"Accounting Standards for Small and Medium Enterprises"

Awareness Programme on Financial Reporting Practices

Nagpur Branch of WIRC of ICAI

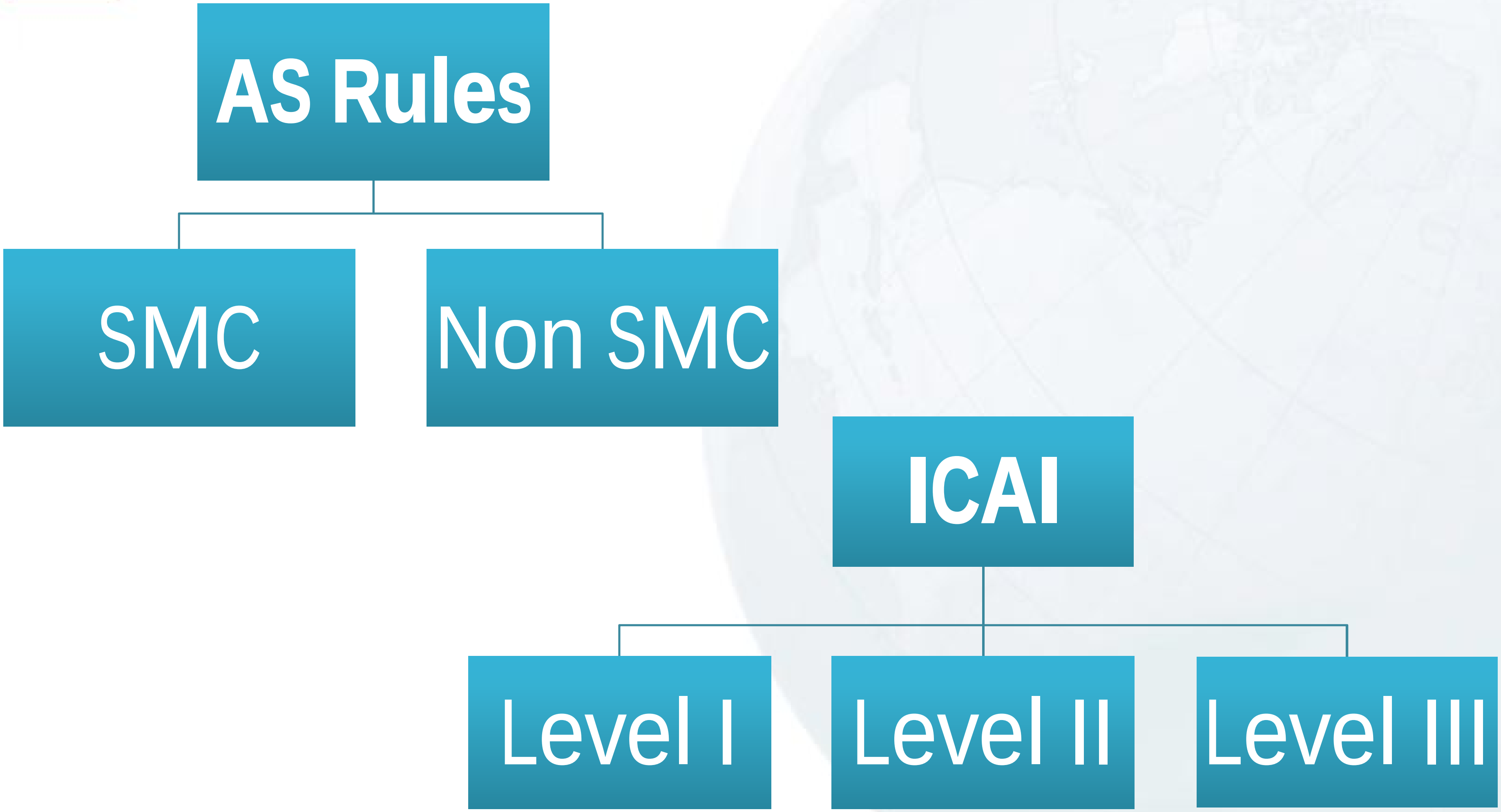
Dated: September 07, 2013

CA Nilesh S Vikamsey

Which entities are Small & Medium Enterprise?

