Announcement

HARMONISATION OF VARIOUS DIFFERENCES BETWEEN THE ACCOUNTING STANDARDS ISSUED BY THE ICAI AND THE ACCOUNTING STANDARDS NOTIFIED BY THE CENTRAL GOVERNMENT

The Council has considered the differences between the Accounting Standards issued by the Institute of Chartered Accountants of India and the Accounting Standards notified on 7th December, 2006 by the Central Government under the Companies (Accounting Standards) Rules, 2006. The Council decided the following scheme for harmonisation of differences:

1. Harmonisation of Differences between the Accounting Standards issued by the ICAI and those notified by the Government on account of language, presentation, etc.

The Council noted that following differences between the Accounting Standards issued by the ICAI and those notified by the Government are on account of language, presentation, etc.

(a) The Accounting Standards notified by the Government use the term ‘accounting standard’ or ‘standard’ instead of the word ‘Statement’ used in the Accounting Standards issued by the Institute of Chartered Accountants of India

(b) The Accounting Standards notified by the Government use the heading ‘Main Principles’ instead of ‘Accounting Standard’ appearing above the bold-italic paragraphs in respect of the old accounting standards issued by the ICAI. For example, the heading ‘Main Principles’ appears above paragraphs 24 to 27 of AS 1 notified by the Government (The other accounting standards notified by the Government in which this heading is used are AS 4, AS 6, AS 9, AS 10, AS 12, AS 13 and AS 14).

(c) Paragraph numbers of certain Accounting Standards, notified by the Government have been changed as compared to paragraph numbers of Accounting Standards issued by the ICAI. For instance, in AS 10, issued by the ICAI, numbers of paragraphs 9.2, 16.3 to 16.7, 37 and 38 appear even though there is no matter in these paragraphs as the same have been withdrawn due to subsequent issuance of Accounting Standards such as AS 16 and AS 26. In other words, the above paragraph numbers remain. However, in the Accounting Standard notified by the Government, the paragraph numbers have been changed by omitting the aforesaid paragraphs.

Also, numbering of certain sub-paragraphs, e.g., (a), (b), (c),…. etc., have been done in the Accounting Standards notified by the Government, whereas these were indicated as 'bullets' in Accounting Standards issued by the ICAI. For example, paragraph 20 of AS 14 and paragraph 24 of AS 18.

(d) The word 'Illustration' has been used in the Accounting Standards notified by the Government instead of 'Examples' as used in various Standards issued by the ICAI. Similarly, the word 'Appendix' used in the Accounting Standards issued by the ICAI, containing various examples at the end of an Accounting Standard, has been replaced by the word 'Illustrations' in the notified Accounting Standards.

(e) Accounting Standards issued by the ICAI, at certain places make reference to the Preface to the Statements of Accounting Standards. Since the Government has not notified the Preface, some of the requirements of the Preface, such as the consideration of materiality, have been included in the 'General Instructions' in the Rules. Accordingly, the Accounting Standards notified by the Government make reference to the General Instructions.

Since points 1(a) to 1(d), as mentioned above do not create any substantive difference between Accounting Standards issued by the ICAI and those notified by the Government, the Council decided to change the Standards issued by the ICAI in order to harmonise the two sets of Accounting Standards. Accordingly, changes are being made in the Accounting Standards and the amended Accounting Standards will be published in the Compendium of Accounting Standards 2008.

With regard to 1(e) above, the Council decided that no amendment was required in the Accounting Standards issued by the ICAI on account of the reference to 'General Instructions' in the Rules notified by the Government as compared to the 'Preface' in the Accounting Standards issued by the ICAI.

2. Harmonisation of differences caused by inclusion of the consensus portion of the Accounting Standards Interpretations (ASIs) issued by the ICAI in the Accounting Standards notified by the Government with certain exceptions.

