisted Companies having a Net Worth of ₹500 crores or more.	1. All Listed Companies. 2. Unlisted Companies having Net Worth of ₹250 crores or more.
Net Worth:	Share Holders' Funds (Share Capital + Reserves)	

Note: If our Parent/Subsidiary Company follows Ind AS, then Ind AS is also applicable to us.

Indian Accounting Standards (Ind AS) Applicability to Non-Banking Financial Companies (NBFC's)

Note: For NBFC's, only Mandatory applicability is considered. Voluntary adoption is not allowed.

	Phase I (01.04.18)	Phase II (01.04.19)
Applicability	All Listed/Unlisted NBFC's having Net Worth of ₹500 crores or more.	1. All Listed NBFCs. 2. Unlisted NBFC'S having Net Worth of ₹250 crores or more.

Note: If our Parent/Subsidiary Company follows Ind AS, then Ind AS is also applicable to us.

Indian Accounting Standards (Ind AS) Applicability to Banking Companies and Insurance Companies

Note: Ind AS implementation is **deferred until further notice**.

General Notes on Ind AS

- Indian Accounting Standards (Ind AS) once applicable, are **always applicable**.
- If Ind AS is **not** applicable to any company, then it must **follow Accounting Standards (AS)**.