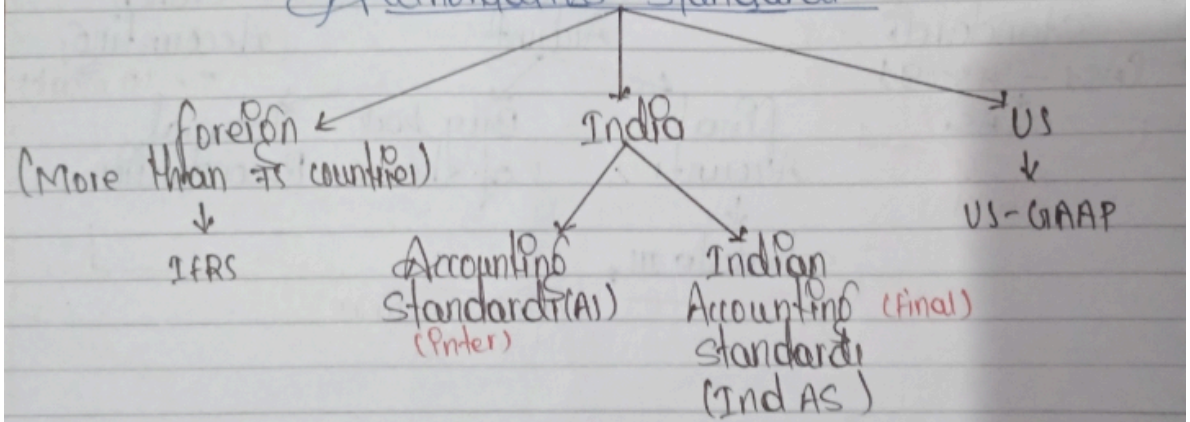
Accounting Standards

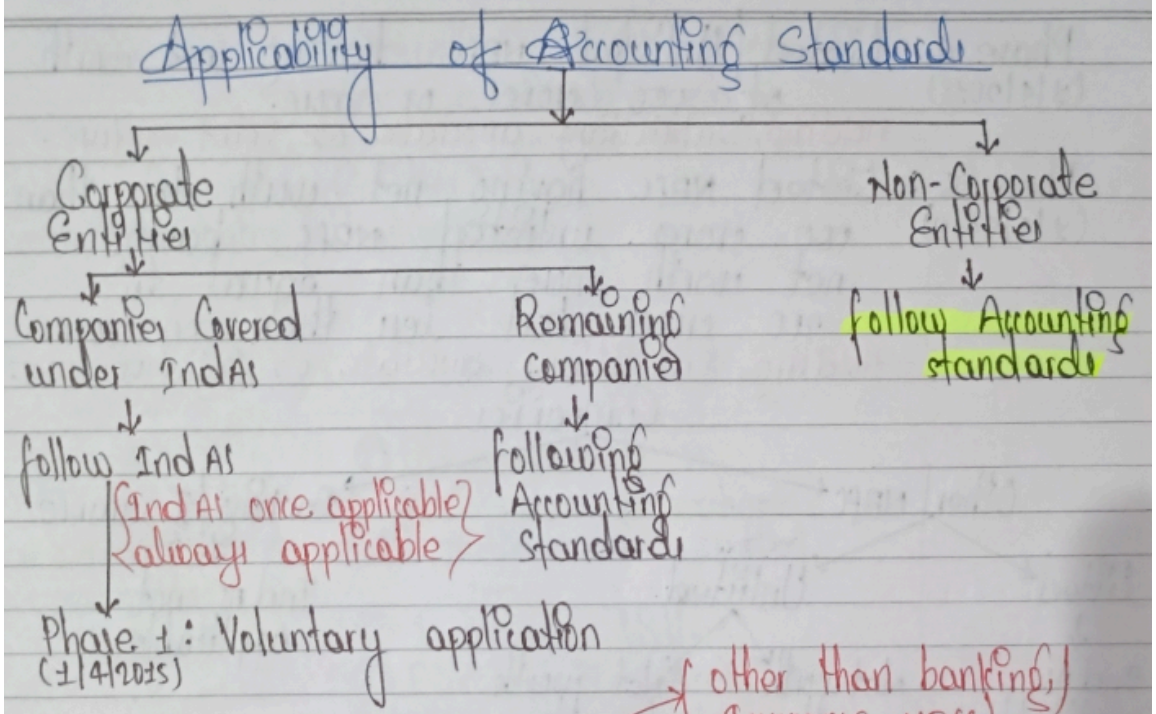
↳ Principals, guidlines, procedures, (rules) standards, to be followed while preparing financial statements.