- As per Accounting Standards of ICAI (AS)
- As per Companies (Accounting Standards) Rules, 2006 (ASR)
- IFRS for SME's

LEVELS



As per Companies Act, Small and Medium Company (SMC)

<u>Companies which meet ***ALL*** the following conditions</u>

- Whose equity or debt securities are not listed or in process of listing on any stock exchange , whether in or outside India.
- The company is not a Bank or financial institution or insurance company.
- Whose turnover (excluding other income) does not exceed Rs 50 crore for immediately preceding accounting year.
- Does not have borrowings (including public deposits) in excess of Rs 10 crore at any time during <u>**the immediately preceding accounting year**</u>, and
- Is not a holding Company or subsidiary of a non SMC company.

Note: where a Non SMC subsequently becomes a SMC, it shall not be qualified for exemption or relaxation in respect of AS applicable to SMC until the company remains an SMC for TWO consecutive accounting periods

As per Accounting Standards Level I Enterprises

Enterprises which fall in <u>any one or more</u> of the following categories, at any time during the accounting period

- Whose equity or debt securities are listed or are in process of listing in or outside India
- Banks including co-operative banks
- Financial institutions
- Enterprises carrying on insurance business
- Enterprise whose turnover for immediately preceding accounting period exceeds Rs 50 crore *excluding other income*
- Enterprise having borrowings including public deposits in excess of Rs 10 crore at any time **<u>during the accounting period</u>**
- Holding and subsidiary enterprises of any one of the above at any time during the accounting period

As per Accounting Standards Level II Enterprises

Enterprises which are <u>not Level I</u> enterprises but fall in <u>any one or more</u> of the following categories

- Enterprise whose turnover for immediately preceding accounting year exceeded Rs 40 lac but did not exceed Rs50 crore, (*excluding other income)*
- Enterprise having borrowings including public deposits in excess of Rs 1 crore but does not exceed 10 crore at any time during the accounting period
- Holding and subsidiary enterprises of any one of the above at any time during the accounting period

As per Accounting Standards Level III Enterprises

Enterprises which are not covered under Level I and Level II are considered as Level III enterprises

Difference in Qualifying Levels of borrowings of SMC & SME

- A SMC that does not have borrowing exceeding Rs 10 crore at any time during the immediately preceding year – will qualify for SMCs even if borrowings of current year exceed Rs 10 crores
- A SME whose borrowings exceed Rs 10 crore at any time during the current period would automatically be deemed to be level I enterprises

IFRS for SME's

Recognising need to have separate set of Standards for SME's, the IASB considers those entities as SME, which:

a) do not have public accountability, and
b) do not publish general purpose financial statements for external users. Examples of external users include owners who are not involved in managing the business, existing and potential creditors, and credit rating agencies.

An entity has **public accountability** if:

- its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market; OR
- it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. This is typically the case for banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks.

IFRS for SME's – cont'd

- Based on such qualitative criteria, exposure draft of IFRS for SME's is released
- Having regard to special considerations of cost and size, SME's have been accorded exemptions from many Standards

Smaller Entities (SMC or SME) – in brief for today's discussion

- Sole Proprietary Concerns / Individuals
- Hindu Undivided Family (HUF) / Association of Persons (AOP)
- Partnership Firms
- Co-operative Societies & Societies registered under Societies Registration Act
- Trusts
- Companies / Enterprises Turnover / Borrowings not exceeding Rs 50 Crore / Rs 10 Crore respectively
- Not listed or not likely to be listed
- Not Bank, Insurance, MF or such other entities

Smaller Entities (SMC or SME)

- September 1993 Council's Decision – AS will **mandatory apply** in respect of General Purpose Financial Statements (GPFS) for entities mentioned above, **where such statements are Statutorily required to be Audited under any law**
- AS will however not apply to those entity which are not of Commercial, Industrial or Business nature—eg Trust having only donation income & spending for the objects like poverty alleviation, education , etc

