

Ch. 03 Applicability of Accounting Standards. (4-5 Marks)

1. Criteria for classification of Non-Company entities.

→ For the purpose of applicability of AS, Non-Company entities are classified into 4 Categories -

- a). Level I — Large size entities
- b). Level II — Medium size entities
- c). Level III — Small size entities
- d). Level IV — Micro entities

MSMEs micro, small & medium size entities.

→ Level I entities are required to comply in full with all AS.

→ Certain exemptions/relaxations have been provided to MSMEs.

Level II, III & IV

• Level I entities →

1. → whose securities are listed (or in process of listing) on any stock exchange (in India or outside).

2. → Banks, financial institutions or insurance companies.

* 3. → all entities, whose turnover (excluding other income) exceeds 250 Crores immediately preceding accounting year.

* 4. → all entities, whose borrowing (including public deposits) exceeds ₹ 50 Crores at any time during the immediately preceding accounting year.

25. → Holding & Subsidiary Company of any of the above.

• Level II entities :-

1. → All entities, whose turnover (excluding other income) exceeds ₹ 50 Crore but does not exceed ₹ 250 Crores in immediately preceding year.

2. → All entities, whose Borrowings (including public deposits) exceeds ₹ 10 Crores but does not exceed ₹ 50 Crore at any time in immediately preceding year.

3. → Holding & Subsidiary Company of above two.

• Level III entities :-

1. → Turnover ₹ 10 Cr. — ₹ 50 Cr.

2. → Borrowings ₹ 2 Cr. — ₹ 10 Cr.

3. → Holding & Subsidiary Company of above two.

• Level IV entities :-

* Those who are not Level I, II or III.

* An MSME which avails exemption or relaxation given to it shall disclose the facts.

* where an entity, being MSME, had qualified for any exemptions or relaxation previously but no longer qualifies for relevant exemptions in the current

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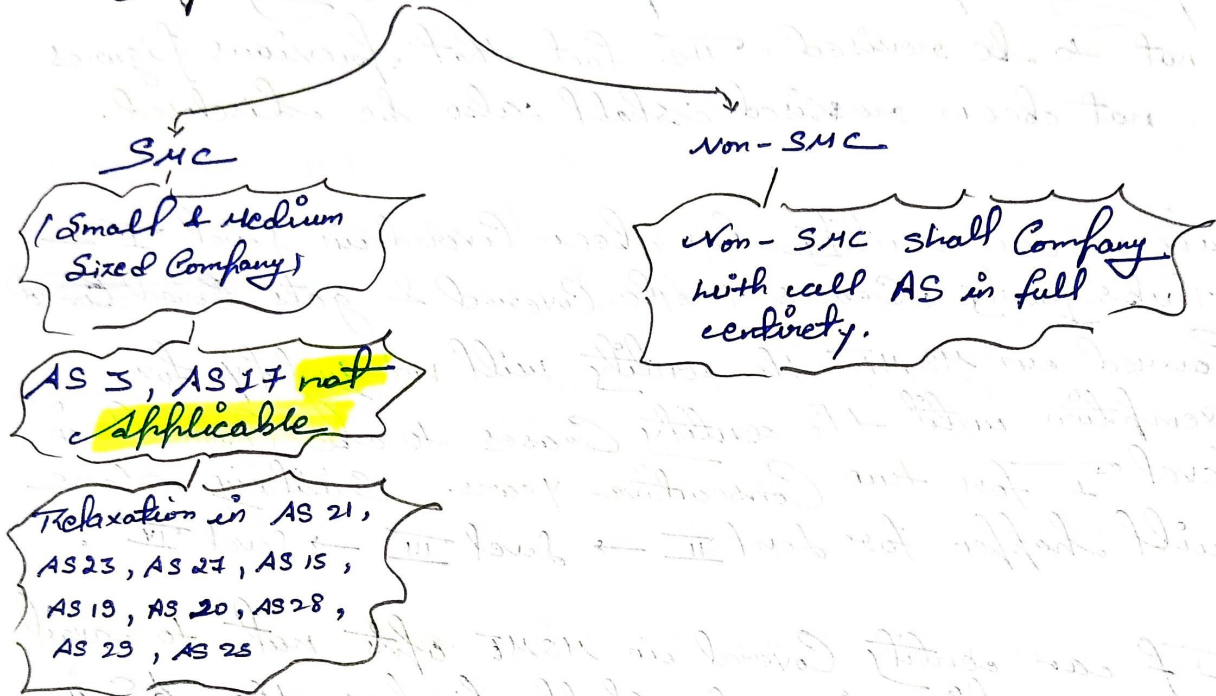
accounting period, the relevant AS become applicable from the Current period only and the figures for Corresponding period to the previous accounting period need not to be revised. The fact that previous figures have not been revised shall also be disclosed.

* where an entity has been Covered in Level I & subsequently, ceases to be Covered & gets ~~Covered~~ Covered in MSME the entity will not qualify for exemption until the entity ceases to be Covered in level I for two consecutive years. Similarly same will happen for Level II → Level III → Level IV.

* If an entity Covered in MSME opts not to avail the exemption then it shall disclose the AS in respect of which exemption was availed

AS	Level II	Level III	Level IV
1	✓	✓	✓
2	✓	✓	✓
3	✗	✗	✗
4	✓	✓	✓
5	✓	✓	✓
6	✓	✓	✓
7	✓	✓	✓
8	✓	✓	✓
9	✓	✓	✓
10	✓	✓	✓
11	✓	✓	✓
12	✓	✓	✓
13	✓	✓	✓
14	✓	✓	✓
15	✓	✓	✓
16	✓	✓	✓
17	✗	✗	✗
18	✓	✓	✓
19	✗	✗	✗
20	✗	✗	✗
21	✗	✗	✗
22	✓	✓	✓
23	✗	✗	✗
24	✓	✓	✓
25	✓	✓	✓
26	✓	✓	✓
27	✗	✗	✗
28	✓	✓	✓
29	✓	✓	✓

2. Criteria for Classification of Companies (under Companies (AS) Rules, 2021).



* SMC →

1. → whose equity or debt Securities are not listed in stock exchange (India or outside).
2. → which is not a bank, financial institution or insurance Company.
3. → Turnover $\neq$ 250 Crore.
4. → Borrowings $\neq$ 50 Crore.
5. → Holding or Subsidiary of above.

* Non-SMC → who is not SMC