The Council noted that consensus portion of certain ASIs have been included in the notified Accounting Standards as ‘Explanation’ to the relevant paragraphs as indicated below:

ASI No.	**Title of the ASI**	**Relevant Paragraph(s) of the Accounting Standards**
1	Substantial Period of Time (Re. AS 16)	Paragraph 3.2 of Accounting Standard (AS) 16, *‘Borrowing Costs’*
3	Accounting for Taxes on Income in the situations of Tax Holiday under Sections 80-IA and 80-IB of the Income-tax Act, 1961 (Re. AS 22)	Paragraph 13 of Accounting Standard (AS) 22, ‘*Accounting for Taxes on Income’*
4	Losses under the head Capital Gains (Re. AS 22)	Explanation 2 to paragraph 17 of Accounting Standard (AS) 22, ‘*Accounting for Taxes on Income’*
5	Accounting for Taxes on Income in the situations of Tax Holiday under Sections 10A and 10B of the Income-tax Act, 1961 (Re. AS 22)	Paragraph 13 of Accounting Standard (AS) 22, ‘*Accounting for Taxes on Income’*
6	Accounting for Taxes on Income in the context of Section 115JB of the Income-tax Act, 1961 (Re. AS 22)	Paragraph 21 of Accounting Standard (AS) 22, ‘*Accounting for Taxes on Income’*
7	Disclosure of deferred tax assets and deferred tax liabilities in the balance sheet of a company (Re. AS 22)	Paragraph 30 of Accounting Standard (AS) 22, ‘*Accounting for Taxes on Income’*
8	Interpretation of the term ‘Near Future’ (Re. AS 21, AS 23 and AS 27)	Explanation (b) to paragraph 11 of Accounting Standard (AS) 21, ‘*Consolidated Financial Statements’* Paragraph 7 of Accounting Standard (AS) 23, ‘*Accounting for Investments in Associates in Consolidated Financial Statements’* Paragraph 28 of Accounting Standard (AS) 27, *‘Financial Reporting of Interests in Joint Ventures’*
9	Virtual certainty supported by convincing evidence (Re. AS 22)	Explanation 1 to paragraph 17 of Accounting Standard (AS) 22, ‘*Accounting for Taxes on Income’*

10	Interpretation of paragraph 4(e) of AS 16 (Re. AS 16)	Paragraph 4(e) of Accounting Standard (AS) 16, *'Borrowing Costs'*
13	Interpretation of paragraphs 26 and 27 of AS 18 (Re. AS 18)	Paragraphs 26 and 27 of Accounting Standard (AS) 18, *'Related Party Disclosures'*
14	Disclosure of Revenue from Sales Transactions (Re. AS 9)	Paragraph 10 of Accounting Standard (AS) 9, *'Revenue Recognition'*
15	Notes to the Consolidated Financial Statements (Re. AS 21)	Paragraph 6 of Accounting Standard (AS) 21, *'Consolidated Financial Statements'*
16	Treatment of Proposed Dividend under AS 23 (Re. AS 23)	Explanation (b) to paragraph 6 of Accounting Standard (AS) 23, *'Accounting for Investments in Associates in Consolidated Financial Statements'*
17	Adjustments to the Carrying Amount of Investment arising from Changes in Equity not Included in the Statement of Profit and Loss of the Associate (Re. AS 23)	Explanation (a) to Paragraph 6 of Accounting Standard (AS) 23, *'Accounting for Investments in Associates in Consolidated Financial Statements'*
18	Consideration of Potential Equity Shares for Determining whether an Investee is an Associate under AS 23 (Re. AS 23)	Paragraph 4 of Accounting Standard (AS) 23, *'Accounting for Investments in Associates in Consolidated Financial Statements'*
19	Interpretation of the term 'intermediaries' (Re. AS 18)	Paragraph 13 of Accounting Standard (AS) 18, *'Related Party Disclosures'*
20	Disclosure of Segment Information (Re. AS 17)	Paragraph 38 of Accounting Standard (AS) 17, *'Segment Reporting'*
21	Non-Executive Directors on the Board-whether related parties (Re. AS 18)	Paragraph 14 of Accounting Standard (AS) 18, *'Related Party Disclosures'*
22	Treatment of Interest for determining Segment Expense (Re. AS 17)	Point (b) of the definition of 'Segment Expense' under paragraph 5.6 of Accounting Standard (AS) 17, *'Segment Reporting'*
24	Definition of 'Control' (Re. AS 21)	Paragraph 10 of Accounting Standard (AS) 21, *'Consolidated Financial Statements'*
25	Exclusion of a subsidiary from consolidation (Re. AS 21)	Explanation (a) to paragraph 11 of Accounting Standard (AS) 21, *'Consolidated Financial Statements'*