Applicability of AS

Accounting Standards	To all Corporate Entities [As per Companies (Accounting Standard)Rules]	To all Non – Corporate entities [As per ICAI Accounting Standard]
AS 1 Disclosure of Accounting Policies	Y	Y
AS 2 Valuation of Inventories	Y	Y
AS 3 Cash Flow Statements	Applicable to Non SMC only	Applicable to Level I Enterprise only
AS 4 Contingencies and Events Occurring After the Balance Sheet Date	Y	Y
AS 5 Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies	Y	Y
AS 6 Depreciation Accounting	Y	Y

Applicability of AS Cont'd

Accounting Standards	To all Corporate Entities [As per Companies (Accounting Standard)Rules]	To all Non – Corporate entities [As per ICAI Accounting Standard]
AS 7 Construction Contracts (Revised 2002)	Y	Y
AS 9 Revenue Recognition	Y	Y
AS 10 Accounting for Fixed Assets	Y	Y
AS 11 The Effects of Changes in Foreign Exchange Rates (Revised 2003)	Y	Y
AS 12 Accounting for Government Grants	Y	Y
AS 13 Accounting for Investments	Y	Y
AS 14 Accounting for Amalgamations	Y	Y

Applicability of AS Cont'd

Accounting Standards	To all Corporate Entities [As per Companies (Accounting Standard) Rules]	To all Non – Corporate entities [As per ICAI Accounting Standard]
AS 15 Employee Benefits **(#)**	Y	Y
AS 16 Borrowing Costs	Y	Y
AS 17 Segment Reporting	Applicable to Non SMC only	Applicable to Level I Enterprise only
AS 18 Related Party Disclosures	Y	Applicable to Level I Enterprise only
AS 19 Leases **(#)**	Y	Y
AS 20 Earnings Per Share **(#)**	Y	Y

(#) Some relaxations in Recognition & Measurement (AS 15 only) and Disclosure requirements under this AS given to SMC; Level II & III Enterprises

Applicability of AS Cont'd

Accounting Standards	To all Corporate Entities [As per Companies (Accounting Standard)Rules]	To all Non – Corporate entities [As per ICAI Accounting Standard]
AS 21 Consolidated Financial Statements	Applicable to Non SMC	Applicable to Level I Enterprise
AS 22 Accounting for Taxes on Income	Y	Y (From 1/4/2006)
AS 23 Accounting for Investments in Associated in Consolidated Financial Statements	Applicable to Non SMC	Applicable to Level I Enterprise
AS 24 Discontinuing Operations	Y	Applicable to Level I Enterprise
AS 25 Interim Financial Reporting **(#)**	Y	Y
AS 26 Intangible Assets	Y	Y

Applicability of AS Cont'd

Accounting Standards	To all Corporate Entities [As per Companies (Accounting Standard)Rules]	To all Non – Corporate entities [As per ICAI Accounting Standard]
AS 27 Financial Reporting of Interests in Joint Ventures (to the extent of requirement relating to Consolidated Financial Statements	Applicable to Non SMC	Applicable to Level I Enterprise
AS 28 Impairment of Assets **(#)**	Y	Y From 1/4/06 for Level II and From 1//4/08 for Level III
AS 29 Provisions, Contingent Liabilities and Contingent Assets **(#)**	Y	Y

(#) Some relaxations in Recognition & Measurement (AS 15 only) and Disclosure requirements under this AS given to SMC; Level II & III Enterprises
Enterprises not disclosing information based on exemption/ relaxations should disclose the fact

Cash Basis vs. Accrual Basis

- If Statute so requires Accrual Basis of accounting, to be followed
- If No Statutory requirement, Cash Basis can be followed however
  - Describe it in Audit Report (Without Qualification)
  - Compliance with Accounting Standards based on basis of Accounting followed
- Example of disclosure in Audit Report for following cash basis of Accounting

