

Revised Criteria for Classification of Non-Company Entities (from 1st April 2024)

- **Two categories only now:**

1. **MSMEs** – must satisfy ALL:
 - Not listed (or not in process of listing).
 - Not a bank/FI/insurance.
 - Turnover \leq ₹250 crore.
 - Borrowings \leq ₹50 crore.
 - Not a holding/subsidiary of a non-MSME.

2. **Large Entities** – all others.

- **Terminology Change:**

- Level II/III/IV entities → now called **MSMEs**.
- Level I entities → now called **Large entities**.

- **Applicability:**

- Large entities → comply with **all AS in full**.
- MSMEs → enjoy exemptions/relaxations.

- **Key AS not applicable to MSMEs:**

- AS 3 (Cash Flow Statements)
- AS 17 (Segment Reporting)
- AS 20 (Earnings Per Share)
- AS 24 (Discontinuing Operations)

- **Conditional non-applicability for very small MSMEs (turnover \leq ₹50 cr, borrowings \leq ₹10 cr):**

- AS 18 (Related Party)
- AS 28 (Impairment of Assets)

- **Relaxations to MSMEs (examples):**

- **AS 15 (Employee Benefits):** simplified approach for defined benefits, no actuarial valuation needed.
- **AS 22 (Taxes):** only current tax required, deferred tax exemption.
- **AS 19, 26, 28, 29:** certain disclosure relaxations.

- **Disclosure Requirement:**

- MSME must state in notes that it is an MSME and availed exemptions.