26	Accounting for taxes on income in the consolidated financial statements (Re. AS 21)	Explanation (a) to paragraph 13 of Accounting Standard (AS) 21, *'Consolidated Financial Statements'*
28	Disclosure of parent's/venturer's shares in post-acquisition reserves of a subsidiary/jointly controlled entity (Re. AS 21 and AS 27)	Explanation (b) to paragraph 13 of Accounting Standard (AS) 21, *'Consolidated Financial Statements'* Paragraph 32 of Accounting Standard (AS) 27, *'Financial Reporting of Interests in Joint Ventures'*
30	Applicability of AS 29 to Onerous Contracts (Re. AS 29)	Paragraph 1(b) of Accounting Standard (AS) 29, *'Provisions, Contingent Liabilities and Contingent Assets'*

The Council decided to make the consensus portion of the above ASIs a part of the Accounting Standards issued by the Institute. Accordingly, the Accounting Standards are being amended to incorporate the consensus portion of the above mentioned ASIs as 'Explanation' to the relevant paragraphs.

Following ASIs have not been included in the notified Accounting Standards:

(i)	ASI 2	Accounting for Machinery Spares (Re. AS 2 and AS 10)
(ii)	ASI 11	Accounting for Taxes on Income in case of an Amalgamation (Re. AS 22)
(iii)	ASI 12	Applicability of AS 20 (Re. AS 20)
(iv)	ASI 23	Remuneration paid to key management personnel – whether a related party transaction (Re. AS 18)
(v)	ASI 27	Applicability of AS 25 to Interim Financial Results (Re. AS 25)
(vi)	ASI 29	Turnover in case of Contractors (Re. AS 7 (revised 2002))

The Council decided to withdraw the above ASIs and issue the same as Guidance Notes except ASI 2 and ASI 11. Guidance Notes are being separately issued.

3. Harmonisation of differences with regard to applicability of Accounting Standards to various Levels of entities.

The Council noted that as per its Announcement, 'Applicability of Accounting Standards', issued by the ICAI (published in 'The Chartered Accountant', November 2003), there are three levels of entities. Level II entities and Level III entities as per the said Announcement are considered to be the Small and Medium Entities (SMEs). On the other hand, as per the Accounting Standards notified by the Government, there are two levels, namely, Small and Medium-sized Companies (SMCs) as defined in the Rules and companies other than SMCs. Non-SMCs are required to comply with all the Accounting Standards in their entirety, while certain exemptions/ relaxations have been given to SMCs. Certain differences in the criteria for classification of the levels were also noted.

In this regard, the Council decided that the ICAI should continue to have three levels as at present instead of two as per the Government notification, as below:

(a) Level I should be as per the existing Level I, modified keeping in view the definition of SMC under the Government Notification except co-operative banks should be included along with the banks and reference to industrial, commercial and business reporting entities should be retained as part of the criteria in (vi) and (vii) of the existing ICAI criteria for Level I.

(b) Level II should include companies other than those covered under Level I and the non-corporate entities having the same criteria as at present for ICAI Level II. The exemptions or relaxations available to this Level should be the same as available to SMCs under the Government Notification.

(c) Level III should cover only non-corporates not covered in Levels I and II. Exemptions or relaxations available at Level III as at present should continue to be available at this Level.

(d) Exemptions or relaxations available to enterprises employing less than 50 employees during the year in respect of AS 15, *Employee Benefits* (revised 2005), should continue to be available to non-corporate entities under Levels II and III.

As a consequence to the above decision of the Council to harmonise with the notification:

(i) the harmonised criteria for classification of entities and other instructions regarding SMEs are given in Annexure I;

(ii) applicability of Accounting Standards to companies as per the Government Notification is given in Annexure II; and

(iii) applicability of Accounting Standards to non-corporate entities is given in Annexure III.

The Council decided that the above requirements with regard to SMEs should be applicable to non-corporates for accounting periods commencing on or after 1-4-2008.

Annexure I

Harmonised Criteria for Classification of Entities

(1) Criteria for classification of non-corporate entities as decided by the Institute of Chartered Accountants of India

Level I Entities

Non-corporate entities which fall in any one or more of the following categories, at the end of the relevant accounting period, are classified as Level I entities:

(i) Entities whose equity or debt securities are listed or are in the process of listing on any stock exchange, whether in India or outside India.

(ii) Banks (including co-operative banks), financial institutions or entities carrying on insurance business.

(iii) All commercial, industrial and business reporting entities, whose turnover (excluding other income) exceeds rupees fifty crore in the immediately preceding accounting year.