"It is the policy of the Entity to prepare its financial statements on cash receipts and disbursements basis. On this basis, the reve-nue and related assets are recognised when received rather than when earned, and expenses are recognised when paid rather than the obliga-tion is incurred''

Exemptions / Relaxations in AS

Exemptions:

- AS 3, AS 17, AS 18, AS 21, AS 23, AS 24 and AS 27

- ➢ Absolute Exemption is provided to SMC and Level II & III enterprises only for AS 3, AS 17 ,AS 18 and AS 24

- ➢ In case of AS 21, 23 and 27, if SMCs or SME's present Consolidated Financial Statements then same must be in accordance with AS 21, 23 and 27

Relaxations:

- AS 15 , AS 19, AS 20, AS 28 and AS 29

Exemptions / Relaxations in AS

- AS & ASR mainly lay down the principles of Recognition, Measurement and Disclosures (RMD) of the items dealt with by each of the AS & ASR

- The SMC/SME are exempted or given relaxation only for detailed & complex 'Disclosure' requirements and in some select cases for measurement principles (e.g. AS 15)

- In no case exemption OR relaxation are accorded with reference to requirement of 'Recognition' principles

- Difference of exemption / relaxation in case of Level II compared to Level III are not many or material (i.e. AS 18 or AS 24)

ISSUES

AS -1 Disclosures of Accounting Policies

- **Policy** on Borrowing costs, Valuation of Inventories, Investments, Impairment of assets, Provisions, Contingent Liability , Revenue Recognition, Foreign Exchange Transactions, Employee Benefits etc are observed to be **not given or inappropriately given** in case of several SME/SMC
- Change in accounting policies and/or estimates not appropriately disclosed with quantitative impact
- Timing of Recognition of Revenue from Sales, Interest, Royalty, Dividend (in case of Mercantile basis of accounting) not disclosed
- Example of use of incorrect policy or wording
  - incorrect – *'Dividend is accounted for as and when received'*
  - Correct – '*Dividend is accounted for when the Right to receive the same is established'*

ISSUES – Cont'd

AS -2 Valuation of Inventory

Generally Observed Discrepancies:

- Raw material (RM), work in progress (WIP), stores, spares, packaging material, etc. **valued at 'Cost**' which is not strictly in accordance with AS 2 as there is no reference to Net Realisable Value (NRV)
- Finished Goods (FG) valued at NRV (Should be at Cost or NRV whichever is lower)

Inventories to be valued "at lower of Cost or NRV"

- Cost formula employed is not mentioned i.e. FIFO or WAC or SI
- Components of Cost not clearly disclosed(Prime cost [Purchase Cost, Cost of Labour, Other Direct Costs] + Direct Overheads etc)
- Treatment of Customs Or Excise Duty (for valuation of inventories)not appropriate. Eg – Accounted on clearance & hence liability not provided at the year end and not included in inventory
- FG/ RM/ WIP is valued at lower of cost or Market Value/ Realisable Value. It has to be NRV i.e Market Price less cost necessary to make sales e.g. cost of completion/ Brokerage, etc.

ISSUES – Cont'd

AS - 4 Contingencies & Events Occurring After Balance Sheet Date

- Disputed Taxes (though paid) or claim which is not yet settled not disclosed as Contingent Liabilities

AS - 5 Net Profit or Loss for the Period, Prior Period Items and changes in Accounting Policies

- Difference between 'exceptional' items and 'extra-ordinary items' need to be born in mind while dealing with their disclosures
- Ordinary Activities are those which are undertaken by an enterprise as part of it s business and such related activities in which the enterprise engage in furtherance of, incidental to, or arising from these activities
- Extraordinary Activities are income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the enterprise and, therefore, are not expected to recur frequently

ISSUES – Cont'd

- **AS - 5 Net Profit or Loss for the Period, Prior Period Items and changes in Accounting Policies**

  Example of Extraordinary Activities

  – an earthquake

  – Attachment of property

  In US the 9/11 Attacks were not considered as extraordinary

  - **Ordinary Activity Disclosure:**

    When items of income or expense within the profit or loss from Ordinary Activities are of such size, nature or incidence that their disclosure is relevant to explain the performance of the enterprise for the period, nature and amount of such items should be disclosed separately