GAAP (Generally Accepted Accounting Principals) = Authoritative standards + general principals

Authoritative Standards



Applicability of Accounting Standards



Phase 1: Voluntary application (1/4/2015)

Phase 2: (1/4/2016) Listed / Unlisted companies (other than banking, Insurance, NBFC) having net worth of 500 crores or more

Holding, Subsidiary, Associate and joint venture.

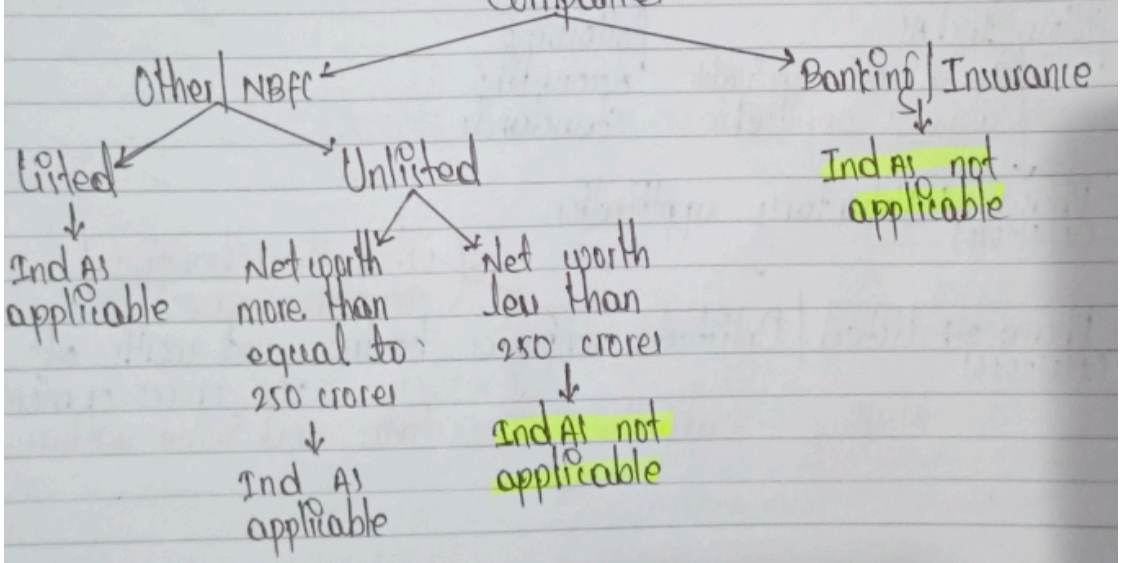
Phase 3: (1/4/2017) Listed companies having net worth less than 500 crores.

Unlisted companies having net worth more than equal to 250 crores but less than 500 crores.

Holding, Subsidiary, associate and joint venture.

Phase 4: (1/4/2018) Listed / Unlisted NBFC having net worth of 500 crores or more.
Holding, Subsidiary, associate or joint venture.

Phase 5: (1/4/2019) Listed NBFC having net worth less than 500 crores unlisted NBFC having net worth more than equal to 250 crores but less than 500 crores.
Holding, Subsidiary, associate, or joint ventures.



→ final conclusion of applicability of AS:-

i) Non-corporate entities
ii) Banking, Insurance
iii) Unlisted companies having net worth less than 250 crores.

Accounting standards (AS) are applicable on

Corporate Entities
except companies following Ind AS

SMC
(Small & Medium companies)

↓

will get some relaxations and exemptions

Non-SMC
(large companies)

any of the following :-

(i) Listed company or in recognised stock exchange (in India/outside India)

(ii) Process of listing

(iii) Banking, Insurance, NBFC

(iv) Turnover exceeds 250 crores

(v) Borrowing exceeds 50 crores

(vi) Holding or Subsidiary of Non-SMC.

(iv), (v), (vi) → Not audited financial statement

Non-corporate entities

↓

level 1 (large) | level 2 (Medium) | level 3 (Small) | level 4 (Micro)

level	Turnover	(or)	Borrowings
1 (large)	Exceeds 250 crores		exceeds 50 crores
	÷5		
2 (Medium)	Exceeds 50 crores but upto 250 crores		Exceeds 10 crores but upto 50 crores
	÷5		
3 (small)	Exceeds 10 crores but upto 100 crores		Exceeds 2 crores but upto 10 crores
4-(Micro)	upto 10 crores		upto 2 crores

Examples:

company	Turnover	Borrowings	status
A	275 crores	51 crores 1	large 1
B	249 crores 2	35 crores 2	Medium 2
C	11 crores 3	- 4	small 3
D	103 crores 2	5 crores 3	Medium 2
E	252 crores 1	1 crore 4	large 1
f	10 crores 4	2 crore 4	Micro 4