(iv) All commercial, industrial and business reporting entities having borrowings (including public deposits) in excess of rupees ten crore at any time during the immediately preceding accounting year.

(v) Holding and subsidiary entities of any one of the above.

Level II Entities (SMEs)

Non-corporate entities which are not Level I entities but fall in any one or more of the following categories are classified as Level II entities:

(i) All commercial, industrial and business reporting entities, whose turnover (excluding other income) exceeds rupees forty lakh but does not exceed rupees fifty crore in the immediately preceding accounting year.

(ii) All commercial, industrial and business reporting entities having borrowings (including public deposits) in excess of rupees one crore but not in excess of rupees ten crore at any time during the immediately preceding accounting year.

(iii) Holding and subsidiary entities of any one of the above.

Level III Entities (SMEs)

Non-corporate entities which are not covered under Level I and Level II are considered as Level III entities.

Additional requirements

(1) An SME which does not disclose certain information pursuant to the exemptions or relaxations given to it should disclose (by way of a note to its financial statements) the fact that it is an SME and has complied with the Accounting Standards insofar as they are applicable to entities falling in Level II or Level III, as the case may be.

(2) Where an entity, being covered in Level II or Level III, 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 covered in Level II or Level III, as the case may be. The fact that the entity was covered in Level II or Level III, as the case may be, in the previous period and it had availed of the exemptions or relaxations available to that Level of entities should be disclosed in the notes to the financial statements.

(3) Where an entity has been covered in Level I and subsequently, ceases to be so covered, the entity will not qualify for exemption/relaxation available to Level II entities, until the entity ceases to be covered in Level I for two consecutive years. Similar is the case in respect of an entity, which has been covered in Level I or Level II and subsequently, gets covered under Level III.

(4) If an entity covered in Level II or Level III opts not to avail of the exemptions or relaxations available to that Level of entities in respect of any but not all of the Accounting Standards, it should disclose the Standard(s) in respect of which it has availed the exemption or relaxation.

(5) If an entity covered in Level II or Level III desires to disclose the information not required to be disclosed pursuant to the exemptions or relaxations available to that

Level of entities, it should disclose that information in compliance with the relevant Accounting Standard.

(6) An entity covered in Level II or Level III 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 should not be permitted to mislead any person or public.

(7) In respect of Accounting Standard (AS) 15, *Employee Benefits*, exemptions/ relaxations are available to Level II and Level III entities, under two sub-classifications, viz., (i) entities whose average number of persons employed during the year is 50 or more, and (ii) entities whose average number of persons employed during the year is less than 50. The requirements stated in paragraphs (1) to (6) above, mutatis mutandis, apply to these sub-classifications.

(2) Criteria for classification of companies under the Companies (Accounting Standards) Rules, 2006

Small and Medium-Sized Company (SMC) as defined in Clause 2(f) of the Companies (Accounting Standards) Rules, 2006:

(f) "Small and Medium Sized Company" (SMC) means, a company-

(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 rupees fifty crore in the immediately preceding accounting year;

(iv) which does not have borrowings (including public deposits) in excess of rupees ten crore at any time during the immediately preceding accounting year; and

(v) which is not a holding or subsidiary company of a company which is not a small and medium-sized company.

Explanation: For the purposes of clause (f), a company shall qualify as a Small and Medium Sized Company, if the conditions mentioned therein are satisfied as at the end of the relevant accounting period.

Non-SMCs

Companies not falling within the definition of SMC are considered as Non-SMCs.

Instructions

A. General Instructions

1. SMCs shall follow the following instructions while complying with Accounting Standards under these Rules:-

1.1 the SMC which does not disclose certain information pursuant to the exemptions or relaxations given to it shall disclose (by way of a note to its financial statements) the fact that it is an SMC and has complied with the Accounting Standards insofar as they are applicable to an SMC on the following lines:

"The Company is a Small and Medium Sized Company (SMC) as defined in the General Instructions in respect of Accounting Standards notified under the Companies Act, 1956. Accordingly, the Company has complied with the Accounting Standards as applicable to a Small and Medium Sized Company."

1.2 Where a company, being an SMC, has 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 SMC. The fact that the company was an SMC in the previous period and it had availed of the exemptions or relaxations available to SMCs shall be disclosed in the notes to the financial statements.

1.3 If an SMC opts not to avail of the exemptions or relaxations available to an SMC 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.