ISSUES – Cont'd

AS - 5 Net Profit or Loss for the Period, Prior Period Items and changes in Accounting Policies

Examples of Ordinary Activity requiring disclosures

- Write down of inventories to NRV and reversals of such write downs
- Disposal of Fixed Assets/ Long term Investments
- Litigations settled
- Reversal of provisions
- Change of depreciation method
- loss on sale of business
- service tax/ excise claim

ISSUES – Cont'd

AS - 5 Net Profit or Loss for the Period, Prior Period Items and changes in Accounting Policies

- Prior period items are income or expenses which arise in current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods
- Adjustments related to previous period but determined in current period e.g. wage settlement arrears, are not prior period items
- Materiality is to be noted in prior period items

ISSUES – Cont'd

AS-5 Net Profit or Loss for the Period, Prior Period Items and changes in Accounting Policies

- Changes in Accounting Policies vs. Change in Estimates
  - Change in Accounting Policy should be made only if it is
    - Required by statute or for compliance with an AS
    - Change would result in a more appropriate presentation of financial statement
- Accounting Estimate may have to be revised if changes occur regarding the circumstances on which the estimate was based, or as a result of new information, more experience or subsequent developments (e.g. useful life of asset, inventory obsolence, bad debts, etc.
- Change of estimate is not a prior period or extraordinary item
- Disclose effect of change in Accounting Estimate, if material

ISSUES – Cont'd

AS – 6 Depreciation Accounting

- Generally Income Tax **'Block of Assets'** concept is followed in SMC / SMEs. This is incorrect since it is not as per AS 6. Profit / loss on sale of Assets not recognized, resulting to incorrect amount of depreciation
- Whenever **method** of depreciation is **changed**, recalculate depreciation from the date assets are put to use. Surplus / Deficit of depreciation of earlier years to be charged to Current Years Profit and Loss Statement
- However when only useful life is revised, the balance unamortized depreciable amount is charged over revised remaining useful life. e.g. Initially a plant is estimated to have life of 3 years and accordingly depreciated. In 2nd Year the estimate of life is revised to 5 years. Now the WDV of such plant at the end of 1st year will be deprecated over 4 years

ISSUES – Cont'd

AS – 6 Depreciation Accounting

- Even if assets is temporary not being used e.g. factory shut down, depreciation needs to be provided on such assets also
- **Disclosures**
  - Generally observed in SME / SMCs that WDV is the starting point for disclosure which is incorrect
  - Historical Cost i.e. Gross Cost, depreciation for the period & related accumulated depreciation for each class of assets needs to be disclosed.
  - Depreciation method used and depreciation rates or useful life of assets if different from the rates specified in the statute e.g. In case of Companies rates more than Schedule XIV are being considered

ISSUES – Cont'd

AS – 9 Revenue Recognition

- SMC's have to follow accrual method for all its revenue streams (S. 209 of Companies Act , 1956)
- Revenue recognition from services provided need careful consideration (e.g. completed service contract vs Proportion completion method) for
  a. Builders/Developers
  b. Coaching or Tuition Fees
  c. AMC or other services
- Dividend is to be accounted when right to receive payment is established (e.g. passing of resolution in AGM) and not on cash basis

ISSUES – Cont'd

AS – 9 Revenue Recognition

- If at the time of raising any claim its unreasonable to expect ultimate collection, revenue recognition should be postponed
- Revenue to be recognized only when No Significant Uncertainty exists regarding the amount of consideration that will be derived from the sale of goods / services
- As per ASI 14 following to be disclosed

Turnover (Gross)	XXX
Less: Excise Duty	(XXX)
Turnover (Net)	XXX
(Not for VAT/ Sales Tax)	