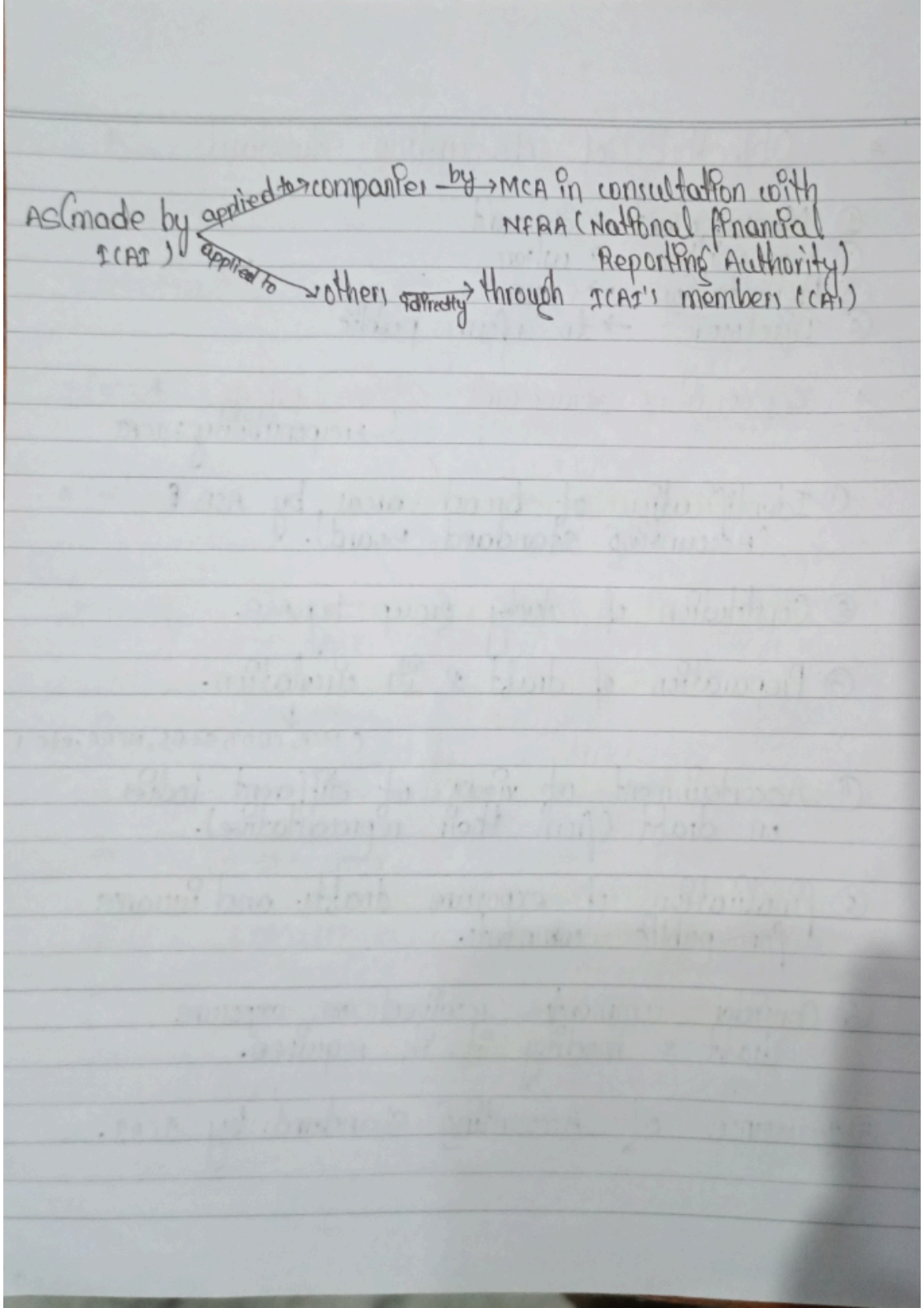
* Objective of Accounting Standards *

1. Measurement → amount
2. Recognition → when
3. Presentation → How
4. Disclosure → to inform public

* Accounting standards setting process *

↳ responsibility : ICAI

1. Identification of broad areas by ASB (Accounting Standard Board).
2. Constitution of study group by ASB.
3. Preparation of draft & its circulation.
   ↓
   (MCA, CBDT, SEBI, NFRA, etc)
4. Ascertainment of views of different bodies on draft (from their representative).
5. finalisation of exposure drafts and issuance for public comments.
6. Consider comments received on exposure draft & modify it, if required.
7. Issuance of Accounting Standard by ICAI.


ASs made by ICAI
applied to companies
by MCA in consultation with NFRA (National Financial Reporting Authority)
applied to others
indirectly through ICAI's members (CAs)