1.4 If an SMC desires to disclose the information not required to be disclosed pursuant to the exemptions or relaxations available to the SMCs, it shall disclose that information in compliance with the relevant accounting standard.

1.5 The SMC 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 any person or public.

B. Other Instructions

Rule 5 of the Companies (Accounting Standards) Rules, 2006, provides as below:

"5. An existing company, which was previously not a Small and Medium Sized Company (SMC) and subsequently becomes an SMC, shall not be qualified for exemption or relaxation in respect of Accounting Standards available to an SMC until the company remains an SMC for two consecutive accounting periods."

Annexure II

Applicability of Accounting Standards to Companies

(I) Accounting Standards applicable to all companies in their entirety for accounting periods commencing on or after 7th December, 2006

AS 1 Disclosures of Accounting Policies
AS 2 Valuation of Inventories
AS 4 Contingencies and Events Occurring After the Balance Sheet Date
AS 5 Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies
AS 6 Depreciation Accounting
AS 7 Construction Contracts (revised 2002)
AS 9 Revenue Recognition
AS 10 Accounting for Fixed Assets
AS 11 The Effects of Changes in Foreign Exchange Rates (revised 2003)
AS 12 Accounting for Government Grants
AS 13 Accounting for Investments
AS 14 Accounting for Amalgamations
AS 16 Borrowing Costs
AS 18 Related Party Disclosures
AS 22 Accounting for Taxes on Income
AS 24 Discontinuing Operations
AS 26 Intangible Assets

(II) Exemptions or Relaxations for SMCs as defined in the Notification

(A) Accounting Standards not applicable to SMCs in their entirety:

AS 3 Cash Flow Statements.
AS 17 Segment Reporting

(B) Accounting Standards not applicable to SMCs since the relevant Regulations require compliance with them only by certain Non-SMCs[1]:

[1] AS 21, AS 23 and AS 27 (relating to consolidated financial statements) are required to be complied with by a company if the company, pursuant to the requirements of a statute/regulator or voluntarily, prepares and presents consolidated financial statements.

(i) AS 21, Consolidated Financial Statements
(ii) AS 23, Accounting for Investments in Associates in Consolidated Financial Statements
(iii) AS 27, Financial Reporting of Interests in Joint Ventures (to the extent of requirements relating to Consolidated Financial Statements)

(C) Accounting Standards in respect of which relaxations from certain requirements have been given to SMCs:

(i) Accounting Standard (AS) 15, Employee Benefits (revised 2005)

(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 companies should actuarially determine and provide for the accrued liability in respect of defined benefit plans by using the Projected Unit Credit Method and the discount rate used should be determined by reference to market yields at the balance sheet date on government bonds as per paragraph 78 of the Standard. Such companies should disclose actuarial assumptions as per paragraph 120(l) of the Standard; 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. However, such companies should actuarially determine and provide for the accrued liability in respect of other long-term employee benefits by using the Projected Unit Credit Method and the discount rate used should be determined by reference to market yields at the balance sheet date on government bonds as per paragraph 78 of the Standard.

(ii) AS 19, Leases

Paragraphs 22 (c),(e) and (f); 25 (a), (b) and (e); 37 (a) and (f); and 46 (b) and (d) relating to disclosures are not applicable to SMCs.

(iii) AS 20, Earnings Per Share

Disclosure of diluted earnings per share (both including and excluding extraordinary items) is exempted for SMCs.

(iv) AS 28, Impairment of Assets

SMCs 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 an SMC 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 SMC. Further, such an SMC need not disclose the information required by paragraph 121(g) of the Standard.

(v) AS 29, Provisions, Contingent Liabilities and Contingent Assets

Paragraphs 66 and 67 relating to disclosures are not applicable to SMCs.

(D) AS 25, Interim Financial Reporting, does not require a company to present interim financial report. It is applicable only if a company is required or elects to prepare and present an interim financial report. Only certain Non-SMCs are required by the concerned regulators to present interim financial results, e.g, quarterly financial results required by the SEBI. Therefore, the recognition and measurement requirements contained in this Standard are applicable to those Non-SMCs for preparation of interim financial results.