ISSUES – Cont'd

AS – 10 Accounting for Fixed Assets

- Classification of fixed assets – often 'Intangible assets' not shown separately
- Assets held for disposal to be shown separately and to be valued at NRV if lesser than cost
- Revaluation of Fixed Assets
  – Entire class of assets should be revalued or on a systematic basis
  – Revaluation should not be more than recoverable amount
  – Accumulated depreciation should not be written back

ISSUES – Cont'd

AS – 10 Accounting for Fixed Assets

- **Cost of Fixed Assets** should comprise its purchase price and any attributable cost of bringing the assets to its working condition for its intended use
- **Subsequent expenditure** related to an item of fixed asset should be added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance
- Disclosures for gross and net book values of fixed assets at the beginning and end of an accounting period showing additions, disposals, acquisitions and other movements

ISSUES – Cont'd

AS – 11 The Effects of Changes in Foreign Exchange Rates

- Record Foreign Currency Transactions e.g. export or import on date of transaction i.e. date of sale / purchase and **not** on date of realisation / payment
- Year end balances of monetary items e.g. Debtors, Creditors, Advances, etc. To be translated at year end at closing rate.
- Difference between date of transaction & date of settlement / transaction is to be taken to Foreign Exchange Difference Account (& not to Sales / Purchase / Expenditure account)
- Forward Contracts for Hedging Purpose
  - Premium on discount at inception to be amortized over period of contact (Difference between rate on date of transaction and forward rate)

ISSUES – Cont'd

AS – 11 The Effects of Changes in Foreign Exchange Rates

- Forward Contracts for Hedging Purpose
- *Example – A Forward Exchange Contract for 3 Months is entered on 1/2/2010 for $1,000 @ Rs 42/$. Exchange Rate on 1/2/2010 is Rs 40/$, 31/3/2010 is Rs 45/$.*

  *The premium of Rs 2,000 will be amortised over the period of contract ie about 1333 will be amortised till 31-3-2010 and also on 31/3/2010 Exchange difference of Rs 5,000 [(45-40)*1000] will be recognized.*
- Do not record transactions at Prefixed / Packaging Credit foreign exchange rates
- Do not record Export transactions at the bill of lading date/rate

  Check the terms of contract (FOB, CIF, etc.)

ISSUES – Cont'd

AS – 11 The Effects of Changes in Foreign Exchange Rates

- Do not capitalize exchange difference pertaining to acquisition of fixed assets (permitted prior to 2003 amendment to the AS & by Schedule VI till the Companies (Accounting Standard) Rules, 2006 came in December 2006 and by Ministry Notification In March 2009)
- Disclosures
  - Amount of Exchange Difference included in the net profit or loss for the period
  - Category wise, quantitative data about derivative instruments outstanding at the year end

    Purpose – hedging or speculation for which derivative instruments have been acquired
  - Foreign currency exposures not hedged e.g. debtors, creditors, etc.

ISSUES – Cont'd

AS–13 Accounting for Investments

- Disclose Long Term & Current Investments distinctly and also as Trade and Other than Trade as per Schedule VI
- Further Breakup of Investments in Government Securities, Equity Shares, Preference Shares, Debentures, Investment in Properties and Investment in Firms.
- Current Investments to be carried at lower of cost or MV on individual basis & not on global basis
- Long term investment to be valued at cost less provision for diminution (**other than temporary**), in value of investments
- Income (interest or dividend) to be disclosed separately on Long term & short term investments. Also Gain / Loss & changes in carrying amounts

ISSUES – Cont'd

AS – 13 Accounting for Investments

- Schedule VI requirement – often not complied – relating to disclosure of shares/securities bought & sold during the year
- The Cost of an investment includes acquisition costs such as brokerage, fees and duties. **Securities Transaction Tax** should be part of cost for accounts but excluded for Tax Computation Purpose
- The Cost is to be considered on Average Cost Basis and not on FIFO or LIFO
- Disclosures regarding Significant Restrictions on the right of Ownership, Realisability, Remittance.