Annexure III

Applicability of Accounting Standards to Non-corporate Entities (As on 1.4.2008)

(I) Accounting Standards applicable to all Non-corporate Entities in their entirety (Level I, Level II and Level III)

AS 1 Disclosures of Accounting Policies
AS 2 Valuation of Inventories
AS 4 Contingencies and Events Occurring After the Balance Sheet Date
AS 5 Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies
AS 6 Depreciation Accounting
AS 7 Construction Contracts (revised 2002)
AS 9 Revenue Recognition
AS 10 Accounting for Fixed Assets
AS 11 The Effects of Changes in Foreign Exchange Rates (revised 2003)
AS 12 Accounting for Government Grants
AS 13 Accounting for Investments
AS 14 Accounting for Amalgamations
AS 16 Borrowing Costs
AS 22 Accounting for Taxes on Income
AS 26 Intangible Assets

(II) Exemptions or Relaxations for Non-corporate Entities falling in Level II and Level III (SMEs)

(A) Accounting Standards not applicable to Non-corporate Entities falling in Level II in their entirety:

AS 3 Cash Flow Statements
AS 17 Segment Reporting

(B) Accounting Standards not applicable to Non-corporate Entities falling in Level III in their entirety:

AS 3 Cash Flow Statements
AS 17 Segment Reporting
AS 18 Related Party Disclosures
AS 24 Discontinuing Operations

(C) Accounting Standards not applicable to all Non-corporate Entities since the relevant Regulators require compliance with them only by certain Level I entities:[2]

(i) AS 21, Consolidated Financial Statements

(ii) AS 23, Accounting for Investments in Associates in Consolidated Financial Statements

(iii) AS 27, Financial Reporting of Interests in Joint Ventures (to the extent of requirements relating to Consolidated Financial Statements)

(D) Accounting Standards in respect of which relaxations from certain requirements have been given to Non-corporate Entities falling in Level II and Level III (SMEs):

(i) Accounting Standard (AS) 15, Employee Benefits (revised 2005)

(1) Level II and Level III Non-corporate entities whose average number of persons employed during the year is 50 or more are exempted from the applicability of 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 should actuarially determine and provide for the accrued liability in respect of defined benefit plans by using the Projected Unit Credit Method and the discount rate used should be determined by

[2] AS 21, AS 23 and AS 27 (to the extent these standards relate to preparation of consolidated financial statements) are required to be complied with by a non-corporate entity if the non-corporate entity, pursuant to the requirements of a statute/regulator or voluntarily, prepares and presents consolidated financial statements.

reference to market yields at the balance sheet date on government bonds as per paragraph 78 of the Standard. Such entities should disclose actuarial assumptions as per paragraph 120(l) of the Standard; 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. However, such entities should actuarially determine and provide for the accrued liability in respect of other long-term employee benefits by using the Projected Unit Credit Method and the discount rate used should be determined by reference to market yields at the balance sheet date on government bonds as per paragraph 78 of the Standard.

(2) Level II and Level III Non-corporate entities whose average number of persons employed during the year is less than 50 are exempted from the applicability of 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.

(ii) AS 19, Leases

Paragraphs 22 (c),(e) and (f); 25 (a), (b) and (e); 37 (a) and (f); and 46 (b) and (d) relating to disclosures are not applicable to non-corporate entities falling in Level II .

Paragraphs 22 (c),(e) and (f); 25 (a), (b) and (e); 37 (a), (f) and (g); and 46 (b), (d) and (e) relating to disclosures are not applicable to Level III entities.

(iii) AS 20, Earnings Per Share

Diluted earnings per share (both including and excluding extraordinary items) is not required to be disclosed by non-corporate entities falling in Level II and Level III and information required by paragraph 48(ii) of AS 20 is not required to be disclosed by Level III entities if this standard is applicable to these entities.

(iv) AS 28, Impairment of Assets

Non-corporate entities falling in Level II and Level III 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 a non-corporate entity falling in Level II or Level III 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.

(v) AS 29, Provisions, Contingent Liabilities and Contingent Assets

Paragraphs 66 and 67 relating to disclosures are not applicable to non-corporate entities falling in Level II and Level III.

(E) AS 25, Interim Financial Reporting, does not require a non-corporate entity to present interim financial report. It is applicable only if a non-corporate entity is required or elects to prepare and present an interim financial report. Only certain Level I non-corporate entities are required by

the concerned regulators to present interim financial results, e.g., quarterly financial results required by the SEBI. Therefore, the recognition and measurement requirements contained in this Standard are applicable to those Level I non-corporate entities for preparation of interim financial results.