ISSUES – Cont'd

AS – 15 Employee Benefits

- A level III Enterprise and SMC (having less than 50 persons) has to provide Defined Benefits Plan in a rational method if it does not do Actuarial calculation e.g. calculation of gratuity, leave encashment, etc. payable to employees at the end of accounting year
- Disclose Accounting Policy for Defined Contribution Scheme like Provident Fund, etc.
- Just mentioning that Gratuity Liability is Funded with LIC or any other Insurance Company is not enough. It is only a fund and liability could be higher or lower

AS – 20 Earnings per Share

- In case of Company disclose EPS on the face of Profit & Loss Statement
- For Level II & III Enterprises and SMC there is no need to disclose Diluted EPS

ISSUES – Cont'd

AS – 19 Leases

- Finance Lease vs. Operating Lease
- Finance Lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset
- Operating Lease is a lease other than a finance lease
- Lease payments under an operating lease should be recognized as an expense in Profit & Loss statement **on a straight line basis** over the lease term.

Example – ABC Pvt. Ltd has entered into leave and license agreement with XYZ Pvt. Ltd for 3 years (36 months) for monthly rent of Rs 10,000 per month and increase of 10% in monthly rent after end of every one year.

Total Rent payable during 36 months comes to Rs. 3,97,200 (Rs 10,000 p.m for 1st year, Rs 11,000 p.m. for 2nd Year and Rs 12,100 p.m. for 3rd year)

Hence monthly rent to charged to Profit & Loss Statement is Rs 11,033

ISSUES – Cont'd

AS – 22 Accounting for Taxes on Income

- Tax Expenses = Current Tax + Deferred Tax
- DTA/DTL to be disclosed separately in Balance Sheet and major components thereof to be shown in notes
- Deferred Tax to be recognised on Timing Differences like Depreciation, 43B, 40(a)(i), tax losses, etc.
- However DTA on losses is to be recognised on Virtual Certainty of set off and on other items on Reasonable Certainty of set off
- Difference between 'Reasonable Certainty' and 'Virtual Certainty' often overlooked and DTA created on C/F Losses without ascertaining Virtual Certainty backed by convincing evidence [nature of such evidence to be disclosed in notes]

ISSUES – Cont’d

AS – 25 Interim Financial Reporting

- The AS is applicable to all entities but often overlooked i.e. whenever Interim Financials are prepared (say for giving to Bank for renewal/revision of facilities or for any other purpose) – the same has to comply with and reported upon in accordance with provisions of AS 25

ISSUES – Cont'd

AS – 26 Intangible Assets

- An Intangible Asset is an identifiable non monetary asset, without physical substance, held for use in the production or supply of goods or services, for rental to others, or for administrative purposes
- No asset like Misc Expenses (not w/off), DRE, advertisement expenses, training expenses, etc allowed to be recognized as Intangible asset
- Intangible Assets to be recognized only if the same meets criteria of AS i.e. ability to use or sale such assets and generate future economic benefits which are measurable & cost incurred/to be incurred for that is determinable
- Internally generated Goodwill, Brands, Mastheads, Publishing Titles, Customer Lists and items similar in substance should not be recognized as intangible assets

ISSUES – Cont'd

AS – 28 Impairment of Assets

- At each Balance Sheet date an enterprise should assess whether there is any indication that an asset may be impaired

AS – 29 Provisions, Contingent Liabilities and Contingent Assets

- Provision for Warranty, Restoration of Sites, Marketing & Sales Schemes (Reward Points, Future Sales at Discount,etc)
- Provision of Book Debt/ Advances identified as Doubtful
- Provision of Interest on a Bank Settlement which is processed
- Excess utilization / Accounting of Sales Tax Incentive to be provided as liability
- Discounts, claims, rebates payable, warranties to be provided for & not accounted for when settled/paid

Relaxations – AS 15

SME/SMC having more than 50 employees

Exemptions/Relaxations:

- Non vesting short term Leave entitlement
- Discounting of sums payable after 12 months
- R/M/D of Defined Benefit Plans & other Long term benfits

(P.S.: Determining liability of DBP under ‘PUC’ with proper discount rate & disclosing Act Assumptions is must even in such cases)

Relaxations – AS 15 Cont'd

SME/SMC having less than 50 employees

Exemptions/Relaxations:

- Non vesting short term Leave entitlement
- Discounting of sums payable after 12 months
- R/M/D of Defined Benefit Plans & other Long term benefits

[P.S.: Determining liability of DBP under some rational method (not necessarily PUC) assuming that all benefits are payable to all employees at year end]

Relaxations - AS 19

- **Relaxation in Disclosure Requirements for SMCs and Level II & III Enterprises**

For Lessee in case of Finance Lease – Para 22(c), (e) & (f)

- Reconciliation between the total minimum lease payments at the balance sheet date and their present value and total of minimum lease payments at the balance sheet date and their present value for the required periods

- Total of future minimum sublease payments expected to be received under non-cancellable subleases at the balance sheet date

- A general description of the lessee's significant leasing arrangements

Relaxations - AS 19 Cont'd

- **Relaxation in Disclosure Requirements for SMCs and Level II & III Enterprises**

For Lessee in case of Operating Lease – Para 25 (a), (b) & (e)

- Total of future minimum lease payments under non cancellable operating leases for the required periods
- Total of future minimum sublease payments expected to be received under non-cancellable subleases at the balance sheet date
- A general description of the lessee's significant leasing arrangements

Relaxations - AS 19 Cont'd

- **Relaxation in Disclosure Requirements for SMCs and Level II & III Enterprises**

  For Lessor in case of Finance Lease – Para 37 (a) & (b)

  - Reconciliation between the total gross investment in the lease at the balance sheet date, and the present value of minimum lease payments receivable at the balance sheet date. In addition, an enterprise should disclose the total gross investment in the lease and the present value of minimum lease payments receivable at the balance sheet date, for the required periods

  - General description of the significant leasing arrangements of the lessor

Relaxations - AS 19 Cont'd

- **Relaxation in Disclosure Requirements for SMCs and Level II & III Enterprises**
  - **For Lessor in case of Operating Lease – Para 46 (b) & (d)**
    - Future minimum lease payments under non-cancellable operating leases in the aggregate and for the required periods
    - General description of the lessor's significant leasing arrangements
- **Additional Relaxation in Disclosure Requirements for Level III Enterprises only**
  - **For Lessor in case of Finance & Operating Lease – Para 37 (g) & 46 (e) respectively**
    - Accounting policy adopted in respect of initial direct costs.

Relaxations in AS 20 & AS 25

- **In case of AS 20** – disclosures pertaining to 'Diluted EPS' and disclosures pertaining to parameters used in calculation of EPS are not applicable

- **AS 25** – is applicable only if a SMC/SME elects to prepare and present an interim financial report

Relaxations in AS 28 & AS 29

- Computation of 'value in use' for testing impairment in terms of **AS 28** can be based on reasonable estimate instead of 'present value technique'; disclosures pertaining to discount rate used etc not required
- Following Disclosures of sums and descriptions for each class of 'provisions' in terms of Para 66 & 67 of **AS 29** are not required

  - Carrying amount at the beginning and end of the year; additional provisions made, amounts used and unused amounts during the year

  - Brief description of nature of the obligation and expected timing of outflow of resources, indication of uncertainties of outflow and amount of any expected reimbursement

IFRS - India Overview

Roadmap for Companies (January 11, 2010)

Phase–I

To convert opening balance sheet as at **01 April 2011** for

a. Nifty 50 and BSE – Sensex 30
b. Companies whose shares or other securities are listed on stock exchanges outside India
c. Companies, whether listed or not, which have a net worth in excess of Rs.1,000 crore

Phase–II

To convert opening balance sheet as at **01 April 2013** for the companies, whether listed or not, having a net worth exceeding Rs.500 crore but not exceeding Rs.1,000 crore

Phase–III

To convert opening balance sheet as at **01 April 2014** for the Listed companies which have a net worth of Rs.500 crore or less.

Thank You

CA Nilesh S Vikamsey

E-mail: ***nilesh@kkc.in***